



VAJIRAM & RAVI
Institute for IAS Examination

The Analyst

CURRENT AFFAIRS Handout

28th December 2024



Manmohanomics

CONTEXT: Dr Manmohan Singh who recently left for his heavenly abode was the chief architect of the economic reforms, particularly the LPG policy in the 1990s, which transformed India's economic trajectory.

Basics

- **Shaped India's transition- centrally-planned**, highly regulated, and largely closed economy to an open (in terms of trade), liberalised (in terms of regulations and restrictions), market economy.

Dr. Manmohan Singh



EDUCATION /Qualification:

1950: Stood first in BA (Hons), Economics, Punjab University, Chandigarh.
 1952: Stood first in MA (Economics), Punjab University, Chandigarh.
 1954: Wright's Prize for distinguished performance at St John's College, Cambridge.
 1955 and 1957: Wrenbury scholar, University of Cambridge.
 1957: DPhil (Oxford), DLitt (Honoris Causa); PhD thesis on India's export Competitiveness

OCCUPATION /Teaching Experience:

Professor (Senior lecturer, Economics, 1957-59; Reader, Economics, 1959-63; Professor, Economics, Punjab University, Chandigarh, 1963-65; Professor, International Trade, Delhi School of Economics, University of Delhi, 1969-71; Honorary professor, Jawaharlal Nehru University, New Delhi, 1976 and Delhi School of Economics, University of Delhi, 1996 and Civil Servant

BOOKS:

India's Export Trends and Prospects for Self-Sustained Growth -Clarendon
 Press, Oxford University, 1964; also published a large number of Articles in various economic journals.

OTHER ACCOMPLISHMENTS:

Adam Smith Prize, University of Cambridge, 1956
 Padma Vibhushan, 1987
 Euro money Award, Finance Minister of the Year, 1993;
 Asia money Award, Finance Minister of the Year for Asia, 1993 and 1994
INTERNATIONAL ASSIGNMENTS:
 1966: Economic Affairs Officer
 1966-69: Chief, financing for trade section, UNCTAD
 1972-74: Deputy for India in IMF Committee of Twenty on International Monetary Reform
 1977-79: Indian delegation to Aid-India Consortium Meetings
 1980-82: Indo-Soviet joint planning group meeting
 1982: Indo-Soviet monitoring group meeting
 1993: Commonwealth Heads of Government Meeting Cyprus 1993; Human Rights World Conference, Vienna

RECREATION:

Gymkhana Club, New Delhi; Life Member, India International Centre, New Delhi
 2004-2014 : Prime Minister of India :

Working Experience/ POSITIONS:

1971-72: Economic advisor, ministry of foreign trade
 1972-76: Chief economic advisor, ministry of finance
 1976-80: Director, Reserve Bank of India; Director, Industrial Development Bank of India;
 Alternate governor for India, Board of governors, Asian Development Bank;
 Alternate governor for India, Board of governors, IBRD
 November 1976 - April 1980: Secretary, ministry of finance (Department of economic affairs);
 Member, finance, Atomic Energy Commission; Member, finance, Space Commission
 April 1980 - September 15, 1982: Member-secretary, Planning Commission
 1980-83: Chairman, India Committee of the Indo-Japan joint study
 September 16, 1982 - January 14, 1985: Governor, Reserve Bank of India.
 1982-85: Alternate Governor for India, Board of governors, International Monetary Fund
 1983-84: Member, economic advisory council to the Prime Minister
 1985: President, Indian Economic Association
 January 15, 1985 - July 31, 1987: Deputy Chairman, Planning Commission
 August 1, 1987 - November 10, 1990: Secretary-general and commissioner, south commission, Geneva
 December 10, 1990 - March 14, 1991: Advisor to the Prime Minister on economic affairs
 March 15, 1991 - June 20, 1991: Chairman, UGC
 June 21, 1991 - May 15, 1996: Union finance minister
 October 1991: Elected to Rajya Sabha from Assam on Congress ticket
 June 1995: Re-elected to Rajya Sabha
 Aug 1998-2001: Member, Consultative Committee for the ministry of finance
 August 1, 1996 - December 4, 1997: Chairman, Parliamentary standing committee on commerce
 March 21, 1998 onwards: Leader of the Opposition, Rajya Sabha
 June 5, 1998 onwards: Member, committee on finance
 August 13, 1998 onwards: Member, committee on rules
 Aug 1998-2001: Member, committee of privileges 2000 onwards: Member, executive committee, Indian parliamentary group
 June 2001: Re-elected to Rajya Sabha

Liberalising Industrial Policy

- Abolition of industrial license permit raj
- Reduction in import tariffs, etc.
- Amended the **Monopolies and Restrictive Trade Practices (MRTP) Act**
- **Narasimham Committee Report of 1991-**
 - **SLR - 38.5 percent to 25 percent** over a three-year period.
 - **CRR- 25 per cent to 10 percent** over a period of four years.
 - Bank branch licensing policy and setting of interest rates by lenders were also liberalised.

Beginning of Privatisation

- Deregulation of markets
- Banking reforms
- **Number of areas reserved only for public sector companies- 17 to 8.**
- **80 percent of the industry- taken out of the industrial licensing (MRTP) Act**

Point of difference	MRTP Act, 1969	Competition Act, 2002
1. Meaning	The MRTP Act is India's first competition law, consisting of laws and regulations that govern discriminatory market practices.	The Competition Act, 2002 was established to encourage and maintain economic competition and protect consumer's interests at market place.
2. Basis	MRTP Act 1969 was based on the pre-liberalisation and pre-globalisation phases.	The Competition Act, 2002 is based on a modernised economy after liberalisation and globalisation.
3. Objective	The objective of the Act is to prevent concentration of economic power in few hands, control monopolies and prevent monopolistic and restrictive trade practices.	The objective of this Act is to prevent practices that are having adverse effect on competition and to promote a healthy and ensuring freedom of trade.
4. Purpose of the Act	To prevent monopolistic markets and unjust practices.	To encourage competition and maintain business autonomy.

Backdrop of Crisis

Dwindling Foreign Exchange Reserves- few weeks import coverage

- **Fiscal Deficit:** The fiscal deficit during 1990-91 -around 8.4% of GDP.
- **Gulf War I:** In 1990-91, the situation was aggravated by the rise in the price of oil due to Iraq's invasion of Kuwait.
- **Rise in Prices:** The inflation rate increased from 6.7% to 16.7% due to a rapid increase in money supply and the country's economic position became worse.

Globalisation

- **Integrate the Indian economy with the world economy**



28th December 2024

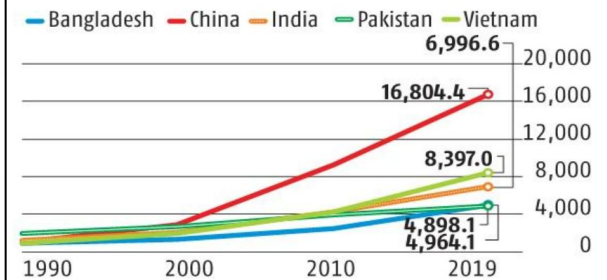
CONTEXT: Dr Manmohan Singh who recently left for his heavenly abode was the chief architect of the economic reforms, particularly the LPG policy in the 1990s, which transformed India's economic trajectory.

- **Reduction of trade barriers**-facilitating the free flow of capital, technology, and labour.
- **Reduction of the trade import duties**
- **Allowed direct foreign investment of up to 51 per cent foreign equity** and removed bottlenecks to facilitate foreign technology agreements in high-priority industries.
- **Exchange rate correction.**

Impacts of Economic Reforms

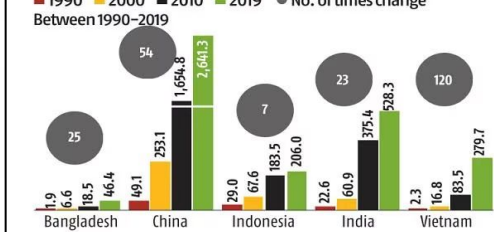
- **GDP growth rate**- around 7% per annum since the reforms, 3.5% in the preceding three decades.
- **FDI inflows - \$97 million in 1990-91 to \$81.72 billion in 2020-21.**
 - Boosted industrial development and job creation.
- **Services sector's contribution** -risen from 37.2% in 1990-91 to 54.3% in 2020-21.

GDP per capita has grown 5.8 times in the last 30 years, matched only by three other economies (GDP per capita, PPP \$)



Data for 2019 is considered given 2020 was a pandemic year Source: World Bank

Exports have grown 23 times but Vietnam, China, and Bangladesh have done better (Export in billion \$)



Data for 2019 is considered given 2020 was a pandemic year Source: World Bank

Issues

- **Increased Inequality:** Uneven Distribution of Wealth
- **Job Losses in Traditional Sectors**
- **Environmental Degradation**
- **Rise in Non-Performing Assets (NPAs)**

India's GDP

Year	India's GDP (in dollars billion)	Global position	Total number of countries for which data is available
1981	196.54	11	145
1991	274.84	17	154
2001	495.95	13	192
2011	1,823.05	10	195
2014	2,039.13	10	195
2021	3,177.92	6	193
2022	3,534.74	5	191

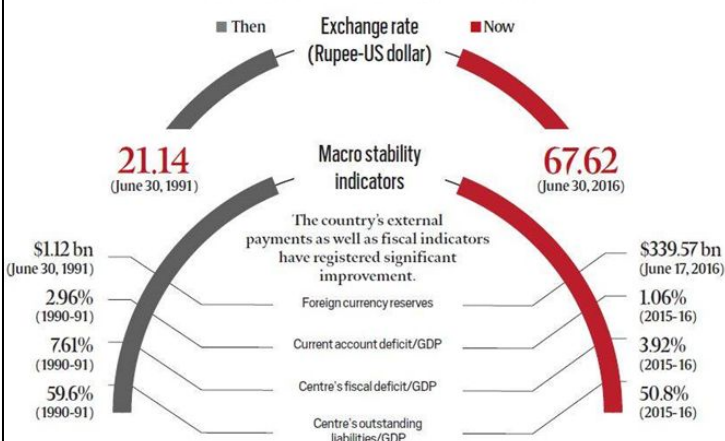
*2022 Is an IMF forecast

Source: International Monetary Fund.

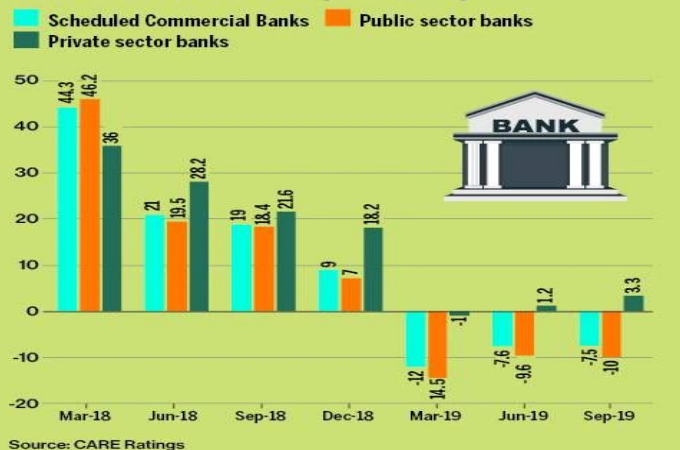
WORLD INEQUALITY REPORT 2022

India among most unequal nations; top 1% of population holds 22% of national income

WHAT HAS CHANGED IN INDIA'S ECONOMY SINCE 1991



GROWTH IN GNPA (Y-O-Y %)



Source: CARE Ratings

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CONTEXT: Dr Manmohan Singh who recently left for his heavenly abode was the chief architect of the economic reforms, particularly the LPG policy in the 1990s, which transformed India's economic trajectory.

Economic Reforms

What should be done?

Focus on
inclusive
growth

Promote
sustainable
development

Improve
governance

Strengthen
social safety
nets

Reform the
agricultural
sector

Mains Practice Question

Discuss the impact of LPG reforms on the Indian economy. Do you think these reforms have been successful in achieving their intended objectives of economic liberalization and growth. (15 Marks 250 Words)

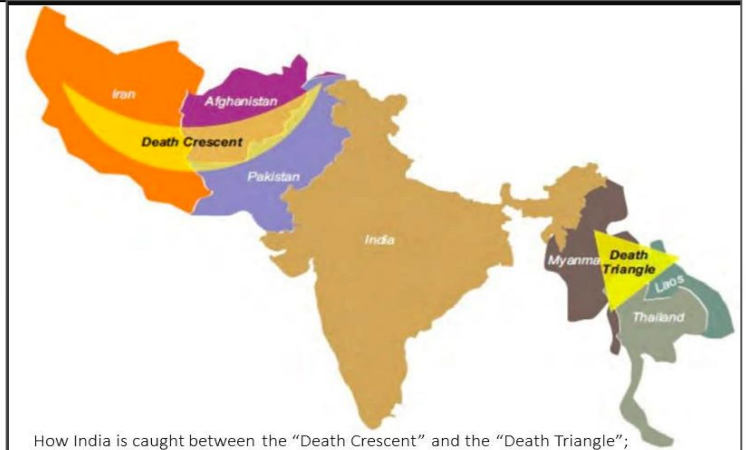


Drug Abuse in India

CONTEXT: As per Delhi Police Chemical drugs have become a status symbol among young people, which has led to an increase in demand.

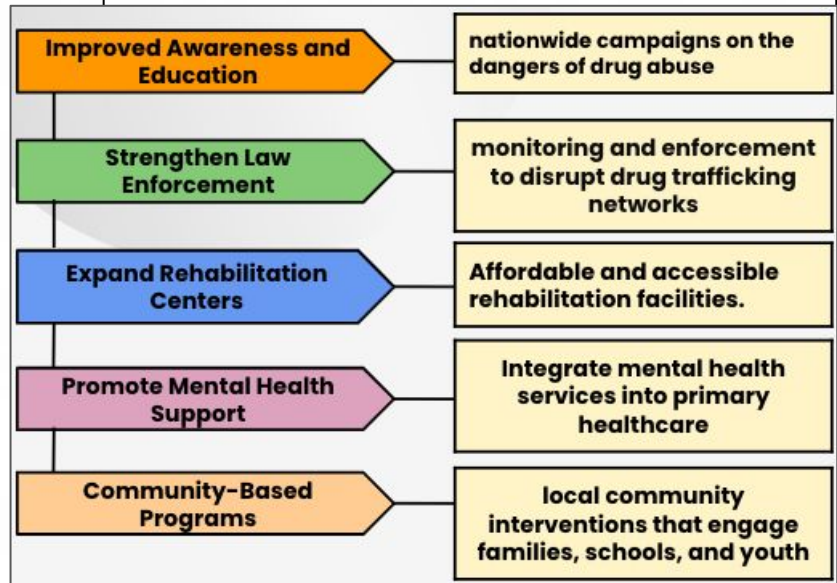
Drug Abuse in India

- India has the 4th largest quantity of opium seized in 2020 at 5.2 tons, and the 3rd highest amount of morphine was also seized in the same year at 0.7 tons- World Drug Report 2022
- India accounted for 7% of the global opium seizures and 2% of the global heroin seizures in 2019- United Nations Office on Drugs and Crime (UNODC)

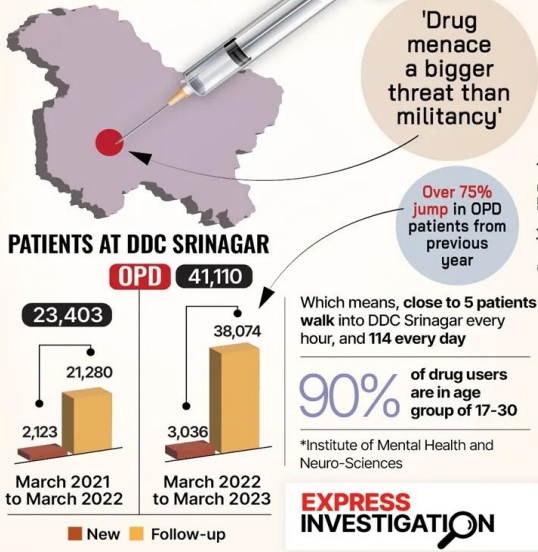


How India is caught between the "Death Crescent" and the "Death Triangle"; (Source: NCB, India)

What should be done?

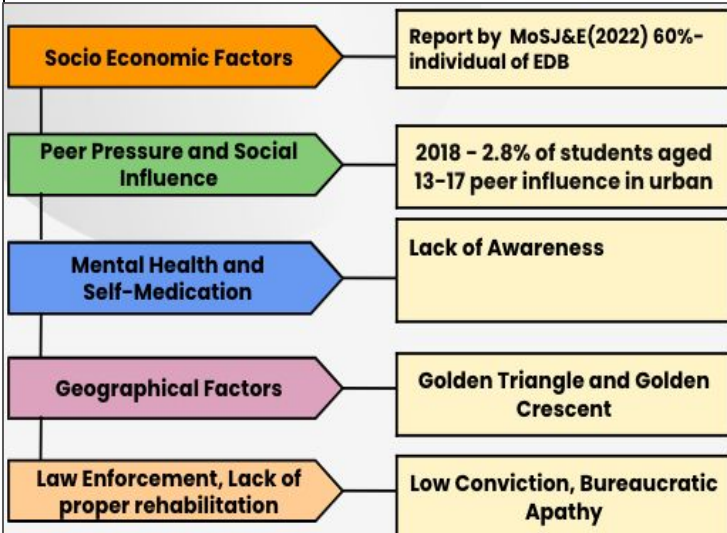


1 ADDICT WALKS INTO SRINAGAR OPD EVERY 12 MINS



Graphic: IE Design

Reasons for High Drug Abuse



Mains Practice Question

"Drug abuse has become a significant public health and social issue in India, affecting millions of individuals across different age groups and regions. Analyze the major reasons behind the rising drug abuse in India and suggest comprehensive solutions to tackle this problem at the national level."



28th December 2024

Syllabus: GS 3: Growth & Development;
Newspaper : The Hindu, Page No. 1

India's average household consumption spends on a per capita basis rose about 3.5% in real terms through August 2023 to July 2024 from a year ago, as per the Household Consumption Expenditure Survey, and the Centre said this signals a decline in consumption inequality and a narrowing gap between urban and rural spends.

The initial HCES findings, which are used to assess trends in economic well-being, estimate poverty levels and update the basket and weightages of consumer goods and ser-

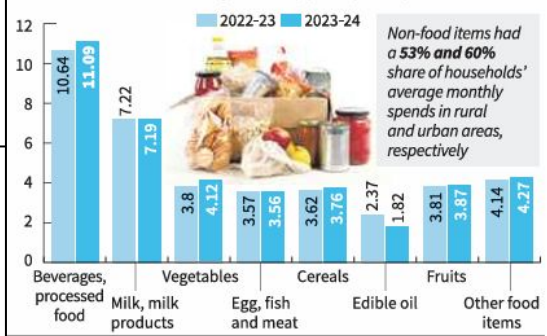
vices used to formulate the Consumer Price Index (CPI) that measures retail inflation, were released by the Union Statistics Minis-

In real terms, the average rural Monthly Per Capita Expenditure or MPCE rose 3.53% over 2022-23 levels to ₹2,079 and grew at a fractionally slower pace of 3.48% for urban households to ₹6,996. The 2022-23 HCES had revealed a 3.5% compounded annual growth in rural spends over 11 years since 2011-12,

"Consistent with the trend observed in 2022-23, non-food items remain the major contributor to the household's average monthly expenditure in 2023-24 with about 53% and 60% share in MPCE in rural and urban areas respectively," a fact sheet on the survey noted.

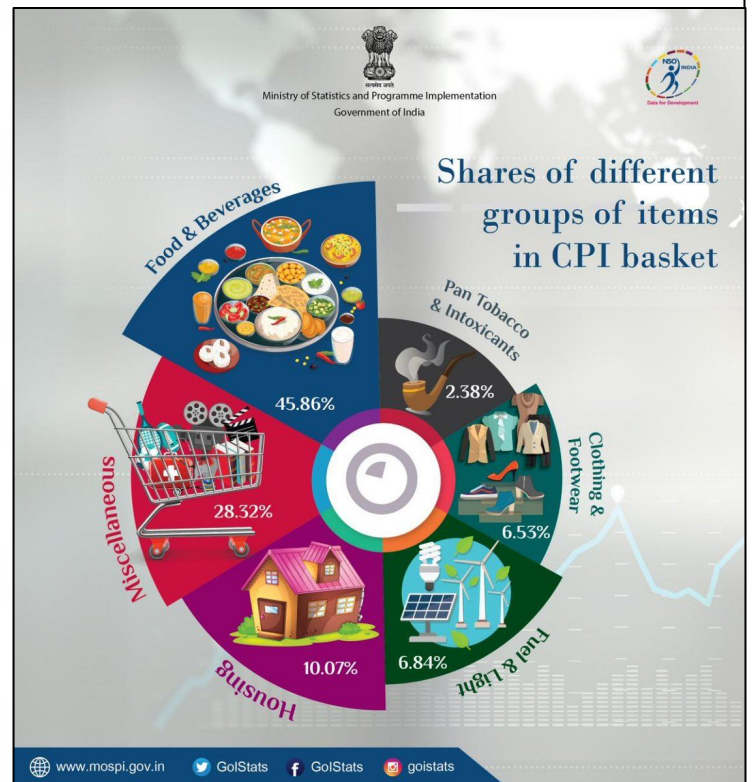
Bittersweet fare

Data from the Household Expenditure Consumption Survey show share of food items in average monthly per capita expenditure (urban)



Prelims Pointer

- **CPI-** tracks the **change in retail prices of goods and services** which households purchase for their daily consumption.
- **Base year is 2012.**
- **National Statistical Office (NSO) MoSPI**
- **WPI-** represents the **price of goods at a wholesale stage i.e.** goods that are sold in bulk and traded between organizations instead of consumers
- Base Year- 2011-12
- OEA



Current Account Deficit

28th December 2024

Syllabus: Prelims: Growth & Development;
Newspaper : The Hindu, **Page No. 9**

Current Account	Capital Account
Maintains the records of imports and exports of goods and services as well as the record of unilateral transfers	Records all the transactions that cause a change in the status of assets and liabilities of the government or any of the residents of a country
Components: Export and Import of Goods Export and Import of Services Unilateral Transfers	Components: FDI and Portfolio Investment Loans and Borrowings Banking Capital Transactions
Exports of Goods and Services > Imports of Goods and Service ⇒ Current Account Surplus	Net Capital Inflow ⇒ Capital Account Surplus
Exports of Goods and Services < Imports of Goods and Service ⇒ Current Account Deficit	Net Capital Outflow ⇒ Capital Account Deficit

India's current account deficit (CAD) for the July-September period, or Q2 of 2024-25, moderated marginally to \$11.2 billion or 1.2% of GDP from \$11.3 billion or 1.3% of GDP a year ago.

As per preliminary balance of payments (BoP) data released by the Reserve Bank of India (RBI) on Friday, the merchandise trade deficit increased to \$75.3 billion from \$64.5 billion in Q2 of 2023-24, while net services receipts rose to \$44.5 billion from \$39.9 billion a year ago.



UPI Transactions via PPIs

28th December 2024

Syllabus: Banking Sector & NBFCs;
Newspaper :The Hindu, **Page No. 11**

The Reserve Bank of India (RBI) has decided to allow prepaid instrument holders (PPIs) to make/receive UPI payments through third-party mobile applications. "This will enable PPI holders to make and receive UPI payments through the mobile application of third-party UPI applications," the RBI said. The RBI's decision is aimed at providing more flexibility to holders of PPIs such as gift cards, metro rail cards and digital wallets, among others.

CLASSIFICATION	DESCRIPTION
Closed System	<ul style="list-style-type: none"> Generally issued by business establishments for use at their respective establishment only. Does not allow cash withdrawal or redemption. RBI approval is not required for issuing them. Example: DMRC smart cards
Semi-Closed System	<ul style="list-style-type: none"> Redeemable at a group of clearly identified merchant locations & establishments with a specific contract with the issuer to accept the payment instrument. Does not allow cash withdrawal or redemption
Semi-open System Payment Instruments	<ul style="list-style-type: none"> Can be used for the purchase of goods and services at any card-accepting merchant location. Does not allow cash withdrawal or redemption. Example: Point of Sale Terminal
Open System Payment	<ul style="list-style-type: none"> Can be used for the purchase of goods and services and also permit cash withdrawal at ATMs

- An advanced version of Immediate Payment Service (IMPS)
- Developed by the National Payments Corporation of India (NPCI) and regulated by the Reserve Bank of India (RBI).
- Launched-April 11, 2016.
- Designed to enable peer-to-peer inter-bank transfers through a single two-click factor authentication process.

UPI features

PCMI Payments & Commerce Market Intelligence

- Real time payment**: 24 * 7 process
- Support** across Smart & feature phone with USSD, IVR & Voice
- Secure - Single Click Authentication**: Virtual payment address
- Interoperable**: Customer can access any bank /non-bank third party apps - not mandated to use issuer bank app
- Integration & Interface**: Seamless with web & mobile; authorization and authentication at merchants site
- Privacy**: Shares only virtual address, No sensitive information
- Push & Pull** payment
- QR Code** based payment
- Utility across all transactions**: Remittance, Bill payment, e-commerce
- International Fund transfer**: Singapore, UAE, Nepal, France



Source: PCMI analysis

Which of the following is a most likely consequence of implementing the 'Unified Payments Interface (UPI)'?

- (a) Mobile wallets will not be necessary for online payments.
- (b) Digital currency will totally replace the physical currency in about two decades.
- (c) FDI inflows will drastically increase.
- (d) Direct transfer of subsidies to poor people will become very effective.



28th December 2024

Syllabus: Government Policies and Interventions;
Newspaper : Indian Express, **Page No. 14**

- **The Prime Ministers Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund)** - created on 28 March 2020, following the COVID-19 pandemic
- **Aim:** created for **combating, and containment and relief efforts against the coronavirus outbreak** and similar pandemic like situations in the future.
- Registered as a **Public Charitable Trust**.

Objectives:

- To **provide assistance and relief to all the affected persons in the event of any calamity, disaster, public health emergency** or any other emergency of any kind that may be either natural or man-made.
- **Creation as well as upgradation of any pharmaceutical facilities**, funding a research, creation or upgradation of any necessary infrastructure, healthcare support or any other kind of support.

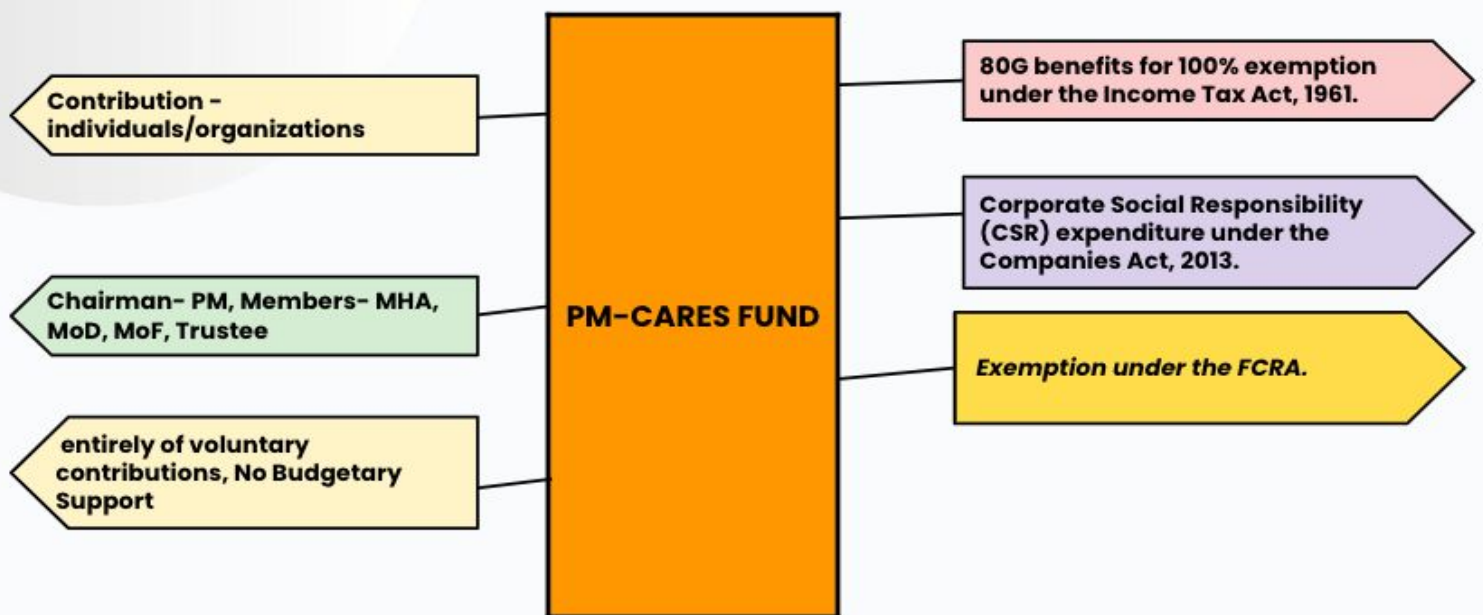
THE PRIME Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund) received Rs 912 crore in contributions during the financial year 2022-23 as donations continued to pour in even after the Covid pandemic.

CONTRIBUTIONS TO THE FUND

(In Rs crore)

Year	Voluntary	Foreign
2019-20	3,076.85	0.39
2020-21	7,183.77	494.93
2021-22	1,896.76	40.12
2022-23	909.64	2.57
Total	13,067.02	538.01

Source: pmcares.gov.in



FCRA Validity of NGOs

28th December 2024

Syllabus: Government Policies & Interventions, Non-Governmental Organisations (NGOs); **Newspaper:** Indian Express, **Page No. 6**

Prelims Pointers

- **Purpose of FCRA (Foreign Contribution Regulation Act):** Regulates foreign donations to ensure transparency, national security, and accountability.
- **Key Objectives of FCRA:** Prevents foreign influence on politics, ensures legality of foreign funding.
- **Registration under FCRA:** Organizations must register with MHA to receive foreign contributions legally.
- **Eligibility for FCRA Registration:** Organizations must operate for social, educational, religious, or charitable purposes.
- **FCRA Compliance Requirements:** Mandates annual returns, proper utilization, and audited financial statements submission.
- **Prohibited Activities under FCRA:** Foreign contributions cannot be used for political activities or unlawful purposes.

New Delhi: The Home Ministry on Friday extended the validity of FCRA registration certificates, up to three months of NGO whose renewal applications are pending till March 31, 2025.

About

- In 1976, during the Emergency, the Foreign Corrupt Practices Act (FCRA) was enacted due to concerns that independent organizations were funneling money into India from outside the country.
- The goal of the law was to ensure that foreign donations to individuals and organizations functioned in accordance with the principles of a sovereign democratic republic.



26th December 2024

Q1. Which of the following statements regarding the Consumer Price Index (CPI) and the Wholesale Price Index (WPI) are correct?

1. CPI measures price changes at the retail level, whereas WPI measures price changes at the wholesale level.
2. CPI includes services like education and healthcare, while WPI primarily includes goods.
3. The Ministry of Commerce and Industry publishes CPI, while the Ministry of Statistics and Programme Implementation publishes WPI.

Select the correct answer using the code below.

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

Answer: a

Q2. Regarding the Balance of Payments, consider the following statements:

1. Current Account records transactions related to trade in goods, services, income, and unilateral transfers.
2. Foreign Direct Investment (FDI) is recorded under the Current Account.
3. Capital Account deals with the flow of capital including loans, investments, and external assistance.

How many of the statements given above is/are correct?

- a) Only One
- b) Only Two
- c) All Three
- d) None

Answer: b

Q3. Regarding the Unified Payments Interface (UPI), consider the following statements:

1. UPI allows instant money transfers between two bank accounts on a mobile platform.
2. UPI transactions can only be carried out during banking hours.
3. UPI enables transactions using virtual payment addresses without sharing bank account details.

How many of the statements given above is/are correct?

- a) Only One
- b) Only Two
- c) All Three
- d) None

Answer: b

Q4. Consider the following statements regarding the PM CARES Fund:

1. The PM CARES Fund is a statutory body established under the Companies Act, 2013.
2. Donations to the PM CARES Fund qualify for 100% tax exemption under Section 80G of the Income Tax Act, 1961.
3. The PM CARES Fund is audited by the Comptroller and Auditor General of India (CAG).

Which of the statements given above is/are correct?

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

Answer: b

Q5. Consider the following statements regarding the Foreign Contribution Regulation Act (FCRA):

1. The FCRA applies only to organisations receiving foreign contributions and not to individuals.
2. The primary objective of the FCRA is to regulate the acceptance and utilisation of foreign contributions for activities that could undermine national interest.
3. The registration under FCRA is valid for an indefinite period once granted.

Which of the statements given above is/are correct?

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

Answer: b





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