

IMPACT OF DEPRECIATION OF INDIAN RUPEE ON ECONOMY

GS Paper - 3 - Fiscal Policy - Monetary Policy - Capital Market

Currency movement against USD

| | Mar 22 | Mar 22 | Change Since Mar 22 |
|---------------------|--------------|--------------|---------------------|
| Turkish New Lira | 7.80 | 8.14 | 4.36 |
| Indian Rupee | 72.38 | 75.42 | 4.20 |
| Brazilian Real* | 5.51 | 5.73 | 3.99 |
| Russian Ruble | 74.77 | 77.20 | 3.25 |
| Thai Baht | 30.87 | 31.59 | 2.33 |

WHY IN NEWS?

The Indian rupee fell to an all-time low of 77.44 against the U.S. Dollar.

WHAT IS DEPRECIATION?

○ **About:**

- Currency depreciation is a **fall in the value of a currency in a floating exchange rate system.**
- Rupee depreciation means that the **rupee has become less valuable with respect to the dollar.**
 - It means that the rupee is now weaker than what it used to be earlier.
 - **For example: USD 1 used to equal to Rs. 70, now USD 1 is equal to Rs. 77, implying that the rupee has depreciated relative to the dollar i.e. it takes more rupees to purchase a dollar.**

○ **Impact of Depreciation of Indian Rupee:**

- Depreciation in rupee is a **double-edged sword for the [Reserve Bank of India](#).**
 - **Positive:**
 - Weaker rupee should theoretically give a boost to India’s exports, but in an environment of uncertainty and weak global demand, a fall in the external value of rupee may not translate into higher exports.
 - **Negative:**
 - It **poses risk of imported [inflation](#)**, and may make it difficult for the central bank to maintain interest rates at a record low for longer.
 - India meets **more than two-thirds of its domestic oil requirements through imports.**
 - India is **also one of the top importers of [edible oils](#)**. A weaker currency will further **escalate imported edible oil prices** and lead to a higher food inflation.

- **Appreciation Vs Depreciation**
- In a floating exchange rate system, **market forces (based on demand and supply of a currency)** determine the value of a currency.
- **Currency Appreciation:** It is an increase in the value of one currency in relation to another currency.
 - Currencies appreciate against each other for a variety of reasons, including government policy, interest rates, trade balances and business cycles.
 - **Currency appreciation discourages a country's export activity** as its products and services become costlier to buy.
- **Depreciation Vs Devaluation:**
 - If the value of the **Indian Rupee is weakened through administrative action**, it is devaluation.
 - While the **process is different for depreciation and devaluation**, there is no difference in terms of impact.
 - India used to **follow the administered or fixed rate of exchange until 1993**, when it moved to a **market-determined process or floating exchange rate**.
 - **China still adheres to the former.**

WHAT ARE THE REASONS FOR CURRENT DEPRECIATION OF INDIAN RUPEE?

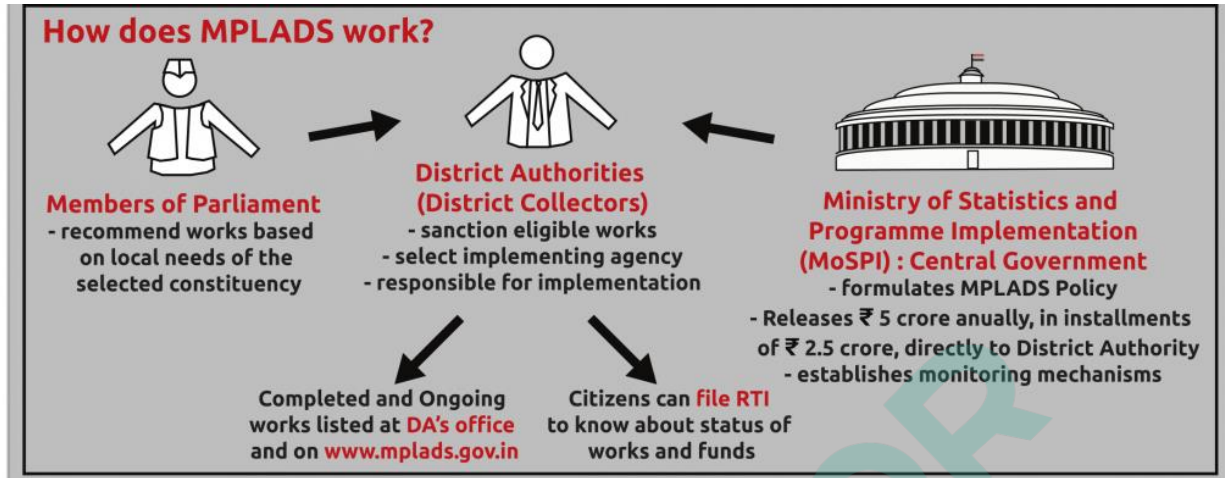
- **Sell-off of the Equity:**
 - A **sell-off in the global equity markets** which was triggered by the hike in [interest rates by the U.S. Federal Reserve](#) (central bank), the war in Europe and growth concerns in China due to the [Covid-19](#) surge, led to the rupee depreciation.
- **Outflow of Dollar:**
 - The outflow of dollars is a result of [high crude prices](#) and the correction in **equity markets is also causing adverse flow of dollars**.
- **Tightening of Monetary Policy:**
 - Steps taken by RBI to **tighten the monetary policy** to counter rising [inflation](#) has also led to depreciation.

HOW THE DEPRECIATION OF RUPEE IMPACT THE OVERALL ECONOMY?

- The [current account deficit](#) is bound to widen, depleting [foreign exchange reserves](#) and **weakening the rupee**.
- With higher landed prices of crude oil and other crucial imports, the economy is **definitely inching towards cost-push inflation**.
 - Cost-push inflation (also known as wage-push inflation) occurs **when overall prices increase (inflation) due to increases** in the cost of wages and raw materials.
- **Companies may not be allowed to fully pass on the burden of high costs** to consumers, which, in turn, affects government dividend earnings, raising questions about budgeted [fiscal deficits](#).

SIGNIFICANCE OF MPLAD SCHEME AND THE RELATED ISSUES

GS Paper - 2 - GS Paper - 3 - Federalism - Separation of Powers - Central Sector Schemes - Government Policies & Interventions



WHY IN NEWS?

Recently, the Ministry of Finance has revised the Member of Parliament Local Area Development Scheme (MPLADS) rules, where the interest that the fund accrues will be deposited in the Consolidated Fund of India.

- So far, the interest accrued on the fund used to be added to the MPLADS account and could be used for the development projects.

WHAT IS CONSOLIDATED FUND OF INDIA?

- All revenues received by the Government by way of taxes like Income Tax, Central Excise, Customs and other receipts flowing to the Government in connection with the conduct of Government business i.e. Non-Tax Revenues are credited into the Consolidated Fund constituted under **Article 266 (1) of the Constitution of India.**
- Similarly, all loans raised by the Government by issue of Public notifications, treasury bills (internal debt) and loans obtained from foreign governments and international institutions (external debt) are credited into this fund.
- All expenditure of the government is incurred from this fund and no amount can be withdrawn from the Fund without authorization from the Parliament.

WHAT IS MPLAD SCHEME?

- **About:**
 - It is a Central Sector Scheme which was announced in December 1993.
- **Objective:**
 - To enable MPs to recommend works of developmental nature with emphasis on the creation of durable community assets in the areas of drinking water, primary education, public health, sanitation and roads, etc. primarily in their Constituencies.
 - Since June 2016, the MPLAD funds can also be used for implementation of the schemes such as Swachh Bharat Abhiyan, Accessible India Campaign (Sugamya Bharat Abhiyan), conservation of water through rain water harvesting and Sansad Aadarsh Gram Yojana, etc.

- **Implementation:**
 - The process under MPLADS starts with the Members of Parliament recommending works to the Nodal District Authority.
 - The Nodal District concerned is responsible for implementing the eligible works recommended by the Members of Parliament and maintaining the details of individual works executed and amount spent under the Scheme.
- **Functioning:**
 - Each year, **MPs receive Rs. 5 crore in two instalments of Rs. 2.5 crore each.** Funds under MPLADS are non-lapsable.
 - Lok Sabha MPs have to recommend the district authorities projects in their Lok Sabha constituencies, while Rajya Sabha MPs have to spend it in the state that has elected them to the House.
 - Nominated Members of both the Rajya Sabha and Lok Sabha can recommend works anywhere in the country.

WHAT ARE THE ISSUES WITH MPLADS?

- **Implementation Lapses:** The [Comptroller and Auditor-General of India \(CAG\)](#) has flagged instances of financial mismanagement and artificial inflation of amounts spent.
- **No Statutory Backing:** The scheme is not governed by any statutory law and is subject to the whims and fancies of the government of the day.
- **Monitoring and Regulation:** The scheme was launched for promoting participatory development but there is no indicator available to measure level of participation.
- **Breach of Federalism:** MPLADS encroaches upon the domain of local self governing institutions and thereby violates [Part IX and IX-A of the Constitution](#).
- **Conflict with Doctrine of Separation of Powers:** MPs are getting involved in executive functions.

[Source: ET](#)

ETHANOL BLENDING AND ITS SIGNIFICANCE

GS Paper - 3 - Growth & Development - Environmental Pollution & Degradation

Aiming for an eco boost

Oil industry experts have allayed fears over mixing ethanol with petrol and say it cannot damage engines

- Ethanol is a bio-fuel obtained primarily from sugarcane. Blending of ethanol with petrol reduces dependence on fossil fuel and helps the environment
- The government had set a target of 10% of ethanol per litre of petrol
- Ethanol is blended through a separate pumping and metering mechanism
- Once blended, ethanol cannot be separated from petrol

Since ethanol can absorb moisture from the atmosphere, dealers say it can cause issues with vehicle engines



WHY IN NEWS?

The level of ethanol blending in petrol in India has reached 9.99%.

WHAT IS ETHANOL BLENDING?

- Ethanol: It is one of the principal **biofuels**, which is naturally produced by the fermentation of sugars by yeasts or via petrochemical processes such as ethylene hydration.
- Ethanol Blending Programme (EBP): It is aimed at reducing the country's dependence on **crude oil imports**, cutting carbon emissions and **boosting farmers' incomes**.
- Blending Target: The Government of India has advanced the target for 20% ethanol blending in petrol (also called E20) to 2025 from 2030.

WHAT IS THE SIGNIFICANCE OF ETHANOL BLENDING?

- Reduce dependency on Petroleum:
 - By blending ethanol into gasoline, it can reduce the amount of petrol required to run a car, thereby reducing dependence on imported, expensive, and polluting petroleum.
 - Today, India imports 85% of its oil requirements.
- Save Money:
 - India's net import of petroleum was 185 million tonnes in 2020-21 at a cost of USD551 billion.
 - Most of the petroleum products are used in transportation and therefore, the E20 programme can save the country USD4 billion annually.

○ **Less Polluting:**

- Ethanol is a **less polluting fuel and offers equivalent efficiency at a lower cost** than petrol.
 - Availability of large arable land, rising production of foodgrains and sugarcane leading to surpluses, availability of technology to produce ethanol from plant-based sources, and the feasibility of making vehicles compliant to ethanol blended petrol (EBP) are some of the supporting arguments used in the roadmap for E20, which refers to the target as "not only a national imperative, but also an important strategic requirement".

WHAT ARE THE RELATED ISSUES?

○ **National Policy on Biofuel:**

- The **new ethanol blending target primarily focuses** on food-based feedstocks, in light of grain surpluses and wide availability of technologies.
 - The blueprint is a departure from the [2018 National Policy on Biofuels](#), which prioritized grasses and algae; cellulosic material such as bagasse, farm and forestry residue; and, items like straw from rice, wheat and corn.

○ **Risk of Hunger:**

- The food grains meant for the impoverished are being sold to distilleries at prices cheaper than what states pay for their public distribution networks.
 - Competition **between the distilleries and the [public distribution system](#)** for subsidized food grains could have adverse consequences for the rural poor and expose them to enhanced risk of hunger.
 - India ranked 101st of 116 countries on the [World Hunger Index 2021](#).

○ **Cost:**

- Production of biofuels requires land, this **impacts the cost of biofuels as well as that of food crops**.

○ **Water use:**

- **Massive quantities of water are required for proper irrigation** of biofuel crops as well as to manufacture the fuel, which could strain local and regional water resources.

○ **Efficiency:**

- **Fossil Fuels produce more energy** than some of the biofuels. E.g. 1 gallon of ethanol produces less energy as compared to 1 gallon of gasoline (a fossil fuel).

WAY FORWARD

○ **Ethanol From Wastes:**

- India has a **real opportunity here to become a global leader in sustainable biofuels policy** if it chooses to refocus on ethanol made from wastes.
 - This would **bring both strong climate and air quality benefits**, since these wastes are currently often burned, contributing to smog.

○ **Water Crisis:**

- The new ethanol policy should **ensure that it doesn't drive farmers toward water-intensive crops** and create a water crisis in a country where its shortage is already acute.

- Rice and sugarcane, along with wheat, consume about 80% of India's irrigation water.
- **Prioritize Crop Production:**
 - With our depleting groundwater resources, arable land constraints, erratic monsoons, and dropping crop yields due to climate change, **food production must be prioritized over crops for fuel.**
- **Alternative Mechanism:**
 - To achieve the key goal, that is **emissions reduction**, **alternative mechanisms**-enhanced **Electric Vehicles** uptake, installation of additional renewable generation capacity to allow **zero-emissions** recharging, etc.-need to be evaluated.

Source:IE

MARTAND SUN TEMPLE

Ancient Indian History - Important Personalities - GS Paper - 1



WHY IN NEWS?

The Jammu and Kashmir Lieutenant Governor participated in a religious ceremony held in the ruins of the 8th century Martand Sun temple, a protected monument under the Archaeological Survey of India. This temple has been recognised as a “Site of national importance”.

WHAT IS THE MARTAND SUN TEMPLE?

- The Martand Sun Temple also known as **Pandou Laidan** is a **Hindu temple dedicated to Surya (the chief solar deity in Hinduism)** and built during the 8th century CE. Martand is another Sanskrit synonym for Surya.
- It was built by the **third ruler of the Karkota Dynasty, Lalitaditya Muktapida.**

- It is now in ruins, as **it was destroyed by the orders of Muslim ruler Sikandar Shah Miri.**
- The temple is **located five miles from Anantnag in the Indian union territory of Jammu and Kashmir.**
- From the ruins and related archaeological findings, it can be said it was an excellent specimen of Kashmiri architecture, which had blended the Gandharan, Gupta and Chinese forms of architecture.
- The temple **appears in the list of centrally protected monuments** as Kartanda (Sun Temple).

WHO WAS LALITADITYA MUKTAPIDA?

- Lalitaditya was born in the year of **699 AD as the third son of Durlabhak-Pratapaditya of Kashmir.**
- He was from the **Nagvanshi Karkota Kayastha Dynasty of Kashmir.**
 - Karkota Kayastha families were mainly serving in the army of the kings of Kashmir since decades. They were known for their remarkable courage in the battlefield.
 - The Kings of Kashmir had given them the title Sakhasena for their immense contribution.
- Lalitaditya's birth name was Muktapida and his older brothers were Chandrapida and Tarapida.
- Muktapida **took over the Kingdom of Kashmir in the year 724 AD.**
- It was the same time, when the **western invasion had begun in India and the Arabs had already occupied the province of swat, multan, peshawar and the Kingdom of Sindh.**
- The Arab king Mohammad Bin Qasim, the Arab ruler was already threatening to occupy Kashmir and central India.
- He fought the **daradas, kabhojas and bhuttas of Ladakh who were under Tibetan rule.**
- Lalitaditya **himself led the army into the war defeating all Kings and established control over the regions of Ladakh.**
- The alliance between **Lalitaditya and Yashovarman defeated the Arabs from entering Kashmir.**
- He later invaded Turkestan via Kabul. Lalitaditya acquired most of the places in the west and south of India starting from Rashtrakutas in Maharashtra, Pallavas and Kalinga in the southern part.
- He also extended his kingdom to central China after defeating the Chinese. **After which he was compared with Alexander the great.**
- The **Kashmir Kingdom gained enormous wealth and Lalitaditya utilized the wealth to build massive infrastructure** in Kashmir, construction of temples were taken up and Kashmir saw extensive development under Lalitaditya.
- Lalitaditya was a very liberal King, though **he was a strong follower of Hindu tradition, he respected all religions. He is said to be a very compassionate ruler who responded to people's voices.**
- In the year 760 AD, the Lalitaditya era came to an end by his sudden death.

WHAT ARE THE KEY POINTS OF THE KARKOTA DYNASTY?

- The Karkota dynasty established their power in Kashmir (early 7th century) and it emerged **as a power in central Asia and northern India.**
- Durlabh Vardhana was the founder of the Karkota dynasty.
- The **Karkota rulers were Hindus and built spectacular Hindu temples at Parihaspur (capital).**
- They also patronised Buddhism as some stupas, chaityas and viharas have been found in the ruins of their capital.

PM PAID TRIBUTE TO GOPAL KRISHNA GOKHALE ON HIS JAYANTI

Modern Indian History - GS Paper - 1 - Important Personalities



WHY IN NEWS?

The Prime Minister of India paid tribute to Gopal Krishna Gokhale on his Jayanti.

- Gopal Krishna Gokhale was a **great social reformer and educationist** who provided exemplary leadership to India's freedom movement.

WHAT DO WE KNOW ABOUT GOPAL KRISHNA GOKHALE?

- **Birth:** 9th May 1866 in Kotluk village in present-day Maharashtra (then part of the Bombay Presidency).
- **Ideology:**
 - Gokhale worked towards social empowerment, expansion of education, struggle for freedom in India for three decades and rejected the use of reactionary or revolutionary ways.
- **Role in Colonial Legislatures:**
 - **Between 1899 and 1902**, he was a member of the **Bombay Legislative Council** followed by work at the **Imperial Legislative Council from 1902 till his death (1915)**.
 - At the Imperial legislature, Gokhale played a key role in framing the **Morley-Minto reforms of 1909**.
- **Role in INC:**
 - He was associated with the Moderate Group of **Indian National Congress** (joined in 1889).
 - He became **president of INC in 1905** in Banaras session.

- This was the time when bitter differences had arisen between his group of 'Moderates' and the 'Extremists' led by [Lala Lajpat Rai](#) and [Bal Gangadhar Tilak](#) among others. The two factions **split at the Surat session of 1907**.
- Despite the ideological difference, **in 1907**, he intensely **campaigns for the release of Lala Lajpat Rai**, who was imprisoned that year by the British at Mandalay in present-day Myanmar.
- **Related Societies and Other Works:**
 - He **established the Servants of India Society in 1905** for the expansion of Indian education.
 - He was **also associated with the Sarvajanic sabha journal** started by Govind Ranade.
 - In 1908, Gokhale **founded the Ranade Institute of Economics**.
 - He started English weekly newspaper, **The Hitavada** (The people's paper).
- **Mentor to Gandhi:**
 - As a liberal nationalist, he is **regarded by Mahatma Gandhi as his political guru**.
 - Gandhi wrote a book in Gujarati dedicated to the leader titled '**Dharmatma Gokhale**'.

WHAT IS MORLEY-MINTO REFORMS 1909?

- The reforms included the **admission of Indians to the Secretary of State's council**, to the viceroy's executive council, and to the executive councils of Bombay and Madras, and the **introduction of an elected element into legislative councils with provision for separate electorates for Muslims**.
 - The reforms were regarded by Indian nationalists as too cautious, and the provision of separate electorates for Muslims was resented by Hindu.
- The **legislative councils at the Centre and the provinces** were increased in size.
 - The Act increased the maximum **additional membership of the Imperial Legislative Council from 16 to 60**.
- The legislative councils at the Centre and the provinces were to have **four categories of members as follows:**
 - **Ex officio members:** Governor-General and members of the executive council.
 - **Nominated official members:** Government officials who were nominated by the Governor-General.
 - **Nominated non-official members:** Nominated by the Governor-General but were not government officials.
 - **Elected members:** Elected by different categories of Indians.
 - **The elected members were elected indirectly.**
- **Indians were given membership** to the Imperial Legislative Council for the **first time**.
- It introduced **separate electorates for the Muslims**.
 - **Some** constituencies were earmarked for Muslims and only Muslims could vote for their representatives.
 - **Satyendra P Sinha** was appointed the first Indian member of the **Viceroy's Executive Council**.

PRIME MINISTER OF INDIA PAID TRIBUTES TO MAHARANA PRATAP ON HIS JAYANTI

GS Paper - 1 - Medieval Indian History



WHY IN NEWS?

The Prime Minister of India paid tributes to Maharana Pratap on his Jayanti.

WHAT DO WE KNOW ABOUT MAHARANA PRATAP?

- **Description:**
 - Rana Pratap Singh, also known as Maharana Pratap, was born on 9th May 1540 in Kumbhalgarh, Rajasthan.
 - He was the **13th King of Mewar** and was the eldest son of Udai Singh II
 - Maharana Udai Singh II ruled the kingdom of Mewar, with his capital at Chittor.
 - Udai Singh II was also a founder of the city of Udaipur (Rajasthan).
- **Battle of Haldighati:**
 - The Battle of Haldighati was fought in 1576 between Rana Pratap Singh of Mewar and Raja Man Singh of Amber who was the general of the Mughal emperor Akbar.
 - Maharana Pratap fought a brave war but was defeated by Mughal forces.
 - It is said that Maharana Pratap's loyal horse named Chetak, gave up his life as the Maharana was leaving the battlefield.
- **Reconquest:**
 - After 1579, the Mughal pressure relaxed over Mewar and Pratap recovered Western Mewar including Kumbhalgarh, Udaipur and Gogunda.
 - During this period, he also built a new capital, Chavand, near modern Dungarpur.
- **Death:**
 - He died on 19th January 1597. He was succeeded by his son Amar Singh, who submitted in 1614 to Emperor Jahāngīr, son of Akbar.