50 Important Topics - 2024

Scheduled Date	Subject
01/04/24	Economy
02/04/24	Science & Technology
03/04/24	Environment & D.M.
04/04/24	Science & Technology
05/04/24	Environment & D.M.
06/04/24	------------
07/04/24	------------
08/04/24	Economy
09/04/24	Science & Technology
10/04/24	Economy
11/04/24	English
12/04/24	International Relations
13/04/24	------------
14/04/24	------------
15/04/24	Geography
16/04/24	Polity & Governance
17/04/24	Polity & Governance
18/04/24	Geography
19/04/24	Polity & Governance
20/04/24	Maths
21/04/24	------------
22/04/24	Reasoning
23/04/24	Environment & D.M.
24/04/24	Social Schemes

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Dive into the intricacies of Economy with our comprehensive discussion on UPSC Prelims questions from the last 13 years.

Twin Balance Sheet Problem

Indian economy has moved away from twin-balance sheet problem, banks now profitable: FM

A twin balance sheet is a scenario where banks are under severe stress and the corporates are overleveraged to the extent that they cannot repay their loans.

Twin Balance Sheet Problem

- **Fall in NPA and GNPA:** The gross non-performing assets (GNPA) ratio of Indian banks continued to decline to a **multi-year low of 3.2 percent in September 2023** and the net non-performing assets (NNPA) ratio also declined to 0.8 per cent.
- **CRAR and CET1 Ratios**: The capital-to-risk-weighted assets ratio (CRAR) and the common equity tier 1 (CET1) ratio of scheduled commercial banks (SCBs) have **improved** to 16.8 per cent and 13.7 per cent, respectively, in September 2023.

What is Angel Tax?

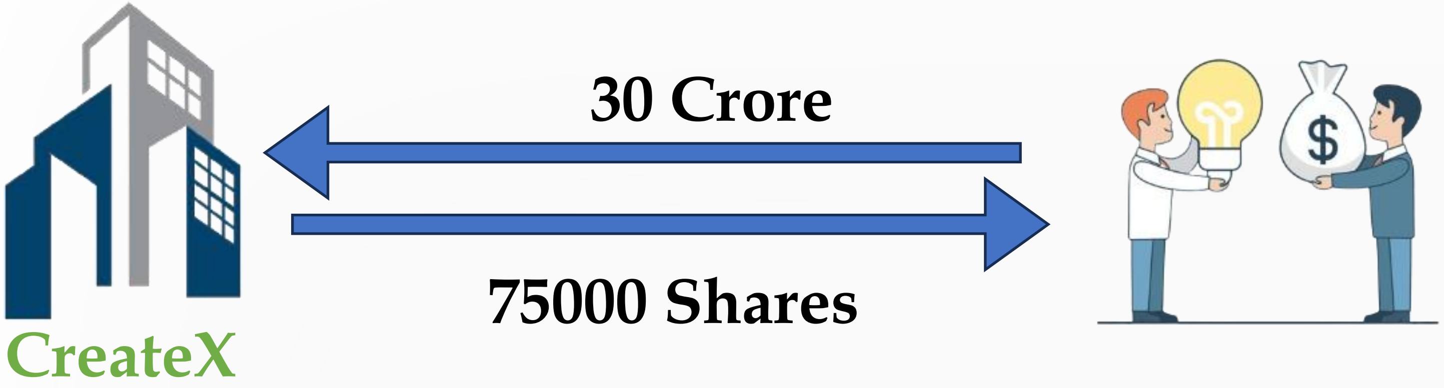
Angel tax is a tax on unlisted companies (startups) that raise funds by issuing shares above fair market value.

The term "angel tax" arose because it impacts angel investors who typically fund startups.

The angel tax is levied at the rate of 30% in India, and an additional cess of 3%.

Introduced in 2012 to prevent money laundering, it applies to the excess amount raised, seen as income for the company.

Applicability of Angel Tax



- Fair Market Value = **Rs. 7.5 crore**
- CreateX will have to pay up **30.9% angel tax** on the excess amount above the fair market value (Rs. 30 crore- Rs7.5 crore), which is 30.9% on Rs.22.5 crore.
- CreateX will effectively pay **Rs.6.9 crore in the form of tax**

Who are exempted from Angel TAX?

Start-ups recognised by the Dept. of Promotion of Industry and Internal Trade (DPIIT)

Aggregate amount of paid up share capital and share premium of the Startup after the proposed issue of share, if any, does not exceed INR 25 Crore.

Class of Investors excluded from AT

Excluded entities include those registered with SEBI as Category-I FPI, Endowment Funds, Pension Funds and broad-based pooled investment vehicles, which are residents of 21 specified nations, including the US, UK, Australia, Germany and Spain.

Other nations mentioned in the notification are Austria, Canada, Czech Republic, Belgium, Denmark, Finland, Israel, Italy, Iceland, Japan, Korea, Russia, Norway, New Zealand and Sweden.

Paris Club Group Of Creditors

Detailed Information

- Under the plan, it will help the Sri Lanka get the next tranche of the **International Monetary Fund's nearly-$3 billion** recovery package.
- Paris Club and Sri Lanka have agreed on the main parameters of a debt treatment, however a formal agreement is still pending in this direction.

Paris Club Group Of Creditors

Background Information on Sri Lanka Debt Crisis

- Sri Lanka's economic **crisis began in late 2019.**
- It has led to **high inflation, collapse of its currency**, depletion of **foreign exchange resources** and general shortage of basic **commodities**.
- The government has **defaulted on its $51 billion debt** as it was unable to pay back the debt.
- In March, 2023, International Monetary Fund (IMF) cleared a **$3 billion-Extended Fund Facility (EFF) for Sri Lanka** to help Sri Lanka recover from the economic meltdown.

Paris Club Group Of Creditors

Key reasons for the crisis

- **Downfall in tourism**: The Easter **suicide bombings** at churches in 2019 and **covid crisis since 2020.**
- **Tax cuts by the government**: Government brought largest tax cuts of its history in 2019 which impacted revenue growth.
- **Surprise push to organic farming**: The government in 2021 suddenly decided to shift completely to organic farming and also **banned imports of chemical fertilizers**. This impacted the agrarian economy.

Paris Club Group Of Creditors

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Background Information on Paris Club

- The Paris Club is an **informal group of official creditors** which aims to find coordinated and sustainable solutions to the payment difficulties experienced by debtor countries.
- It was **established in 1956** and currently it has 22 permanent members.
- As debtor countries undertake **reforms to stabilize and restore their macroeconomic** and financial situation, Paris Club creditors provide an appropriate debt treatment.

Paris Club Group Of Creditors

Background Information on Paris Club

- 22 Members: United States, Germany, Japan, France, the United Kingdom, Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, Ireland, Israel, Italy, Netherlands, Norway, Russia, South Korea, Spain, Sweden, and Switzerland.

Paris Club Group Of Creditors

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Background Information on Paris Club

- Paris Club creditors provide **debt treatments in the form of rescheduling** of debt payments, **reduction in debt service obligations** during a defined period (flow treatment) or as of a set date (stock treatment).
- **India is not a permanent member**, but an ad-hoc member of the Paris Club.

Venture Debt In Startups

Context

In 2023, the **venture debt financing in Indian startups increased significantly** to over 50% from the previous year.

Venture Debt In Startups

Detailed Information

- Venture debt **globally stood at about $60-65 billion in 2023**.
- In India, about 190 start-ups **raised a total of $1.2 billion in 2023**, marking a 50 per cent increase from 2022.
- **Consumer and fintech emerged as the top sectors** for raising funds through venture debt in India in 2023.
- The robust Indian venture debt landscape is in **stark contrast to a decline in venture debt fundraising in the US last year**.

Venture Debt In Startups

Detailed Information

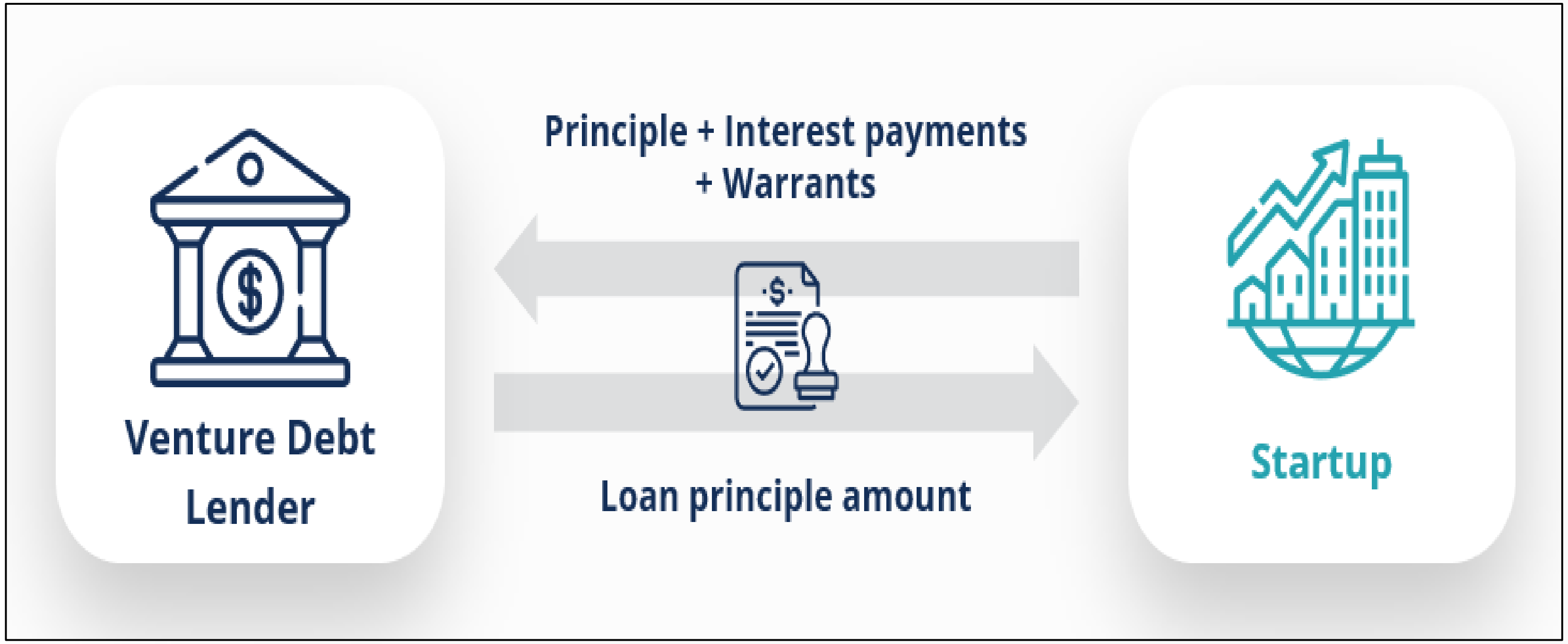
- **Venture debt** refers to a variety of **debt financing products applicable specifically** to venture capital-backed companies.
- These are **growth stage firms that may lack positive cash flow**, tangible collateral but have secured investments from venture capitalists.
- It is **provided by specialised lenders** who can take greater risk with their capital in return of higher interests from the startups.

Venture Debt In Startups

Detailed Information

- For the startup owners, it provides **additional capital without diluting ownership** as against the **Venture Capital (VC)** route where equity stake in the company has to be diluted for accessing capital.

Venture Debt In Startups



Corporate Debt Market Development Fund

- The CDMDF is a **special investment pool designed to buy high-quality corporate debt** (investment-grade) when the market gets stressed. The company must be rated at 'BBB' or higher to be considered an investment grade issue.
- Think of it like a team of investors with extra cash ready to support the market during tough times.
- Normally, these investment pools (called Alternative Investment Funds or AIFs) raise money from experienced investors.

Corporate Debt Market Development Fund

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- But the CDMDF is different. Its money comes from mutual fund companies (AMCs) and specific mutual fund plans that focus on debt (debt-oriented).
- **Why is this needed**? When the market is shaky, investors in certain mutual funds (especially those with long-term investments) might want to cash out all at once. This can put a strain on the market.
- The CDMDF acts like a backup buyer, stepping in to purchase these investment-grade corporate debts and providing much-needed liquidity during stressful periods.

Corporate Debt Market Development Fund

- Participation in the CDMDF is mandatory for the specified debt-oriented mutual fund schemes and their management companies (AMCs).
- The CDMDF is initially set up for 15 years, but this can be extended if needed by the Securities and Exchange Board of India (SEBI).

Market Coupling

- India's power regulator, CERC, is looking at a new system called market coupling. This basically means combining bids from different electricity marketplaces to set one overall price for buying and selling power.
- The idea behind market coupling is to get the most out of the power grid and create a win-win situation for both those selling and buying electricity.
- It helps set prices fairly and connect different electricity markets across India, making the whole system more transparent and competitive.

Market Coupling

- While the rules for market coupling are already part of India's power regulations (CERC Power Market Regulations 2021), they haven't been put into action yet.

Benefits of this:

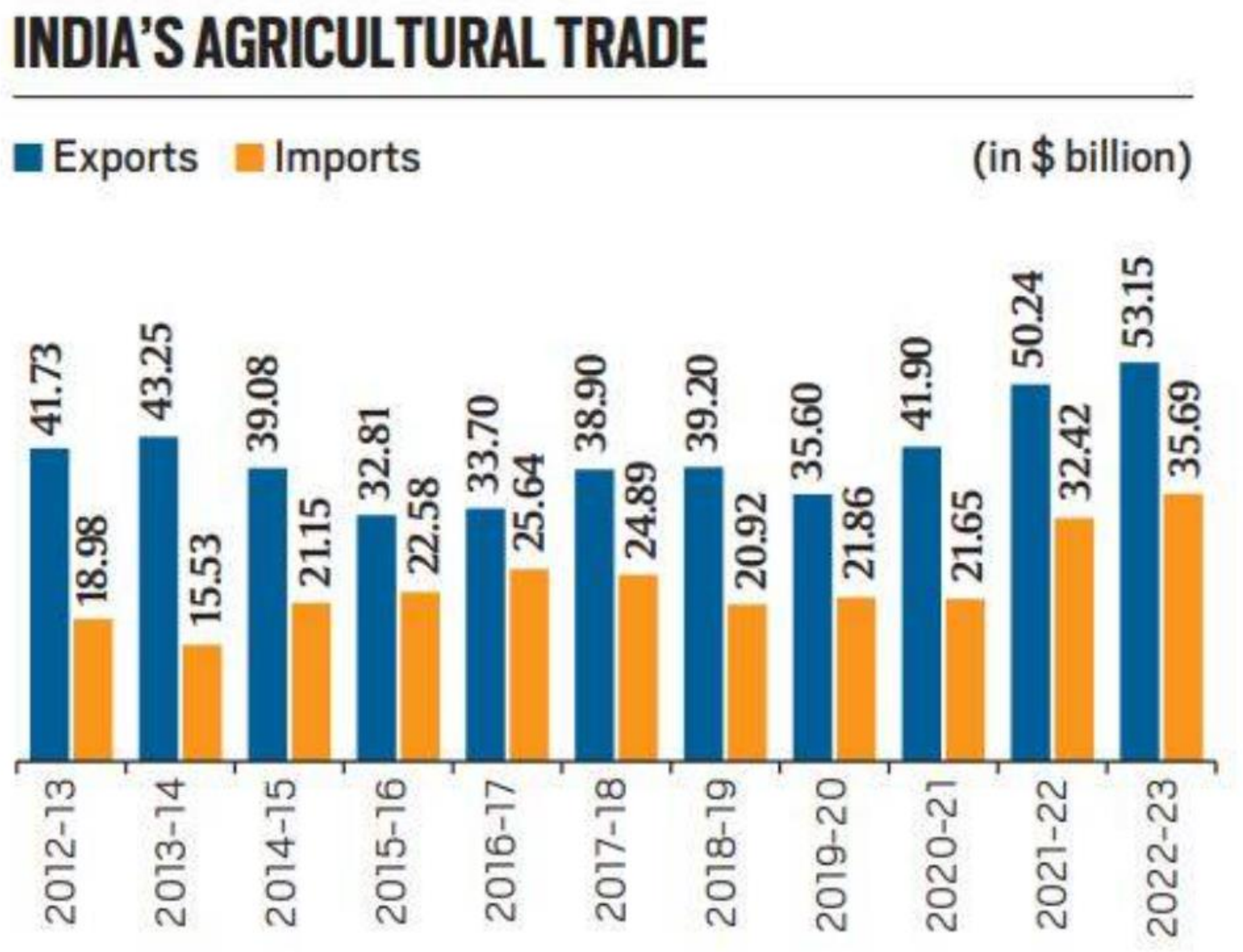
- **Getting the most out of power lines**: By combining all the buying and selling needs, market coupling can ensure the existing power lines are used efficiently.
- **Win-win for everyone**: By considering all the offers, market coupling can find a price that benefits both power producers (sellers) and buyers.

Market Coupling

It's important to note that India currently has three main power exchanges:

- Indian Energy Exchange (IEX): This is the biggest player, controlling roughly 90% of the market.
- Power Exchange of India (PXIL)
- Hindustan Power Exchange (HPX)

Agricultural Trade



Agricultural Trade

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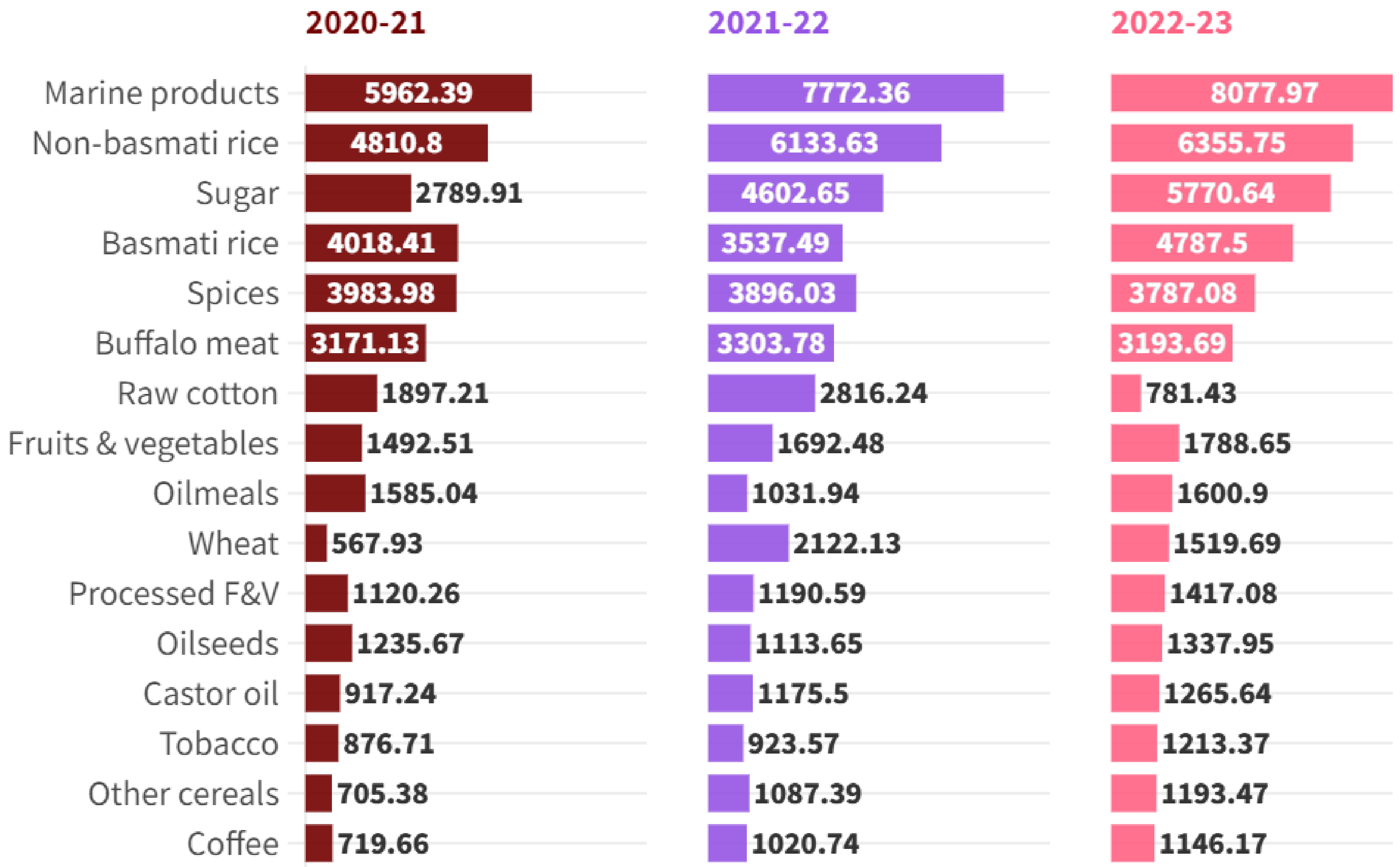
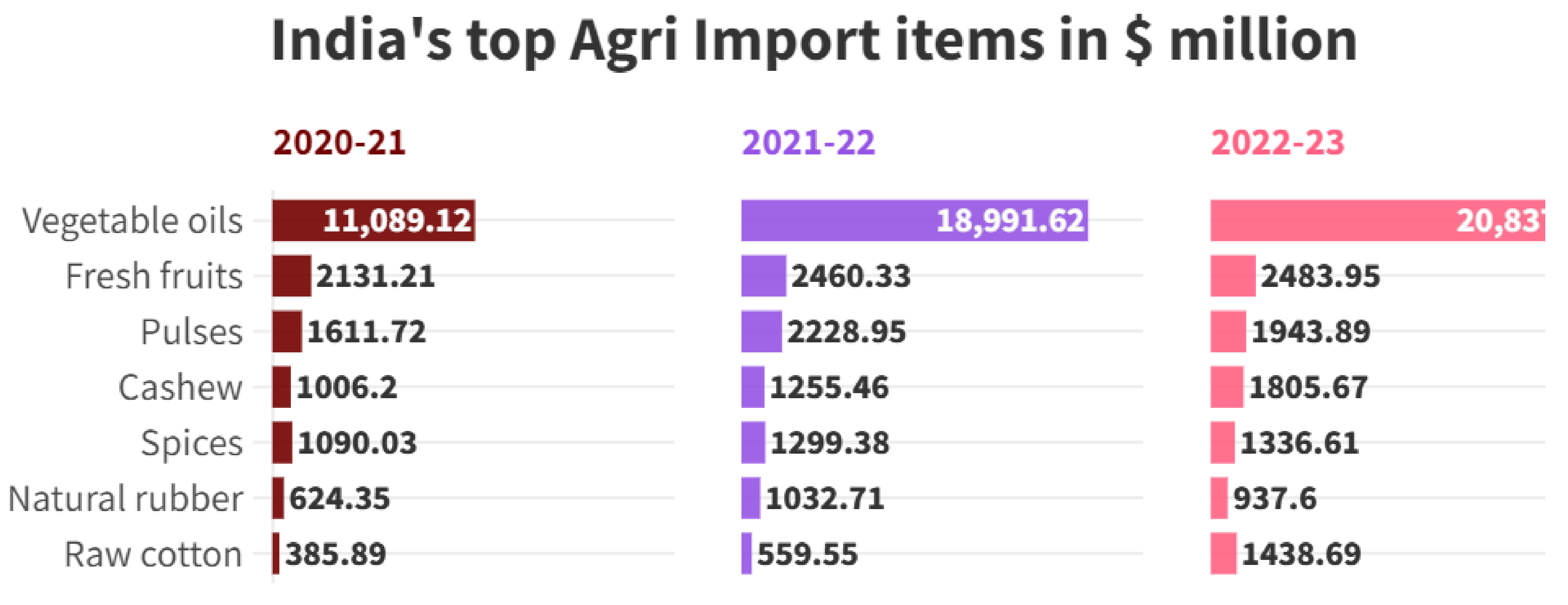
India's top Agri Export items in $ million



Agricultural Trade



Open Market Sale Scheme

- OMSS is the scheme through which **FCI sells surplus stocks of wheat and rice at predetermined prices through e-auction** in the open market from time to time to enhance the supply of food grains.

- Earlier this year, the Central government had come out with the OMSS policy for 2023 under which **States were allowed to buy both rice (including fortified rice) and wheat from the FCI for their own schemes** without participating in e-auction.

Open Market Sale Scheme

- Usually, the **OMSS is operationalised to sell foodgrains**, especially wheat and rice, at pre-determined prices in the open market.
- Under it, **foodgrains are sold to bulk consumers and private traders** during the lean season.
- It primarily aims to **improve domestic availability of these two key grains** and cool down open market prices, especially in deficit regions.

For this, FCI conducts **auctions on the platform of the National Commodity and Derivatives Exchange Limited (NCDEX).**

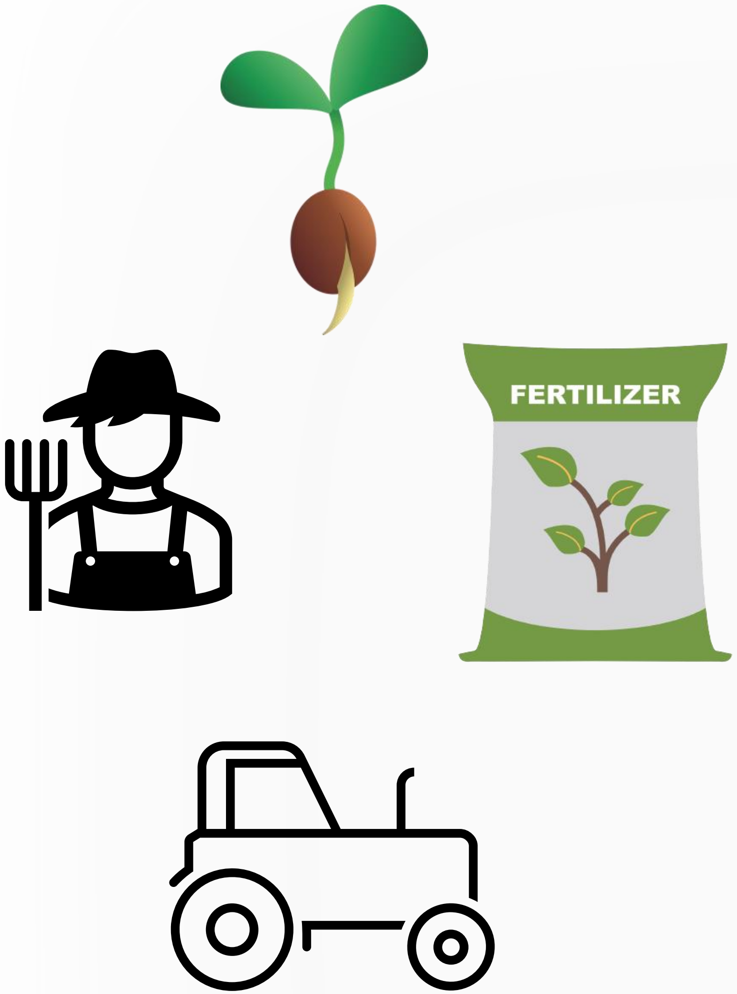
Open Market Sale Scheme

- According to an order issued by the Food Corporation of India (FCI), "The sale of wheat and rice under the OMSS (domestic) **for State governments is discontinued**".
- However, the **sale of rice under the OMSS will be continued for northeastern as** well as **hilly States and those facing law and order situations, and natural calamities**.
- FCI may liquidate rice under the OMSS **to private parties from the central pool** stock as per the requirement in order to moderate the market prices.

Open Market Sale Scheme

- The move comes amid the **slow progress of monsoon and rising prices** of rice and wheat.
- As per the official data, the **rice prices have increased by up to 10% in the last one year** at the mandi level, while by 8% in the last one month.
- Centre has announced the **sale of 15 lakh tonne of wheat under the OMSS** from the central pool **to flour mills, private traders and manufacturers of wheat products** through e-auction.

Fertilizer Subsidy in India



Fertilizer Subsidy in India

Natural or artificial substance containing chemical elements.
Nitrogen, phosphorus, and potassium.
Improve growth and productiveness of plants.
Urea, Di-ammonium phosphate (DAP), and Muriate of Potash (MoP) are some common fertilizer used in India.

Fertilizer Subsidy in India

Fertilizer Subsidy

- Nutrient Based Subsidy
  - Subsidized rates based on the nutrients (N, P, K & S)
  - Optimum balance (N:P:K= 4:2:1) of NPK fertilization
- Urea Subsidy
  - Price is fixed by Government.

    DBT

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Fertilizer Subsidy in India

At present, the subsidised rate of urea is ₹276 per bag (₹2,196 subsidy) and the price of DAP is ₹1,350 per bag.

The actual price of a bag of DAP was ₹4,000, but for farmers, the rate is ₹1,350 per bag. ₹2,461 per bag is the subsidy.

The NPK subsidy is ₹1,639 per bag, while the MoP subsidy amounts to ₹734 per bag.

ALL-INDIA USE OF FERTILISER PRODUCTS

	UREA	DAP	MOP*	NPKS	SSP
2009-10	266.73	104.92	46.34	80.25	26.51
2010-11	281.13	108.7	39.32	97.64	38.25
2011-12	295.65	101.91	30.29	103.95	47.46
2012-13	300.02	91.54	22.11	75.27	40.3
2013-14	306	73.57	22.8	72.64	38.79
2014-15	306.1	76.26	28.53	82.78	39.89
2015-16	306.35	91.07	24.67	88.21	42.53
2016-17	296.14	89.64	28.63	84.14	37.57
2017-18	298.94	92.94	31.58	85.96	34.39
2018-19	314.18	92.11	29.57	90.28	35.79
2019-20	336.95	101	27.87	98.57	44.03
2020-21	350.43	119.11	34.25	118.11	44.89
2021-22	341.8	92.72	24.57	114.79	56.81
2022-23	357.25	105.31	16.32	100.73	50.18

*For direct application, excluding supply to complex fertiliser units.
Source: Fertiliser Association of India. (in lakh tonnes)

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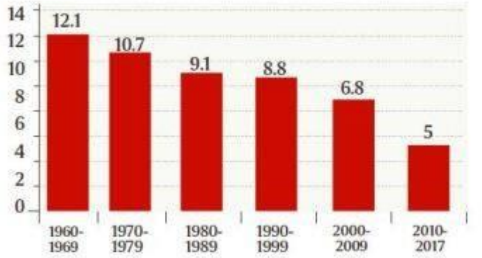
CROP YIELD RESPONSE TO FERTILISERS



Source: J.C. Katyal, Indian Journal of Fertilisers, Dec 2019.

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Fertilizer Subsidy in India

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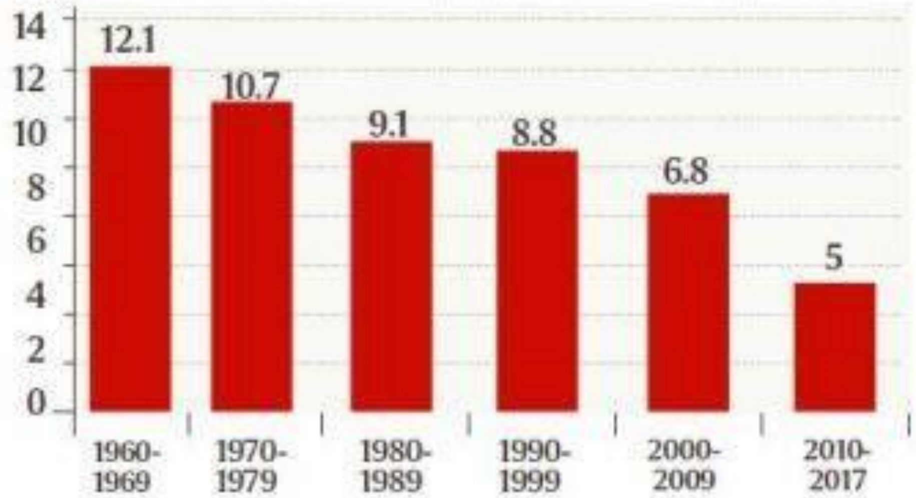

Source: J.C. Katyal, Indian Journal of Fertilisers, Dec 2019.

NBS Scheme

As per present setup, NBS fertilisers – unlike urea, whose maximum retail price (MRP) is fixed by the government – are technically decontrolled.

Under the NBS regime, their MRPs are supposed to be market-determined and set by the individual companies selling them.

The government merely pays a fixed per-tonne subsidy on each of these fertilisers, linked to their nutrient content or specific percentage of nitrogen (N), phosphorous (P), potassium (K) and sulphur (S).

Example of NBS

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Let's assume a fertilizer bag contains:

18 kg Phosphorus (P)

46 kg Potassium (K)

Production Cost for Bag=₹1500

Subsidy per kg of P: ₹16

Subsidy per kg of K: ₹10

Subsidy for P: 18 kg * ₹16/kg = ₹288

Subsidy for K: 46 kg * ₹10/kg = ₹460

Total Subsidy: ₹748

Without NBS, the MRP might be set at ₹1500 + profit margin.

With NBS, the MRP is reduced to ₹752 + Profit Margin.

Changes in NBS Scheme

But now, government has issued detailed guidelines for the evaluation of "reasonableness" of the MRPs for all non-urea fertilisers covered under NBS.
These guidelines will be effective retrospectively from April 1, 2023.

They have prescribed maximum profit margins that will be allowed for fertiliser companies – 8% for importers, 10% for manufacturers and 12% for integrated manufacturers.

Companies earning "unreasonable profit", i.e. over and above the stipulated percentages, in a particular financial year will have to refund the same next year.

Changes in NBS Scheme

If they fail to refund the unreasonable profit within the stipulated time limit then they should pay 12% interest along with the refund amount.

Calculation of profit margin- It is calculated as a % of the MRP of the fertilizers, excluding the Goods and Services Tax (GST).

The unreasonable profits would also get adjusted against subsequent fertiliser subsidy payments by the government.

Genetically Modified Mustard Crop DMH-11

- Recently, India's first genetically modified mustard crop Dhara Mustard Hybrid (DMH-11) has failed to meet the minimum weight criteria required for the commercial release as seed.
- Recently, **field trials were conducted** at six different locations in the last Rabi season by the Indian Council of Agricultural Research (ICAR).
- DMH-11's **yield came out to be 26 quintals per hectare** and oil content as 40 percent.
- However, its **weight of 3.5 grams per 1000 seeds** came out to be **less than 4.5 grams which is required to be approved as a commercial seed variety.**

Genetically Modified Mustard Crop DMH-11

- Dhara Mustard Hybrid-11 or DMH - 11, was developed by University of Delhi's Centre for **Genetic Manipulation of Crop Plants (CGMCP).**
- **Genetic Engineering Appraisal Committee (GEAC) had approved its environmental release** in 2022.
- It is a genetically modified variant **of Herbicide Tolerant (HT) mustard**.
- It contains **two alien genes (‘barnase’ and ‘barstar’)** isolated from a soil bacterium called Bacillus amyloliquefaciens.

Genetically Modified Mustard Crop DMH-11

- It was developed with the **aim of increasing yield of domestically grown mustard** and reducing India's demand for edible oil imports.
- It is a result of a **cross between Varuna and Early Heera-2 varieties** of mustard.
- It is a **transgenic crop** because it uses foreign genes from different species.
- DMH-11 showed **approximately 28 percent more yield than the normal mustard** i.e. the Rapeseed-mustard which is **grown on 9.17 million ha in India with total production of 11.75 million tons** (2021-22).