

Mains Master

India is poised to become 'viksit Bharat'

Indian Express

Context

The article discusses India's potential path towards becoming a developed nation by 2047, emphasizing the role of political leadership, economic policies, and key indicators in assessing the country's prosperity. It highlights India's economic progress, outlines the Modi government's policies, evaluates income indicators, poverty reduction, income inequality, inflation rates, currency stability, and the nation's financial resilience. The narrative underscores the significance of sustained economic growth, controlled inflation, investments, innovations, and the potential challenges that might hinder India's developmental journey.

GDP Growth - A Tale of Two Decades:

- **Slow and Steady (1947-2014):** It took India 67 years to reach a \$2 trillion economy, averaging ~5% annual growth. The focus was on basic infrastructure and building a stable foundation.
- **Momentum Under Modi (2014-2024):** The pace has picked up significantly, with India adding another \$2 trillion in just 10 years (~8% average growth). Policy reforms, infrastructure push, and digitalization are key drivers.
- **Looking Ahead:** If the current trend continues, India could become a \$6 trillion economy by 2029, highlighting the acceleration in economic activity.

Beyond the Numbers - Per Capita Income:

- **Significant Improvement, Yet a Long Road:** Income levels have risen from \$624 in 2004 to \$2,411 in 2022, reflecting a 2.5x increase over the past two decades.
- **High-Income Goal Remains Distant:** However, the high-income threshold of \$13,846 is still a long way off. Sustaining the recent growth momentum for several decades is crucial to bridge this gap.
- **Purchasing Power Parity - A Brighter Picture:** In PPP terms, reflecting the ability to buy goods and services, India's per capita GDP stands at \$7,112, offering a more nuanced perspective on living standards.

Income Inequality - A Complex Issue:

- **Gini Index - A Mixed Bag:** While income inequality measured by the Gini Index has remained around 34 since 2004, concerns about rising disparities persist.
- **Global Comparison:** Inequalities are also prevalent in other BRICS nations, with South Africa, Brazil, and China even more skewed. Addressing this issue requires targeted policies to uplift disadvantaged groups.

Inflation and Exchange Rate Stability:

- **Controlled Inflation:** Under the Modi government, inflation has largely stayed within the RBI's target range, promoting economic stability and predictability.
- **Strong Foreign Reserves:** With over \$600 billion in foreign exchange reserves, India is well-positioned to deal with external shocks and currency volatility.

Viksit Bharat by 2047 - A Realistic Dream?

- **Building Blocks in Place:** Continued focus on high growth, controlled inflation, increased investment, and innovation can propel India towards its ambition of becoming a developed nation.
- **Challenges and Caveats:** External factors like pandemics, war, natural disasters, or political turmoil could derail progress. Building resilience and adaptability is crucial.

Conclusion:

India's economic story is one of impressive growth, rising living standards, and increasing global prominence. However, challenges remain in terms of inequality, sustainability, and external vulnerabilities. By pursuing smart policies, investing in human capital, and fostering inclusivity, India can turn the dream of Viksit Bharat into a reality by 2047.

A dive into sanitation solutions: processing, managing and treating used water

Understanding Sanitation Systems:

- Sanitation systems are pivotal for public health and environmental safety, managing used water through various types, from on-site solutions (like twin pits, septic tanks) to centralised sewer networks leading to treatment facilities.



Destination of Used Water:

- Used water from homes serves various purposes and requires proper management; it should ideally flow into sanitation systems designed to contain, convey, treat, and reuse this resource (termed 'used water' instead of 'wastewater').

Types of Sanitation Systems:

• On-Site Sanitation Systems (OSS):

- Used in rural areas or spacious urban residences.
- Includes twin pits, septic tanks, bio-digester toilets, etc.
- Collection and storage structures treating used water, leaving behind faecal sludge.

• Twin Pits and Septic Tanks:

- Twin pits: Two pits used alternately, allowing liquid percolation while solids degrade.
- Septic tanks: Watertight tanks separating solids, disposing of liquid into soil or trenches.
- Regular removal of accumulated faecal sludge and scum is necessary.

• Centralised Sewer Networks:

- Common in densely populated urban areas lacking space within properties.
- Networks of pipes transport used water to treatment facilities using gravity or pumps.

Treatment in Facilities:

• Faecal Sludge Treatment Plants (FSTPs):

- Mechanised or gravity-based systems treating faecal sludge.
- Treated solids reused in agriculture; water reused in landscaping.
- Emphasizes containment, conveyance, and treatment of faecal sludge.

• Sewage Treatment Plants (STPs):

- Employ physical, biological, and chemical processes to purify sewage.
- Use advanced treatments like membrane filtration for water reuse.
- Vary in size, chosen based on city's capacities and needs.

Purpose of Complex Systems:

- Used water gathers impurities necessitating containment, removal, and treatment before disposal or reuse.
- Protects public health and prevents environmental pollution from impurities.
- Challenges persist in ensuring universal access and effectively managing sanitation systems.

Sanitation's Evolution:

- Initially focused on odour and aesthetics, now pivoted towards public and environmental health.
- Improvements made, but ensuring universal access and addressing system challenges remain essential.

Conclusion:

- Properly designed and maintained sanitation systems are crucial to manage used water, protecting water bodies and public health.
- Addressing design flaws and unsafe practices is essential for effective sanitation management

Debt debate

The article focuses on the Finance Ministry's response to the IMF's analysis of India's economy, clarifying certain presumptions and emphasizing the importance of fiscal measures to maintain stability. It highlights India's debt status, IMF projections, perceptions of India's fiscal position, and the critical need for proactive fiscal management to achieve deficit targets and ensure stability.

Finance Ministry's Response to IMF's Article IV Consultations:

- Ministry released a statement post IMF's Article IV consultations with India, aiming to clarify certain presumptions made by the IMF.
- IMF's view suggested adverse shocks might elevate India's general government debt to or beyond 100% of GDP by 2027-28, a scenario the Ministry contested as a worst-case possibility.
- Emphasized comparisons with other IMF country reports projecting much higher extreme 'worst-case' scenarios (e.g., 160%, 140%, and 200% of GDP for the U.S., the U.K., and China).

Debt Status and IMF Projections:

- Combined debt of central and State governments declined from 88% to 81% of GDP between 2020-21 and 2022-23.
- IMF projections indicate a potential further decrease to 70% by 2027-28 under favorable conditions.

Clarifications and Ministry's Intentions:

- Ministry clarified its statement wasn't a rebuttal but aimed to prevent misinterpretation or misuse of comments indicating that General Government debt might surpass 100% of GDP in the medium term.
- There's debate among experts whether the Ministry's communication was confrontational or aimed at clarification.

IMF's Perception of India's Fiscal Position:

- India's Director on the IMF Board expressed reservations about IMF staff conclusions on debt risks.
- Over the past year, IMF's view of India's fiscal position has improved, now considering sovereign stress risks as moderate.
- Improved perceptions credited partly to the Centre's ability to meet fiscal deficit targets despite debt levels around 57% of GDP last year.

Importance of Fiscal Measures:

- Emphasized the criticality of reducing debt and expenditures to achieve the deficit target of 4.5% of GDP by 2025-26, from an estimated 5.9% this year.
- Acknowledged the impact of actions as more significant than reactive responses to reports in managing fiscal stability.

UNHCR thanks India for taking care 142 Rohingyas intercepted in Andaman

- 🌐 UNHCR, the UN Refugee Agency, is dedicated to saving lives, protecting rights, and building a better future for people forced to flee their homes due to conflict and persecution.
- 🤝 The organization leads international action to protect refugees, forcibly displaced communities, and stateless people, with a vision of a world where every displaced person can build a better future.
- 🏠 Established in 1950 by the General Assembly of the United Nations in the aftermath of the Second World War, UNHCR provides life-saving assistance in 137 countries, offering shelter, food, water, and medical care to those forced to flee conflict and persecution.
- 🛡️ UNHCR defends the right of displaced individuals to reach safety, helps them find a place to call home, and works with countries to improve and monitor refugee and asylum laws and policies, ensuring human rights are upheld.
- 👥 The organization considers refugees and those forced to flee as partners, placing them at the center of planning and decision-making in all its activities.

Risk of stagflation receding: RBI officials

- 📉 ****Stagnant Economic Growth:**** Stagflation involves slow or negative economic growth, often accompanied by high unemployment or underemployment, leading to reduced consumer spending and business investment.
- 📈 ****High Inflation:**** It is characterized by persistently high inflation rates, resulting in a rapid rise in prices of goods and services and a decrease in the purchasing power of money.
- 🏛️ ****Challenges for Monetary Policy:**** Traditional monetary policy tools may be ineffective in addressing both stagnant growth and high inflation simultaneously, creating a dilemma for policymakers.
- 📊 ****Causes of Stagflation:**** It can be caused by supply shocks, wage-price spirals, and structural imbalances in the economy, disrupting the normal functioning of markets.
- 💰 ****Impact on Consumers and Businesses:**** Stagflation leads to reduced real wages for consumers and higher production costs, reduced profitability, and economic uncertainty for businesses.
- 📋 ****Policy Responses:**** Addressing stagflation often requires a combination of monetary and fiscal policy measures, balancing efforts to stimulate economic growth with measures to control inflation and addressing underlying structural issues.

Maersk set to resume Red Sea passage with 'Operation Prosperity Guardian' in place

- 🚢 Maersk, a major shipping company, halted its vessels' passage through the Bab el-Mandeb strait in December due to attacks on its ships, prompting concerns about safety in the region.
- 🇺🇸 The United States initiated **Operation Prosperity Guardian** to protect international commerce in the Red Sea from Yemeni militants reportedly supported by Iran, aiming to secure the Red Sea and Gulf of Aden and allow the resumption of traffic through the vital Suez Canal.
- 🌐 Maersk confirmed on December 24, 2023, that Operation Prosperity Guardian was established, enabling the use of the Suez Canal again and allowing ships to transit through the Red Sea, leading to plans to resume vessel traffic in both eastbound and westbound directions.
- 📍 Despite the operation, Maersk indicated that it might still redirect ship traffic depending on evolving safety conditions, as other firms also suspended Red Sea transit due to concerns about safety amid the attacks by Yemeni militants on international vessels.
- 💰 Due to the crisis, Maersk redirected ships around Africa via the Cape of Good Hope, leading to container surcharges on Asia shipments to cover the increased expenses.

India's first rupee payment for UAE oil sparks search for more deals

- 🇮🇳 India made its first-ever payment in rupees for crude oil purchased from the UAE, aiming to promote the global use of the local currency and reduce transaction costs associated with dollar conversions.
- 🌐 The nation's strategy to diversify suppliers and adhere to international obligations while sourcing from the cheapest options drives its dependence on oil imports, which exceeds 85%.
- 📄 Seeking to settle trade deals in rupees, India's move aims to save significant amounts by eliminating transaction costs associated with dollar conversions.
- 🤝 Deals with the UAE and some Russian oil imports have been successfully settled in Indian rupees, reflecting a shift from the traditional US dollar settlements for crude oil imports.
- 🏠 The Reserve Bank of India's allowance for multiple banks to settle trades in rupees with 18 countries last year further facilitated this currency's adoption in cross-border transactions.
- 🏦 India encourages major oil exporters like the UAE and Saudi Arabia to accept rupees, acknowledging the need for caution to prevent cost escalation and ensure trade's integrity.
- 🌐 The rupee's internationalization aims to reduce dollar demand, making India less susceptible to global currency fluctuations, although the currency faced limited uptake in the 2022-23 fiscal year.