

9 PM Current Affairs Weekly Compilation

For UPSC CSE mains examination



1st Week

Feb. 2024

Features :

Arranged as per syllabus Topics
Most complete coverage of major
News Papers editorials

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GS Paper 1

Subject: Geography

Topic: Distribution of key natural resources across the world (including South Asia and the Indian subcontinent)

Trading of Water as a Commodity – The future of water

News: The article discusses the issue of the trading of water as a commodity. It also highlights the safeguards regarding access to water established by the Constitution and Supreme Court.

Recently, there have been reports of water being traded as a commodity (like gold, oil). For instance, a futures contract allows buyers and sellers to barter a fixed price for the delivery of a fixed quantity of water at a future date.

What are the concerns with the trading of water as a commodity.?

1. One should not put a value on water as it belongs to everyone and is a public good.
2. If water was traded as a futures commodity, then hedge funds, banks, large industrial and agricultural players would buy into it and marginalize vulnerable sections like small-scale farmers.

According to the author, if this happens, water scarcity will become a norm and water will become unaffordable for many.

What is the situation of water scarcity?

Water scarcity is caused by the overuse of groundwater, climate change, a warming planet and rapid migration to already overpopulated large cities.

Globally: The **UN 2023 World Water Development Report** notes that **26%** of the world's population does not have access to safe drinking water.

In India: The **World Bank** explains that India has 18% of the world's population, but **only 4% of its water resources**, making it among the most water-stressed in the world.

How do the Constitution and Supreme Court deal with issues of access to water?

1) Constitution:

a. **Article 262** provides that Parliament may by law provide for the adjudication of any dispute with respect to the use, distribution or control of the waters of any inter-State river or river valley.

Hence, **Inter-State Water Disputes Act, 1956** was enacted to deal with complaints by state governments against each other. For instance, Cauvery water dispute between Tamil Nadu and Karnataka.

b. **Article 39** provides that the state shall direct its policy towards securing that the ownership and control of material resources of the community are distributed to subserve the common good. Water would fall within this category of resources.

2) Supreme Court:

a. In **Narmada Bachao Andolan v Union of India (2000)**, the Court concluded that water is part of the right to life enshrined in Article 21.

b. In **A.P. Pollution Control Board II v Prof. M.V. Nayudu (2001)**, the court declared that it is the duty of the state under Article 21 to provide clean drinking water to its citizens.

Thus, a fundamental right for every Indian to access safe and clean water has been established. This may act as the deterrent against pricing water outside the reach of the average Indian.

How is pricing of water determined in India?

Water pricing is determined by states by the respective municipality frameworks. There is no central authority for the regulation of water pricing.

Subject: History

Topic: Modern Indian history from about the middle of the eighteenth century until the present- significant events, personalities, issues

On TN Governor's Remarks on Indian Freedom Struggle

News: The article discusses the Tamil Nadu Governor's remarks on the Indian Freedom Struggle.

Background:

The Tamil Nadu Governor was recently in the news due to a controversy over his interpretation of historical events which led to India's Independence.

What is the controversy?

1. **Minimal Role of the Quit India Movement:** The Governor held that the Quit India movement made little impact on the British decision to leave India.
2. **Key Role of INA and Soldier Mutinies:** It was insecurity felt by the British at Netaji Subhas Chandra Bose forming the Azad Hind Government and its army (INA) and in 1946 by the Naval Mutiny and the Air Force Rebellion.
3. **Lack of Recognition to Netaji Bose:** The Governor feels that Netaji was not given due recognition for his contribution to the country's Independence by the Congress party because of Jawaharlal Nehru and his successors.

According to the author, the Governor can have his own views, but he shouldn't have made them public while holding the office of Governor. He should've exercised restraint.

What is the truth in this interpretation?

1. **Importance of the Loyalty of Indian Soldiers:** It is true that the loyalty of Indian soldiers in the British Indian armed forces was a principal pillar of their rule in India. They were instrumental in the British conquering India.
2. **Key Role of the INA and Royal Naval Mutiny:** Most historians of the national movement acknowledge that the INA and the naval mutiny shook British confidence in the loyalty of the Indian members of their army in India. Hence, the Governor was right in praising Netaji Subhas Chandra Bose's great contribution in achieving Independence.

What are the issues with his interpretation?

Netaji and INA Not Sidelined: Despite ideological differences in leaders of the freedom movement none of them ever denigrated Netaji or the INA. Lawyers among them came together to defend the three officers — Prem Kumar Sehgal, Gurbaksh Singh Dhillon and Shah Nawaz Khan — at their court martial at the Red Fort in 1945-46.

Bhulabhai Desai, a great lawyer, led the defence which included Tej Bahadur Sapru, Jawaharlal Nehru and Kailas Nath Katju.

Subject: Indian Society

Topic: Population and associated issues

Demographics changes in India - Population growth committee

News: The article is about India's Finance Minister Nirmala Sitharaman announcing a committee in her 2024 budget speech to study India's population growth. This is to help meet the Viksit Bharat goal by 2047.

What is the status of demographics changes in India?

1. **Population Growth:** The fertility rate in India has reached a level where two parents are being replaced by two children, indicating a significant decline.
2. **Workforce Changes:** Data shows that 33% of India's population is aged 20-29 in 2024, but by 2047, the proportion of younger and older working-age populations will both be around 28%.
3. **State Variations:** In 2021, in Bihar, 44 working-age adults supported 100 dependents, while in Tamil Nadu, 50 adults supported the same. By 2051, this is expected to change to 47 adults in Bihar and only 24 in Tamil Nadu.
4. **Women in Workforce:** A study showed that in 1993, women spent about 14 years in childcare, which reduced to eight years by 2021. Yet, this hasn't led to a higher rate of women in the workforce.

What are the challenges of demographics changes in India?

1. **State-Specific Demographic Shifts:** In states like Bihar and Tamil Nadu, demographic changes are distinct. In 2021, Bihar had 44 working-age adults supporting 100 dependents, compared to 50 in Tamil Nadu. This will drastically change by 2051, with implications for economic support.
2. **Underutilized Female Workforce:** Despite the decrease in childcare time (from 14 to 8 years since 1993), women's increased participation in the workforce hasn't materialized, missing the chance to turn a demographic dividend into a gender dividend.
3. **Resource Allocation by the 16th Finance Commission:** The Commission will need to address the varied demographic changes and dependencies across different states, impacting inter-state resource distribution.

What should be done?

1. **Multidisciplinary Approach:** Engage demographers, economists, sociologists, and public policy experts to address the diverse and complex challenges of demographic changes.
2. **Invest in Workforce Skills:** To prepare for a future with more middle-aged workers, India needs to focus on skill development and training, especially for those already in the workforce.

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3. **Boost Women's Labor Market Participation:** To convert the demographic dividend into a gender dividend, there should be an increase in women's workforce participation. It can be done, possibly by improving childcare facilities through programs like Anganwadi and MGNREGA.
4. **Prepare for Aging Population:** Policies should be developed to make the elderly more self-sustaining, such as raising retirement ages and enhancing old age pension schemes.
5. **Natural Fertility Decline:** India should avoid strict population control like China's one-child policy. Instead, it should let the fertility rate naturally decrease and adapt to demographic changes.
6. **Resource Distribution:** 16th Finance Commission should focus on allocating resources based on the varying demographic needs and challenges of different states.

Situation of India's population -Population priorities

News: The article talks about a new committee being formed to address issues caused by India's rapid population growth and demographic changes. It also highlights the need for this committee to focus on related challenges, such as job creation and social security.

What is the current situation of India's population?

1. The Total Fertility Rate (TFR) in India has decreased to 2.
2. Some states like Bihar (2.98), Meghalaya (2.91), Uttar Pradesh (2.35), Jharkhand (2.26), and Manipur (2.17) have TFRs above 2.1.
3. The TFR has fallen from 5.7 in 1950 to 2 in 2020, showing significant reduction.
4. Southern States' population share decreased from 26% in 1951 to 21% in 2011, due to rapid TFR reduction.
5. This decrease in TFR is linked to better socio-economic outcomes and education in these regions.

What are the challenges of population changes?

1. **Aging and Urbanization:** The demographic shift and rising life expectancy in India are leading to new challenges in managing an aging population and rapid urbanization.
2. **Employment and Productivity:** With high unemployment and slow creation of non-farm jobs, there's a risk of not fully capitalizing on the demographic dividend.
3. **Social Security:** Adequate social security is crucial for the aging workforce, ensuring support in later years.
4. **Avoiding Distractions:** The committee should focus on these demographic challenges rather than getting sidetracked by issues of religion and immigration, as suggested by the ruling party.

What should be done?

1. **Form a Focused Committee:** Establish a high-powered committee to address issues arising from population growth and demographic changes.
2. **Job Creation and Social Security:** The committee should focus on creating jobs and improving social security, crucial for the working-age population.
3. **Avoid Distracting Issues:** The committee must avoid getting sidetracked by the ruling party's focus on religion and immigration, and instead concentrate on the actual demographic challenges.
4. **Utilize the Demographic Dividend:** Address the challenges to effectively harness the demographic dividend, such as high unemployment and the need for skilled job opportunities.

Topic: Salient features of Indian Society, Diversity of India

On Uttarakhand's Uniform Civil Code

News: The article discusses the Uniform Civil Code (UCC) in India, focusing on Uttarakhand's plan to adopt it. It's debated for potentially impacting religious freedom and minorities.

What is the Uniform Civil Code (UCC)?

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. For more information [read here](#).

What is happening in Uttarakhand regarding the UCC?

Uttarakhand's government is likely to pass the Uniform Civil Code (UCC) Bill in its ongoing session. A state-appointed panel, led by Justice Ranjana Prakash Desai, drafted the UCC, submitting the final report on February 2. The State Cabinet has approved this report. Specific changes include equal property share for Muslim women, revoking practices like polygamy and iddat, and maintaining current marriage age requirements.

What are the issues of adopting the UCC in Uttarakhand?

1. **Concerns from Tribal Communities:** Tribal groups, making up 2.9% of Uttarakhand's population, have not agreed to the UCC. The Van Gujjar tribe, particularly, is worried about the impact on their customs.
2. **Impact on Religious Freedom:** Critics fear the UCC could infringe upon religious freedoms and minority rights.
3. **Threat to Cultural Diversity:** There are concerns that UCC might dilute India's rich religious and cultural diversity.
4. **National Debate and Precedence:** The state's approach may set a precedent for other Indian states.

What are the different views on implementing the UCC nationwide?

Judicial View on UCC:

1. The Supreme Court, in the **Shah Bano Begum case (1985)**, highlighted the unfulfilled mandate of Article 44 regarding UCC.
2. In **Sarla Mudgal versus Union of India (1995)**, the Court again mentioned the UCC, stressing the complexity due to multiple personal laws.
3. The **John Vallamattom case in 2003** saw the Court reiterating its stance on the need for a UCC.

Despite these observations, **the Supreme Court has refrained from issuing directives to the government, noting law-making is Parliament's domain**, as seen in the 2021-2022 petition dismissals.

4. **On Uttarakhand's UCC Committee:** The Court referred to **Article 162**, highlighting the state's executive power to deal with matters within its legislative competence. It stated that **forming a committee under Entry 5 of the Concurrent List**, which covers personal law matters like marriage, divorce, and adoption, is within the state's authority and not unconstitutional.

Law Commission's View:

1. **21st Law Commission (2018):** Concluded that implementing a Uniform Civil Code (UCC) across India was neither necessary nor desirable at that time. Emphasized the importance of respecting India's cultural diversity and suggested reforming discriminatory practices within existing personal laws instead of a uniform code.
2. **22nd Law Commission (2021):** Showed a different approach by starting to gather public and stakeholder opinions on UCC. This shift indicates a renewed interest in exploring the feasibility and implications of implementing a UCC nationwide.

GS Paper 2

Subject: Indian Polity

Topic: Issues and challenges pertaining to the federal structure, devolution of powers and finances up to local levels and challenges therein

Kerala's protest against Net Borrowing Ceiling (NBC)-The severe erosion of fiscal federalism

News: The article discusses Kerala's protest against the Indian Central Government's Net Borrowing Ceiling (NBC), which limits the state's borrowing capacity. This restriction impacts Kerala's ability to fund pensions and welfare schemes, leading to claims that it violates the Constitution, prompting legal challenges.

What is the net borrowing ceiling (NBC)?

The Net Borrowing Ceiling (NBC) restricts state borrowings from various sources, such as the open market. To determine this ceiling, the Central Government subtracts state liabilities, including those from public accounts. Additionally, borrowings by state-owned enterprises, where the principal and/or interest are serviced out of the Budget, or through assignment of taxes or cess or any other State revenue, are also deducted from the NBC.

What are the arguments of the central government and Kerala for NBC?

Central Government's Arguments for NBC:

- a. Relies on Article 293(3) of the Constitution, requiring state consent for loans with outstanding central loans.
- b. Justifies NBC to ensure fiscal discipline and transparency, as recommended by the 15th Finance Commission Report.
- c. Includes state enterprise debts in NBC to prevent off-budget transactions and hidden liabilities.

Kerala's Arguments Against NBC:

- a. Contends that including state enterprise debts, like those of KIIFB, in NBC is constitutionally suspect.
- b. Notes that the 15th Finance Commission Report does not specifically recommend including state enterprise debts in NBC.
- c. Highlights Article 266(2) to argue that public account transactions are under state jurisdiction, questioning their inclusion in NBC calculations.
- d. Emphasizes the Kerala Fiscal Responsibility Act, 2003, arguing that it already ensures fiscal discipline, questioning the need for central intervention.

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e. References Article 202 of the Constitution and Entry 43 of the State List, asserting state control over its public debt and financial affairs, challenging the central imposition of NBC.

What are the implications of NBC?

1. **Restricts State Borrowing:** The NBC constrains states' borrowing capacity, impacting their financial independence.
2. **Impacts Infrastructure:** Kerala's inclusion of KIIFB debts under NBC limits funding for critical infrastructure projects.
3. **Affects Essential Services:** NBC's borrowing restrictions challenge states' ability to fund pensions and welfare schemes.
4. **Fiscal Federalism Concerns:** Kerala perceives NBC as an example of 'annihilative federalism', undermining state autonomy and altering India's federal balance.
5. **Legal Disputes:** Kerala's Supreme Court challenge against NBC underscores constitutional tensions regarding fiscal authority between the Centre and states

Way forward

A balanced approach is essential, where fiscal discipline and state autonomy are both respected. Reassessing the scope of NBC, in line with the 15th Finance Commission's recommendations, becomes crucial. This ensures states like Kerala can effectively manage their finances, uphold constitutional norms, and maintain the spirit of cooperative federalism.

Issue with financial transfers to states-Union government's reins on financial transfers to States

News: The article discusses how the Indian central government has reduced financial transfers to states, increased its own revenue through taxes and surcharges, and is spending more on its schemes rather than distributing funds to states.

What is the issue with financial transfers to states?

1. **Reduced Financial Transfers:** Despite recommendations (from finance commission) for states to receive 42% and 41% of the net tax revenue (revenue after deductions for collection costs, sharing with Union Territories, and cess and surcharges), they actually received a smaller share of the gross tax revenue (total collected revenue before any deductions): just 35% in 2015-16 and 30% in 2023-24.
2. **Growth in Union Government's Revenue:** The Union government's tax revenue more than doubled from ₹14.6 lakh crore in 2015-16 to ₹33.6 lakh crore in 2023-24. However, the states' share doubled from ₹5.1 lakh crore to ₹10.2 lakh crore, indicating a disproportionate increase.
3. **Decrease in Grants-in-Aid:** Direct financial support to states, in the form of grants-in-aid, declined from ₹1.95 lakh crore in 2015-16 to ₹1.65 lakh crore in 2023-24.
4. **Increase in Cess and Surcharge:** The collection from cess and surcharge, which is not shared with states, rose from 5.9% of the Union government's tax revenue in 2015-16 to 10.8% in 2023-24.
5. **Centralisation of Expenditure:** The Union government increased spending on its schemes like CSS and CSec, from ₹2.04 lakh crore to ₹4.76 lakh crore and ₹5.21 lakh crore to ₹14.68 lakh crore, respectively, reducing states' financial autonomy.

What impact does this have on state finances?

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1. **Strain on State Budgets:** Due to reduced transfers and grants, states face challenges in financing their programs and initiatives, impacting their ability to deliver public services effectively.
2. **Impact on Less Wealthy States:** Poorer states struggle more due to these financial constraints, exacerbating the inequality between states in terms of financial resources and development capabilities.
3. **Limited Fiscal Autonomy for States:** With the central government's increased control over financial resources, states have less freedom and flexibility in their spending, impacting their ability to address local needs and priorities.
4. **Impact on Fiscal Federalism:** This trend towards more centralised control over finances, with less revenue sharing with states, goes against the principles of cooperative federalism.
5. **Potential Bias in Resource Allocation:** The possibility of the Union government favoring certain states or regions through Central Sector Schemes, due to their complete funding by the central government, raises concerns of unequal treatment among states.

Way forward

To promote balanced fiscal federalism, the Union government should adhere to the Finance Commission's recommendations on revenue sharing. Increasing statutory transfers to states and ensuring equitable allocation of funds across all regions are vital. This approach will enhance states' financial autonomy and support equitable development.

Revised delimitation exercise-Understanding the delimitation exercise

News: The article discusses how constituencies for India's Lok Sabha and state assemblies are drawn based on population. It explains the process of delimitation, which is adjusting the number and boundaries of these constituencies. The article also explores various approaches to this process, including international practices, and suggests a balanced solution that respects both democratic and federal principles.

What is delimitation?

Delimitation is the act or process of fixing limits or boundaries of territorial constituencies in a country to reflect the changes in population.

For more information [read here](#)

What are the challenges with the revised delimitation exercise?

1. **Impact of Census Postponement:** Normally, delimitation based on the 2031 Census would occur, as it would be the first Census after 2026. However, the postponement of the 2021 Census and the approaching year 2026 have accelerated discussions on the upcoming delimitation exercise.
2. **Disparities in Population Growth:** In the federal system, which advocates for equal state representation, states like Kerala and Tamil Nadu, which have effectively controlled population growth, might lose seats to rapidly growing states like Uttar Pradesh and Bihar. This disparity risks creating feelings of unfairness and disenchantment among the effectively managed states, potentially leading to an imbalance in representation.
3. **Debated Options:** There are two key options under discussion. One is to keep the Lok Sabha seats at 543 and reallocate them based on new population data. The other is to increase the seats to 848, ensuring proportional representation for all states. However, the first option may favor more populous states, while the second could result in a too-large Lok Sabha without fully resolving underrepresentation issues for less populous states.

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For more information [read here](#)

What are international practices?

1. **In the United States**, the House of Representatives has maintained a fixed number of 435 seats since 1913. The distribution of these seats across states is adjusted after each Census using the '**method of equal proportions**'. This ensures balanced representation despite population changes. For instance, following the 2020 Census, 37 states experienced no change in their seat allocation, Texas gained two seats, while five other states gained one seat each, and seven states lost one seat.
2. **In the European Union**, the EU Parliament, with 720 members, employs '**degressive proportionality**' for seat allocation among its 27 member countries. This method ensures a more equitable representation relative to the population size of each country. For example, Denmark, with a population of around 6 million, has 15 seats, whereas Germany, with a significantly larger population of 83 million, holds 96 seats, demonstrating the varying population-to-seat ratios.

What should be done?

1. **Maintain Lok Sabha Seats:** Keep the number of Lok Sabha seats capped at 543 to prevent disruptions in current state representations and uphold federal principles.
2. **Adjust State Assembly Seats:** Increase the number of seats in state assemblies according to current population trends, but without altering the number of Rajya Sabha seats.
3. **Empower Local Bodies:** Strengthen local governance by significantly enhancing the powers and financial resources of panchayats and municipalities, fostering democracy at the grassroots level.

Topic: Indian Constitution- historical underpinnings, evolution, features, amendments, significant provisions and basic structure

Significance of 'We the People' in the Constitution - The path towards a pluralist civil society

News: The article discusses a debate in India about missing words 'Socialist' and 'Secular' in the Constitution given to Parliament members. It emphasizes the importance of 'We the People' and criticizes elite dominance in public debates.

What is the significance of 'We the People' in the Constitution?

1. **Located in the Preamble:** The phrase 'We the People' is prominently featured in the Preamble of the Indian Constitution, setting the tone for its contents and intentions.
2. **Representation of Popular Sovereignty:** 'We the People' in the Indian Constitution represents the idea that power and sovereignty reside with the people, not just the government or specific groups.
3. **Root of Constitutional Promises:** It anchors the Constitution's goals of securing justice, liberty, and equality for all Indian citizens, as stated in the Preamble.
4. **Support for Non-Elite Movements:** Movements like the farmers' protests and actions against caste-based violence show how marginalized groups use the spirit of 'We the People' to assert their rights and participate in democracy.
5. **Contrast to Elite Dominance:** While public discourse is often dominated by elite groups, 'We the People' signifies the need for inclusive participation from all social segments.

What role do the elite play in public discussions?

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In India, the elite, often well-educated and from higher social classes, dominate public discussions, overshadowing marginalized voices. Their control in media, academia, and activism leads to a skewed representation, mostly male and upper-class. Emulating Western discourse, they sometimes dismiss grassroots movements as irrational, lacking diverse perspectives and broader societal context.

What were the views of Ambedkar and Gandhi on the Constitution?

Ambedkar's Views on the Constitution:

1. **Integration of Principles:** Ambedkar saw the Constitution as embracing liberty, equality, and fraternity as interlinked principles of life.
2. **Critique of Legal Reliance:** He cautioned against relying solely on laws for liberty or equality, highlighting the importance of societal morality.
3. **Balance of Values:** Ambedkar emphasized that liberty, equality, and fraternity cannot be separated and must balance each other to prevent dominance by a few.

Gandhi's Views on the Constitution:

1. **Swaraj - Self-Realization:** Gandhi's concept of 'Swaraj' was not just about political independence but a deeper self-realization leading to substantive freedom and equality.
2. **Satyagraha as a Path:** He saw 'satyagraha', or non-violent resistance, as a means to achieve Swaraj, focusing on truth and love.
3. **Personal Sovereignty:** Gandhi viewed sovereignty as not just a state's power but as an everyday practice by individuals, emphasizing personal responsibility and ethical conduct.

Way forward

The way forward involves embracing a pluralistic civil society where every community, particularly non-elite groups, actively participates. It requires fostering dialogue and understanding across various social strata, recognizing grassroots movements as vital expressions of democracy. This approach aligns with Ambedkar's vision of constitutional morality and Gandhi's concept of Swaraj, promoting a more equitable and representative democratic society.

Subject: Governance

Topic: Government policies and interventions for development in various sectors and issues arising out of their design and implementation

Internet Suspensions in India - The great Indian Internet shutdown

News: The article discusses how the Indian government frequently shuts down the internet, which violates a Supreme Court ruling and negatively impacts the economy and public trust.

What was Anuradha Bhasin judgment?

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1. **Recognition of Internet as a Fundamental Right:** The Anuradha Bhasin judgment, in January 2020 by the Supreme Court of India, declared that access to the Internet is a fundamental right under the Indian Constitution.
2. **Context of the Judgment:** This decision came from the case Anuradha Bhasin vs Union of India, which was in response to internet restrictions in Jammu and Kashmir.
3. **Conditions for Internet Restrictions:** The Court ruled that any government restriction on internet access must be temporary, lawful, necessary, and proportionate.
4. **Review of Restrictions:** The ruling emphasized that government orders to restrict internet access are subject to judicial review.
5. **Expectation of Limited Suspensions:** The judgment was expected to limit internet suspensions to extreme cases involving public emergencies or safety threats.

What actions have been taken by the Parliament in relation to internet suspensions in India?

1. **Amendment to Telecom Suspension Rules in 2020:** The Indian Parliament amended the Telecom Suspension Rules, 2017, following the Supreme Court's judgment. This amendment limited Internet suspension orders to a maximum of 15 days. The amendment did not mandate the publication of suspension orders, nor did it include the Supreme Court's direction for periodic review of these orders.
2. **Non-Statutory Recognition of Court Rulings:** The government has not given statutory recognition to the Supreme Court's directives in the Anuradha Bhasin judgment, leading to a lack of awareness and compliance among officials.

What is the issue with internet suspensions in India?

1. **Violation of Supreme Court Ruling:** Despite the Anuradha Bhasin judgment declaring internet access a fundamental right, India frequently imposes internet shutdowns.
2. **Lack of Transparency in Suspension Orders:** The government often fails to publish the reasons for internet shutdowns, undermining legal processes and public trust.
3. **Challenges in Legal Redressal:** Without publicly available suspension orders, it's difficult for citizens to challenge shutdowns in court.
4. **Non-Compliance Across India:** Compliance with the Anuradha Bhasin judgment is low nationwide, not just in Jammu and Kashmir.

What are the impacts of internet suspensions in India?

1. **Economic Losses:** In 2020, India suffered a \$2.8 billion economic loss due to 129 internet suspensions.
2. **Effect on Individuals:** Around 10.3 million people were affected by these shutdowns.
3. **Disruption in Daily Life:** Internet suspensions hinder access to information, healthcare, education, and livelihood opportunities.
4. **Psychological and Social Impact:** They cause psychological stress and hinder social and journalistic activities.
5. **Exacerbates Inequality:** The majority of users rely on mobile data (97.02% as per 2019 TRAI report), so suspensions disproportionately affect those without broadband access.
6. **Undermines Democracy:** Internet shutdowns are often used to suppress democratic exercises like protests, limiting freedom of expression and access to information.

Way forward

The way forward includes more faithful compliance with the Supreme Court's guidelines by the executive government. This adherence is essential for maintaining transparency in issuing and publishing suspension orders, which is crucial for upholding fundamental rights. Such steps will also contribute to reducing economic

losses and shedding India's tag as the "internet shutdown capital" of the world, thereby fulfilling the potential of Digital India.

Subject: Social Justice

Topic: Issues relating to Health

Sanitation coverage in India - A critical view of the 'sanitation miracle' in rural India

News: The article discusses how India improved public sanitation from 2014 to 2019, moving towards being Open Defecation Free. However, challenges remain in ensuring toilet use and addressing social norms.

What is the current status of sanitation coverage in India?

Access to water and sanitation is **Goal 6 in the 17 Sustainable Development Goals** envisaged by the United Nations.

Sanitation coverage in India significantly **improved from 39% in 2014 to 100% in 2019**, as per the Government of India.

The Swachh Bharat Mission-Grameen (SBM-G), launched in 2014, aimed to make India Open Defecation Free (ODF) by October 2019.

- The government's current goal is to transition from ODF to ODF Plus by 2024-25, with about 85% of villages already achieving ODF Plus status.
- The National Annual Rural Sanitation Survey (NARSS) Round-3 (2019-20) reports that 95% of India's rural population had access to toilets. Of these, 79% owned their toilets, 14% shared facilities, and 1% used public toilets.
- Although 96% of these toilets were functional and had water access, **only 85% of the rural population used safe and hygienic toilets.**
- Toilet access varied by caste, with 97% for upper castes and 95% for Scheduled Castes.
- The upper castes showed a higher percentage of toilet non-use compared to backward castes.
- Between 2014 and 2019, approximately 10 crore toilets were constructed under the SBM-G.

What are the issues with sanitation coverage in India?

- Incomplete Usage Despite Access:** While sanitation coverage improved to 100% by 2019, only 85% of rural Indians use safe and hygienic toilets, indicating a gap in actual usage.
- Quality and Infrastructure Issues:** Problems like malfunctioning facilities, unhygienic conditions, and structural issues like full pits or collapsing superstructures hinder toilet usage.
- Water Scarcity Impact:** Lack of water access, especially in rural areas like Gujarat's Dahod district, leads to higher non-use of toilets.
- Behavioral and Social Norms:** Cultural norms and behaviors affect toilet usage, with some households using them for purposes other than defecation.
- Caste-Based Variances:** Toilet access and usage vary across castes, with upper castes surprisingly showing higher rates of non-use.
- Challenges in Larger Households:** Larger households often struggle with toilet usage due to overcrowding and limited facilities.

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What initiatives have been taken for sanitation coverage in India?

1. **Central Rural Sanitation Programme (CRSP):** Launched in 1986, it was India's initial step towards improving rural sanitation with substantial subsidies.
2. **Total Sanitation Campaign:** Started in 1999, this marked a shift to a lower subsidy, demand-driven approach.
3. **Swachh Bharat Mission-Grameen (SBM-G):** Launched in 2014, this mission aimed to make India Open Defecation Free (ODF) by October 2019. The government aims to transform India from ODF to ODF Plus by 2024-25.
4. **Phase II of SBM-G:** Focuses on sustainability, promoting solid and liquid waste management, and covering households left out earlier.
5. **National Annual Rural Sanitation Survey (NARSS):** Conducted to assess rural sanitation coverage, showing 95% of rural India having toilet access.

What should be done?

1. Focus on changing cultural and social norms to increase actual toilet usage.
2. Ensure toilets are functional and hygienic, addressing issues like collapsing structures and full pits.
3. Focus on households that were not covered in the initial phases, particularly in rural areas.
4. Tailor strategies to be sensitive to the variations in toilet usage across different social and caste groups.
5. Align sanitation initiatives with other related programs like the Jal Jeevan Mission for better outcomes.

Topic: Issues relating to development and management of Social Sector

Status of social sector in India-The problem of moving attention away from services

News: This article discusses the Indian Finance Minister's budget speech, highlighting the government's achievements over the past 10 years and its plans for future spending. It critiques the speech for lacking major new announcements and questions the government's claims about poverty reduction and income growth.

What is the current status of social sector in India?

1. **Multidimensional Poverty:** The government claimed to have lifted 25 crore people out of multidimensional poverty in 10 years.
2. **Income Levels:** It's noted that average real income reportedly increased by 50%, but this average doesn't reflect changes in the poor's lives.
3. **Real Wages:** Real wages have been stagnant, with rural worker earnings barely increasing from \$3 in 2004-05 to \$4.80 in 2014-15.
4. **Job Scenario:** The increasing share of agriculture in employment and high demand for jobs under MGNREGS suggest limited non-agricultural job opportunities.
5. **Women's Labor Force Participation:** The increase in women's participation is viewed more as a sign of economic distress rather than improvement.

What are the provisions for the social sector in the Budget for 2025?

1. **Overall Social Sector Funding:** The 2025 Budget maintains most social sector scheme allocations at levels similar to the previous year.

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2. **Education Sector:** Allocations for school and higher education departments show nominal increases compared to last year's BE, around 6-8%.
3. **Health and Family Welfare:** The health and family welfare departments also received similar nominal increases.
4. **Anganwadi Centres:** The budget for Saksham Anganwadi at ₹21,200 crore is slightly lower than the RE of ₹21,523 crore for 2023-24.
5. **Mid-Day Meal Scheme:** The PM-POSHAN budget for school mid-day meals is ₹11,600 crore, compared to the RE of ₹12,800 crore for 2023-24.
6. **Social Assistance Programs:** The allocation for the National Social Assistance Programme, which includes pensions, was only ₹9,652 crore, lower than the ₹10,618 crore in 2014-15.

Way forward

To ensure balanced development, the government needs to prioritize basic education, health, and nutrition, which have been overshadowed by high-profile schemes (such as the Awas Yojana or sanitation). Addressing these fundamental areas, along with creating diverse employment opportunities, is crucial for reducing inequalities and fostering a more inclusive and sustainable economic growth.

Subject: International Relations

Topic: India and its neighborhood- relations

India Sri Lanka Fishermen Issue - Unending woes

News: The article discusses the frequent arrests of Tamil Nadu and Puducherry fishermen by the Sri Lankan Navy. These fishermen are accused of illegally entering Sri Lankan waters, affecting local livelihoods, and using harmful fishing methods.

What are the reasons for the arrest of Indian fishermen by Sri Lanka?

1. **Crossing Borders:** Indian fishermen often enter Sri Lankan waters, leading to their arrest. For example, 69 fishermen have been arrested this year for such violations.
2. **Destructive Fishing Practices:** They are accused of using bottom trawling, which is banned in Sri Lanka since July 2017. This method is harmful to marine life and the livelihood of Sri Lankan fishermen.
3. **Geographical Constraints:** Under the Tamil Nadu Marine Fishing Regulation Act 1983, Indian fishermen can operate only beyond three nautical miles from their coast. The proximity of the International Maritime Boundary Line, just nine nautical miles away, leads to frequent unintentional crossings.
4. **What are the implications of the arrest of Indian fishermen by Sri Lanka?**
5. **Increased Tensions:** The arrests contribute to ongoing tensions between India and Sri Lanka, affecting diplomatic relations.
6. **Humanitarian Concerns:** The fishermen face long detentions, with some remaining in custody for months. This raises humanitarian issues.
7. **Financial Losses:** The confiscation of expensive fishing equipment, like nets and boats, leads to significant financial hardships. In 2024, 10 boats were seized.

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8. **Impact on Diplomatic Relations:** Despite high-level diplomatic interventions, including agreements for periodic meetings and working groups, the issue remains unresolved, indicating strained relations between India and Sri Lanka.

What should be done in this situation?

1. **Promote Alternative Fishing Methods:** As India has promised to end bottom trawling and incentivize deep-sea fishing under the Blue Revolution Scheme, more efforts are needed to ensure this transition.
2. **Respect Maritime Boundaries:** Educate and equip fishermen to avoid crossing into Sri Lankan waters, considering the close proximity of the International Maritime Boundary Line.
3. **Regularize Diplomatic Talks:** Implement the agreed-upon bi-annual meetings between the Ministers of Fisheries and ensure the Joint Working Group on Fisheries meets every three months as planned.
4. **Address Humanitarian Concerns:** As emphasized by India's Prime Minister, treat the issue as a humanitarian concern, focusing on the well-being of the fishermen and their families.

Topic: Important International institutions, agencies and fora- their structure, mandate

Issue with WTO's Dispute Settlement Mechanism (DSM)

News: Issue with WTO's Dispute Settlement Mechanism (DSM), The article discusses the issues with WTO's dispute settlement mechanism (DSM) and the possible options available in front of developing countries.

A detailed article on the **Dispute Settlement Mechanism of the WTO** can be [read here](#).
A detailed article on **WTO reforms and India** can be [read here](#).

What is WTO's Dispute Settlement Mechanism (DSM)?

WTO's DSM comprises a binding **two-tiered process** with a **panel** and an **appellate body (AB)**. The AB hears appeals from the decisions rendered by WTO panels and is a permanent judicial body of 7 independent members with compulsory jurisdiction over all WTO members.

What are The Issues with WTO's DSM?

Since the end of 2019, this mechanism stands non-functional because the US, which lost several critical disputes before it, has blocked the appointment of new members.

This has made the WTO toothless. Countries are avoiding complying with the WTO panel rulings.

At the 12th WTO ministerial meeting, countries resolved to create a fully functioning DSM by 2024. India and several developing countries have rightly demanded the body's restoration.

What are The Options Available with The Developing Countries?

Since the US is unlikely to change its stance, developing countries have three options to maintain a two-tiered DSM at the WTO:

1. **Join the European Union-led multi-party Interim Appeal Arbitration Arrangement (MPIA):** It formalises the mechanism for arbitration already available under the WTO to provide the appellate review for panel reports.

2. **An AB with Diluted Powers:** US may consider an AB with limited powers (such as stating that AB rulings will not have a persuasive value).

However, a diluted AB will be antithetical to the role that WTO law expects the DSM to play.

3. **Voluntary Compliance to the AB:** In this scenario, countries will have the option to opt out of AB's compulsory jurisdiction. A country opting out cannot participate in an appellate process either as a complainant or as a respondent.

What Should be The Way Forward for India?

India and other developing countries should continue striving for the restoration of the AB in the form it existed till 2019. However, if this doesn't happen, India should prefer an AB for only willing countries, as per the author.

Topic: Bilateral, regional and global groupings and agreements involving India and/or affecting India's interests

On India-France Bilateral Cooperation – What makes the India-France 'strategic partnership' tick

News: The article discusses the areas of cooperation in the India-France Bilateral Relations.

A detailed article on **India-France Bilateral Relations** can be [read here](#).

Background:

French President Macron recently visited India as the Chief Guest for the Republic Day Parade. According to the author, it highlights the personal ties that he and Indian PM have established, and the importance of the Indo-French relationship.

What are the areas of cooperation in the India-France Bilateral Relations?

Shared Values	<p>a. Both countries espouse multipolarity. This forms a natural convergence with India's ambitions of seeking strategic autonomy.</p> <p>b. Both France and India share a common 'civilisation exceptionalism' (being unique).</p>
Defence Sector Cooperation	<p>a. Collaboration between Safran and DRDO for producing an aircraft engine for India's 5th generation aircraft with 100% transfer of technology is proposed.</p> <p>b. 6 Scorpene submarines have been built by Mazagon Dock Shipbuilders Limited with transfer of technology from France.</p> <p>c. Joint exercises between the navies, air forces and the armies have been instituted.</p> <p>d. Agreement for 36 Rafale aircraft was concluded.</p> <p>e. A further acquisition of 3 more Scorpenes with enhanced features of air-independent-propulsion and 26 Rafale M aircraft for India's new aircraft carrier was made.</p>
Space Sector Cooperation	<p>a. Indian Space Research Organization (ISRO) and the French Space Agency (CNES) work on joint missions.</p> <p>b. MoU was signed by NewSpace India Limited, the commercial arm of ISRO, and French satellite launch company Arianespace for collaboration on space launches.</p> <p>c. Both are looking to work together in optimising space defence domain awareness.</p>

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People-to-People Contacts	a. The target for Indian students going to France for higher education is now 30,000 by 2030. b. The Young Professionals Scheme under the Migration and Mobility Partnership Agreement is being operationalised. c. UGC's permission for foreign universities setting up campuses in India will ensure French universities can have presence in India.
Economic Cooperation	a. There are nearly 1,000 French companies in India while nearly 150 Indian businesses have established a presence in France. b. France can become an entry point for Indian companies to Europe post-Brexit.
Miscellaneous	a. Joint working groups on agriculture, environment, civil aviation, IT and telecom, urban development, transportation, culture and tourism have been set up over the years. b. Cooperation has expanded to include counter-terrorism, intelligence sharing and cyber-security issues . c. Convergence on global challenges such as climate change, reform of multilateral development institutions, globally beneficial AI, and ongoing conflicts in Ukraine and Gaza is also evolving.

According to the author, the strategic partnership between India and France does not require convergence on all issues, but sensitivity to each other's interests. This is where India-France ties reflect maturity and resilience.

GS Paper 3

Subject: Indian Economy

Topic: Indian Economy and issues relating to planning, mobilization, of resources, growth, development and employment

Restrictions on Paytm Payments Bank

News: The article discusses how the Reserve Bank of India (RBI) created payments banks to reach unbanked people. It mentions Paytm Payments Bank's repeated compliance issues and the RBI's strict regulations for banks to ensure their reliability and protect the economy.

What is Payments Banks?

There are two kinds of banking licenses that are granted by Reserve Bank of India –Universal bank license and differentiated bank license. Payment Banks comes under a differentiated bank license since it cannot offer all the services that a commercial bank offers.

For more information [read here](#)

What are the actions taken by RBI against Paytm Payments Bank?

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The Reserve Bank of India (RBI) has imposed restrictions on Paytm Payments Bank Ltd (PPBL) effective after February 29, 2024. These restrictions include:

- 1) Barring PPBL from accepting new deposits or top-ups in customer accounts, wallets, or FASTags.
- 2) Stopping the bank from offering certain services like fund transfers and UPI facilities.
- 3) Directing the termination of Nodal Accounts linked to One97 Communications and Paytm Payments Services Ltd.

Why did RBI take these actions?

The RBI took these actions against Paytm Payments Bank due to ongoing non-compliance and supervisory concerns. Audit reports revealed persistent issues, necessitating strict supervisory action. These concerns raised doubts about the operational integrity of the bank, leading to the imposition of restrictions.

What are the implications of actions taken by the RBI against Paytm Payments Bank?

1. **Disruption of Services:** The RBI's directive halts Paytm Payments Bank's basic banking functions, affecting transactions through UPI, IMPS, and Aadhaar-enabled payments.
2. **Impact on Reputation:** The repeated compliance problems of Paytm Payments Bank have led to actions by the Reserve Bank of India. Such recurring issues and regulatory interventions can significantly damage the bank's reputation. It will undermine public trust and confidence in the banking services. This could have broader implications for its credibility and customer loyalty.
3. **Effect on Related Businesses:** Paytm is involved in more than banking. Problems in the payment bank can negatively influence its other digital payment services, as well.

What should be done?

1. **Enhance Compliance:** Paytm Payments Bank needs to strictly follow RBI's rules to avoid future issues, learning from past mistakes in 2022 and January.
2. **Regular 'Fit and Proper' Assessments:** Continuously evaluate the bank to ensure it meets the RBI's 'fit and proper' standards for credibility and integrity.
3. **Protect Other Businesses:** Given its involvement in digital payments, Paytm must ensure that the bank's compliance issues do not harm its other services.

Internationalisation of government bonds – Significance and challenges

News: In September 2023, J.P. Morgan announced the inclusion of Indian local currency government bonds in its GBI-EM index from June 2024, a significant step for India's financial market. Following this, Bloomberg Index Services in January 2024 proposed adding India's FAR bonds to its index. Now, the focus shifts to FTSE Russell, which has kept India on its watchlist for a potential upgrade, highlighting the anticipation of reforms in India's government bond market by global investors.

What initiatives has the Indian government taken to incorporate government bonds into global indices?

1. **Introduction of the Fully Accessible Route (FAR) in 2020:** This allowed foreign investors to invest in a segment of government bonds without constraints.
2. **Engagement with Global Index Providers:** India's discussions with major index providers like J.P. Morgan and Bloomberg have been pivotal. J.P. Morgan announced the inclusion of Indian bonds in its index in September 2023, followed by Bloomberg in January 2024.

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3. **Report by RBI's Inter-Departmental Group in 2022:** This outlined the strategy for integrating Indian LCGBs into global indices and the internationalization of the rupee.
4. **Negotiations on Policy Challenges:** India has been addressing issues such as capital gains taxes and local settlement to make its bonds more attractive to international investors.

What is the significance of incorporating government bonds into global indices?

1. **Attracting Foreign Investment:** Incorporating Indian government bonds into global indices opens the door for significant foreign investment in India's bond market.
2. **Reducing Borrowing Costs:** This move can lower the cost of borrowing for India. The influx of foreign funds into **Local Currency Government Bonds (LCGBs)** tends to reduce domestic interest rates.
3. **Facilitating Financing:** It aids in financing India's fiscal and current account deficits by attracting institutional investors with long-term investment horizons.
4. **Internationalizing the Rupee:** It's a step towards making the Indian rupee a globally recognized and used currency, as shown by RBI's initiative to integrate LCGBs into global indices.
5. **Mitigating "Original Sin" Problem:** By borrowing in local currency, India mitigates the risk associated with borrowing in foreign currencies, which has historically led to financial crises in emerging economies.

Note: Original sin, a concept coined in 1998, refers to the inability of a country to borrow foreign debt in its own currency. This leads to currency mismatches on the balance sheet, especially in developing countries. It affects a country's exchange rate, increases debt costs during economic downturns, and lowers credit ratings, impacting capital flow stability and output volatility.

What are the issues associated with incorporating government bonds into global indices?

1. **Loss of Financial Autonomy:** Including bonds in global indices can reduce a country's control over its long-term interest rates, making it more susceptible to global financial changes.
2. **Increased Market Volatility:** This integration exposes the market to greater volatility, as seen in the aftermath of events like the 2008 Lehman crisis and the 2013 US Federal Reserve policy shift.
3. **Risk of Rapid Capital Outflow:** In times of crisis or uncertainty, foreign investors may quickly withdraw, destabilizing the market. Examples include Malaysia in 2014-15 and Türkiye after 2018, where rapid exits of foreign investors led to currency devaluation and reserve losses.
4. **Exchange Rate Risk:** Local currency bonds carry the risk of currency depreciation, which can lead to increased costs for servicing debt and potential economic instability.

Way forward

To progress, India must balance attracting foreign investment through bond market inclusion with managing potential financial risks. Learning from Malaysia and Türkiye's experiences, India should maintain financial stability while advancing the internationalization of the rupee, as outlined by the RBI's 2022 report.

Capex in the Indian Economy

News: The article discusses India's economic recovery after COVID-19, focusing on increased government spending on infrastructure (capex) and investments. It mentions a rise in exports, improvements in domestic investments, and specific budget allocations for infrastructure, defense, and green energy projects.

What is the current status of capex in the Indian Economy?

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1. **Investment Ratio Improvement:** India ranks fourth in the G-20 for investment ratio improvement post-COVID-19, following Mexico, Italy, and South Africa.
2. **Investment Ratio Increase:** India's investment ratio improved to 29.8% of GDP in 2023-24 from 27.3% in 2020-21.
3. **Public Sector Enterprises (PSEs):** PSEs are spending less, with a 10% contraction in capex in 2024.
4. **Reduced Gross G-Sec Borrowing:** With a decrease to ₹14.13 trillion, the lowest in three years, it's expected to improve the private sector's access to funds at potentially lower interest rates.

What are the special provisions for capex in the Budget for 2025?

1. **Record Capex Allocation:** The 2025 budget sets a high capex of ₹11.11 trillion, the highest in two decades, focusing on infrastructure and economic development.
2. **Railway Projects:** A significant portion of the budget is dedicated to railway infrastructure, including the development of three major rail corridors for better logistics and connectivity. Additionally, 40,000 rail bogies will be upgraded to Vande Bharat standards.
3. **Defense Sector Boost:** Defense capex is allocated ₹1.72 trillion, underlining the emphasis on self-reliance (Atmanirbhar Bharat) in defense. This includes new schemes for deep-tech technologies.
4. **Loans and Advances:** The budget plans for loans and advances to jump to ₹1.71 trillion in 2025, supporting state-level capex initiatives, especially in infrastructure.
5. **Housing Expansion:** The budget expands the PM Awas Yojana (Grameen), aiming to add two crore houses over five years, boosting the affordable housing sector and rural infrastructure.
6. **Green Energy Push:** Promoting green energy, the budget includes providing one crore households with 300 units of free electricity per month through rooftop solarisation, fostering solar asset creation in rural areas.
7. **Fiscal Consolidation:** The fiscal deficit target is set at 5.1% of GDP in the FY25 Interim Budget, lower than the expected 5.3%-5.4%, balancing the reduced PSE capex and signifying fiscal discipline.

What are the challenges faced by capex in the Indian Economy?

PSE Capex Slowdown: The PSE capex budget for 2024 was slashed from ₹4.88 trillion to ₹3.26 trillion, leading to a contraction of 10% in spending. This decrease marks a challenge for India's overall capex growth, as the PSE capex to GDP ratio is projected to drop to 1.0% in 2025, the lowest in recent years.

Way forward

The way forward for India involves leveraging its increased capex allocation, particularly in infrastructure and defense, to stimulate economic growth. Continued investment in housing and green energy initiatives is crucial. Addressing the slowdown in Public Sector Enterprises' spending and maintaining fiscal discipline, as evidenced by the lower-than-expected fiscal deficit target, are key to sustaining long-term economic health and development.

On Issues with India's Public Finance – Strategic thinking in public finance

News: The article discusses the issues with India's public finance and highlights steps that should be taken to tackle these challenges.

What are the issues with India's public finance?

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- 1. Interest Payments:** About 40% of revenue receipts now go to interest payments.
- 2. Highly Leveraged:** Over leverage (which demands debt servicing) and operational leverage (commitments to pay wages and pensions) limit the fiscal space for government spending.
Note: Whenever a company or an individual business is termed as over leveraged, it means that the debt on them is more than the equity
- 3. Sources of Borrowing:** The bulk of the borrowing of the Indian state comes from financial firms (insurance companies, pensions, and banks) which are forced to buy government bonds. This is called “a financial repression” system.

What is Primary Deficit?

The primary deficit focuses on the difference between government revenues and spending, excluding interest payments. If there is a primary surplus, the debt/GDP ratio will decline.

What should be done?

- 1) Voluntary Sources of Borrowing:** Forcible resource mobilisation should be curtailed. This will help build a cadre of private voluntary lenders. This becomes the foundation for enhanced borrowing when faced with a crisis.
- 2) Maintain Primary Surplus:** This would create the fiscal space to occasionally run primary deficits, in response to events like a war, a global financial crisis, or a global pandemic.

This will open access to vast resources for the country when faced with a crisis and create a healthy environment for high growth.

Higher tax-to-GDP ratio needed

News: The article discusses the need for maintaining a higher Tax-to-GDP ratio. It also highlights the importance of increasing GST in this regard, and the steps being taken.

A detailed article on **Interim Budget 2024** can be [read here](#).

What are the issues with the Indian economy?

Experts have pointed out that while growth has rebounded after the pandemic, the following are the major issues:

1. High levels of unemployment, especially among the young.
2. Lagging private investments.

In this regard, the government compensated for inadequate private investment by increasing its own investment, however, this puts a strain on the fiscal deficit.

How can the government maintain the high level of investments?

This requires the tax-to-GDP ratio to move to at least 20% in the medium term, compared to the present level of 17-18%.

What would be needed to increase the tax-to-GDP ratio?

This would require GST contributions to move from 6.4% of GDP now to at least 7.5% of GDP. Achieving it would require the average incidence of GST duty to increase from the present 11.8% to the 14.8% that was prevalent in the pre-GST period.

How can GST be increased?

- 1) **Rate Rationalisation:** An increase in the merit rate of 5% and the peak rate of 28%, along with the phasing out of GST exemptions can be implemented.
- 2) **Expanding the Manufacturing Base:** It has to increase as GST collections depend on value addition in manufacturing, which contributes to 65% of the GST collected.
- 3) **Revamping the Services Sector:** The services sector's contribution to GST is only 35%. This is because it largely covers low value-adding units in the informal sector.

What has the government done in this regard?

- 1) A Committee under the Finance Minister of Uttar Pradesh has been constituted for GST rate rationalisation.
- 2) The government has identified new sunrise sectors such as electric vehicles, renewable energy and network electronics, which can contribute to expanding the manufacturing base.

What should the government do about the problem of unemployment?

Government should lower the cost for labour-intensive sectors such as apparel, leather and food processing by bringing down the Custom duties on critical raw materials and components.

Disinvestment in India-Has disinvestment lost priority or got held up?

News: The article discusses India's slow progress in selling government-owned business shares, known as disinvestment. Despite plans to sell more, they have not met their targets.

What is the current status of disinvestment in India?

1. **Disinvestment Target vs. Achievement:** The Indian government planned to raise ₹51,000 crore through disinvestment in 2023-24 but has only achieved ₹12,504 crore so far.
2. **Trend over the Years:** There has been a declining trend in disinvestment targets and achievements. After an initial rise until 2020-21, the targets have been decreasing for three consecutive years.
3. **Comparison with Past Performance:** The government has consistently fallen short of its disinvestment goals, except in 2017-18 and 2018-19.

What are the benefits of disinvestment?

1. **Bridging Fiscal Gaps:** Disinvestment helps in raising funds for the government, aiding in managing fiscal deficits. The article mentions the target of ₹51,000 crore set for 2023-24 as an example.
2. **Enhancing Economic Efficiency:** Private sector participation is believed to bring greater efficiency. The disinvestment of Air India is cited as an instance where such a move can lead to improved business operations.
3. **Promoting Market Discipline:** The exposure of state-owned enterprises to market competition can lead to better management practices and operational efficiency.

What are the reasons for the slow progress of disinvestment in India?

1. **Regulatory and Labor Hurdles:** The process is complicated by regulatory approvals and labor relations, making it a slow and challenging task.
2. **Political Challenges:** There is significant political resistance, with opposition parties criticizing the sale of state-owned enterprises. This political opposition impacts the pace of disinvestment.

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3. **Economic Considerations:** The government's approach seems influenced by economic factors, possibly leading to a more cautious stance in selling assets.
4. **Market Conditions:** The disinvestment process is also affected by market conditions, which can vary and impact investor interest in state assets.
5. **Focus on Selective Selling:** The government appears to prefer selling underperforming businesses while retaining profitable ones, affecting the overall pace and scope of disinvestment.

What should be done?

1. The government should better explain the economic benefits of disinvestment to counter political resistance and public skepticism.
2. Focus on selling assets based on their market appeal, rather than just unloading underperforming ones. This includes considering the sale of profitable enterprises.
3. Despite challenges, the government should stay committed to the disinvestment agenda, showing political confidence and determination.

Topic: Government Budgeting

On the Need to Increase Government Expenditure – Wages of inequality

News: The article discusses the trends regarding budgetary expenditure. It also highlights the issues with the current fiscal policy framework of lowering expenditure (in order to lower debt-to-GDP ratio) being followed by the government.

A detailed article on **Interim Budget 2024** can be [read here](#).

What are the trends regarding budgetary expenditure?

1. **Lower Growth in Total Budgetary Expenditure:** In nominal terms, budgeted total expenditure grew by 6.1% over last year. This increase is the lowest in two decades.
2. **Rise in Capital expenditure:** It increased by 16.9% (though less than the increase last year) to Rs 11.1 lakh crore.
3. **Decline in Revenue expenditure:** It has declined by 0.8%.

Thus, according to the author, it is overall a fiscally conservative budget. It also continues to shift the composition of expenditure towards capex as has been the trend in the last few years.

What are the objectives of the present fiscal policy framework?

- 1) **Reducing the level of debt-to-GDP:** The rationale for debt reduction follows from the FRBM review committee recommendations (debt-GDP ratio of the Centre at 40%, currently at 58%).
- 2) **Mitigating the Impact of Expenditure reduction:** Here, the government has tried to shift the composition of expenditure away from revenue towards capital expenditure. This is because it has a greater impact on output (multiplier value).

What does the debt-to-GDP ratio depend on?

The debt-to-GDP ratio of any period depends on two distinct factors.

1) **Gap between GDP Growth rate (g) and Interest rate on Borrowings (r):** The greater g is with respect to r, the lower would be the ratio.

2) **Primary deficit-GDP ratio:** The lower the primary deficit-GDP ratio, the lower would be the debt ratio.

Note: Primary deficit is the difference between a government's fiscal deficit and the interest paid on the previous year's borrowings.

How can the Primary deficit-GDP ratio be reduced?

1) **Increasing the tax-GDP ratio.**

2) **Reducing the expenditure-GDP ratio.**

Since the tax-GDP ratio has remained almost the same, the burden of this has fallen on the second option. In other words, the target of lowering the debt-to-GDP ratio essentially means to set a limit on the expenditure growth rate.

What are the issues with this fiscal policy framework?

1) **Arbitrary level of debt-to-GDP ratio target:** Debt stability can be achieved even at the present level of debt-to-GDP ratio by registering a growth rate greater than the interest rate.

2) **Insufficient to address Developmental Challenges:** In particular, generating employment in productive modern sectors is hindered by lowering expenditure.

What is the employment situation in the Indian economy?

1) **Reversal of Trends in Structural Employment Shifts:** Usually, the proportion of workers engaged in self-employment (agriculture, petty retail and traditional services) shrinks and the share of wage workers in the modern sector (manufacturing and modern services) rises. However, the share of regular wage workers in the total workforce declined and then stagnated at 21%. Additionally:

a. Self-employed workforce is growing at a much faster rate compared to salaried workforce.

b. Women, in particular, have entered the workforce in large numbers, mostly into self-employment.

2) **Labour Earnings have Stagnated:** In real terms, regular wages and self-employment earnings have grown at just under 1% since 2017. This indicates a worsening of the income distribution as well as lack of improvements in welfare.

According to the author, addressing this will require government expenditure to rise.

Agricultural sector in India

News: This article discusses how the government's financial plans and budget for 2024-25 seem more focused on showing the government in a positive light, rather than addressing the ongoing problems in agriculture.

What are the special provisions for the agricultural sector in the Budget for 2025?

1. **Growth in Agriculture GDP:** Agriculture GDP in 2023-24 showed a modest growth of 1.8%, a decrease from 4% in the previous year.

2. **Budget Allocations for Agriculture Departments:**

The Department of Agriculture and Farmers Welfare saw a slight increase of 0.6%.

The Department of Agricultural Research and Education received Rs 99.4 billion, a marginal increase of 0.7% over the previous year.

3. **Ministry of Fisheries, Animal Husbandry, and Dairying:** Experienced a significant budget increase of 27%.

9 PM Compilation for the Month of February [First Week] 2024

4. Overall Budget Support for Agri-food Sector:

Includes PM-KISAN, credit subsidy, and PM-Fasal Bhima Yojana, totaling Rs 5.52 trillion for FY25, slightly less than Rs 5.8 trillion in FY24.

5. Food and Fertilizer Subsidies:

Food subsidy reduced to Rs 2.05 trillion in FY25, a drop of 3.3% from FY24.

Fertilizer subsidies decreased from Rs 1.89 trillion in FY24 to Rs 1.64 trillion in FY25.

What does the official data show about the agricultural sector in India?

- Decline in Agricultural Prices:** Official data indicates a significant decline in agricultural prices, causing a reduction in farmers' incomes. The sectoral deflator in agriculture decreased from 9.4 in 2013-14 to 3.7 in 2023-24.
- Slowed Growth of MSP:** The growth of Minimum Support Prices (MSP) for major crops slowed down considerably, from an 8-9% annual increase between 2003-04 and 2012-13 to about 5% between 2013-14 and 2023-24.
- Drop in Farmers' Incomes:** Despite a promise to double farmers' real incomes from 2015 to 2022, incomes from cultivation actually fell by about 1.4% between 2012-13 and 2018-19.
- Rising Rural Unemployment:** Rural unemployment rates increased, with a notable rise from 2011-12 to 2018-19, and remained higher in 2022-23 compared to 2011-12.
- Stagnation of Rural Wages:** Real wages in rural India have not increased since 2016-17 and even decreased after 2020-21.
- Lack of Capital Investment:** Capital investment in agriculture and allied sectors didn't increase. Much of the long-term bank credit meant for agriculture was diverted to corporates and agri-business firms as short-term loans.

What are the issues with the government's report on the agricultural sector in India?

- Selective Data Presentation:** The government's report emphasizes the increase in agricultural production but neglects the overall decline in growth rates. For example, growth rates dropped from 3.1% annually (2003-04 to 2010-11) to 2.7% (2011-12 to 2022-23).
- Ignoring Yield Decline:** The report omits the significant fall in yield growth rates, from 3.3% per year to 1.6% per year in the same periods.
- Budget Cuts in Agriculture:** The 2024-25 budget plans to reduce spending in crucial agricultural areas, such as fertilizer subsidies (from ₹1.9 lakh crore to ₹1.6 lakh crore) and rural infrastructure projects.
- No Clear Strategy for Growth:** The report and the budget lack a comprehensive plan to revive agricultural growth, with no significant measures to address the ongoing decline.
- Unchanged Support Despite Inflation:** The PM-Kisan scheme's allocations remain the same as in 2019, not accounting for inflation, which reduces the real value of cash transfers to farmers.

What should be done?

- Rationalize Food Subsidy:** Implement rationalization of the food subsidy system, similar to the strategy used by former PM Atal Bihari Vajpayee in the Targeted Public Distribution System (TPDS). This could save around Rs 50,000 crore.
- Redirect Subsidy Savings:** Use the funds saved from food subsidy rationalization for enhancing agricultural research and development, particularly in areas like micro-irrigation.
- Reform Fertilizer Subsidies:** Shift from subsidizing the price of urea to direct cash transfers to farmers. This approach is expected to save Rs 30,000-40,000 crore, which can be reinvested in agricultural development programs like PM-KISAN.

4. **Focus on Sustainable Agriculture:** Allocate the saved funds towards sustainable agriculture practices, which is crucial for ensuring food security under the challenges of climate change.

Topic: Changes in industrial policy

Issues with Iron Ore Production - Iron ore faces challenges of sustainability and fairness

News: Issues with Iron Ore Production, The article discusses the issues with iron ore production in Odisha and the recommendations to tackle them.

Background:

The [Competition Commission of India \(CCI\)](#) recently published a report with a view to identify and addressing anticompetitive practices in the country's iron ore sector. According to the author, it will act as a guide to the government's recent announcement of a plan to auction around 500 mineral blocks by fiscal year 2025-26

What are The Findings of The Report Regarding Iron Ore Production in Odisha?

The production of iron ore is concentrated in a few states, such as **Odisha (around 54% of the total)**. Odisha is seen to have a competitive advantage in iron ore mining due to good infrastructure and efficient administrative set-up.

The report highlights that high prices of iron ore in Odisha are affecting the viability of small-scale pellet and sponge iron manufacturers.

Note:

Sponge iron is produced from the direct reduction of iron ore (in the form of lumps, pellets, or fines) into iron by a reducing gas which either contains elemental carbon (produced from natural gas or coal) or hydrogen.

Iron ore pellets are small, hard, spherical particles made from fine iron ore concentrate. They are used in the blast furnace process to produce hot metal.

What is The Issue with Iron Ore Production in Odisha?

1) **Excessive Base Prices:** Base prices for auctions are excessive and have no relation to market realities such as the cost of production.

In some cases, iron ore prices were close to the market price of pellets. This led to the shutdown of some pellet manufacturers.

2) **Lack of Competition:** The practice of private mines using these base prices as a reference price also takes away the possibility of any price-based competition between private mines and government mining company.

3) **Issues with Long-Term Arrangements:** Although LTAs ensure supply consistency, the report has highlighted that due to minimum purchase obligations under LTAs, industries have to also buy low-quality iron ore, as there is no quality-control mechanism in place.

What does The Report Recommend in This Regard?

1. **Transparent Pricing:** The base price for auctions should be calculated through a transparent methodology. This can be done by linking the base price to a price index that should be publicly available.

2. **Auction to prevent Overpricing:** To ensure that iron ore is not overpriced, all quantities produced in the state (by PSUs or private mines) could be sold through an auction.

3. **Regarding LTAs:** Pricing under LTAs also can be linked to a price index, instead of being based on auction

prices. Also, the minimum purchase requirements under LTAs should be subject to the required quality or grade of iron ore.

4. **Expanding Access to Iron Ore:** Iron ore production in India is limited to only a few states, and access to it is restricted to industrial customers based in only these states. The report has suggested that it should be made available to industries outside Odisha through LTAs.

The iron ore market study recommendations should be followed to foster competitive neutrality between public and private players, ensuring a level playing field. It will ensure right allocation of non-renewable resources.

Subject: Science & Technology

Topic: Developments and their applications and effects in everyday life

On Building Sovereign AI in India – India's challenge

News: The article discusses India's potential advantages and upcoming challenges in the field of AI, especially Generative AI (GenAI).

A detailed article on **Generative AI (GenAI)** can be [read here](#).

Background:

For India, the 5th-largest economy, aspiring to become the 3rd-largest, not building sovereign capabilities in AI would be a huge mistake. According to the author, India needs to build sovereign AI, including sovereign generative AI (GenAI) capabilities.

What have been the announcements by the government in this regard?

- 1) Last year's Budget contained reference to 3 Centres of Excellence for AI.
- 2) Plans to spend Rs.10,000 crore to set up India's own GPU cloud infrastructure.
- 3) NITI Aayog has brought out papers on what can be done in AI in India.

What are India's advantages in the field of AI?

- 1) **Generation of Large Amounts of Data:** AI (and GenAI in particular) needs large amounts of data to train its models properly. India is the 2nd-largest generator of digital data in the world.
- 2) **IT industry's Capabilities:** The IT industry's growing capabilities in building applications will certainly be an advantage.

What are the challenges for India in the field of AI?

1. **Lack of Research:** The US and China are clear leaders in this field, with decades of AI research behind them. India has only started.
2. **Human Resources:** To be able to build any significant AI research centre, the government as well as the private sector needs to attract experts (such as Indian-origin experts in foreign countries) in the field to come and lead the effort, just like China.
3. **Lack of Graphics Processing Unit (GPU) Cloud Infrastructure:** However, this problem can be tackled as

there are plenty of cloud service providers globally.

Note: A GPU is a computer chip that renders graphics and images by performing rapid mathematical calculations.

4. **Large Requirement of Electricity (and Water):** Gen AI models require large amount of these resources, and the demand for energy will keep going up as GenAI progresses. India's energy demand projections will have to include the GenAI factor in its energy transition journey.

Subject: Internal Security

Topic: Security challenges and their management in border areas

The crime of piracy, and how maritime forces respond to it

News: The article discusses the causes, solutions and challenges of dealing with ocean piracy.

Background:

Recently, the Indian Navy prevented 2 piracy attempts off the Somali coast, including the rescue of 19 Pakistanis.

In recent years, the west coast of Africa, Gulf of Aden, Horn of Africa, Bangladesh, and the Strait of Malacca have seen piracy attacks.

Why are these areas particularly affected?

- 1) **Poorly policed:** The coastal countries have weak maritime forces, or none.
- 2) **Concentration of shipping traffic:** They are either choke points in shipping routes where ships are forced to converge or slow down by geography, or anchorages where ships remain stationary for days before entering port.
- 3) **Poor governance or turmoil:** This leads to unemployment, poverty and consequently, crime.
- 4) **International waters:** This makes them fall within the maritime jurisdiction of several countries. This leads to legal complexities and difficulties in coordination.

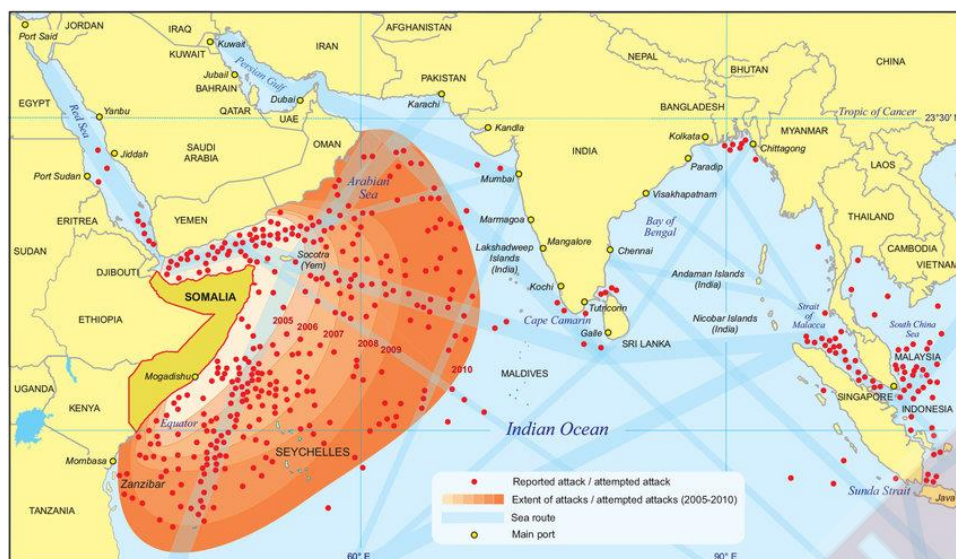


Figure 1. Source: ResearchGate.

Somali Piracy Threat.

What are the consequences of piracy?

- Causes panic in maritime business and leads to the establishment of high-risk areas.
- Increase in maritime insurance premiums.
- Affects the safety of ships and seafarers.
- Disrupts global supply chains.

How can the crime of piracy be tackled?

- Long-Term:** A long-term solution lies in rooting out misgovernance and unemployment in nations ashore, which feed maritime criminal activities.
- Short-Term:** The situation at sea has to be contained and stabilised by the world's maritime forces.

What role has the Indian Navy played in tackling the problem?

Indian Navy's anti-piracy patrol started in 2008. It has foiled several attempts by pirates at hijacking merchant ships.

The boundaries of the high-risk area that covered much of the Arabian Sea during the height of Somali piracy (2009-12) were pushed back westward primarily due to the efforts of the Indian Navy. The Indian Navy has been practising **Maritime Intervention Operations (MIO)** for decades, and has developed extremely high expertise in this niche area of naval operations.

How do maritime forces execute anti-piracy operations?

- First, they maintain a visible presence that aims to deter pirates from carrying out attacks.
- Their ships and aircraft undertake surveillance of the high-risk area, identify suspect vessels, and report them for further investigation. This is supported by information fusion centres.
- They warn passing ships about suspect vessels and announce escort schedules (so that ships can join convoys).
- They proactively or reactively intervene to manage a developing situation, foil a piracy attempt, or rescue a hijacked vessel while trying to ensure minimum casualties and damage.

What are the challenges with handling captive pirates?

- Inadequate National Laws:** They are often inadequate to deal with apprehended pirates.
- Lack of effective international legal mechanism** for their trial and disposal.
- Jurisdictional Issues:** The many nationalities, countries, maritime zones, flag states, etc. involved raise complex jurisdictional issues.