

Mains Master

RBI opens FY25 with holding action to ease inflation

Context

- India's central bank, the Reserve Bank of India (RBI), begins the new fiscal year (FY25) by maintaining its current interest rate policy.
- This marks a continuation of the bank's anti-accommodative stance and its efforts to control inflation after raising rates in the previous fiscal year.

Background

- Inflation, while decreasing, still exceeds the RBI's target of 4%.
- Uncertainties in food prices continue to create challenges for inflation control.

Outcome of Recent MPC Meeting

- The Monetary Policy Committee (MPC) voted to keep the policy repo rate unchanged at 6.50%.
- The MPC maintained a focus on curbing inflation while supporting economic growth, continuing its contractionary monetary policy.

Macroeconomic Implications

- The RBI's stance shows a continued commitment to bringing inflation down to target levels through its anti-accommodative policy stance.
- Economic growth might see some moderation due to the sustained higher interest rates and contractionary policy.

Challenges Impacting RBI's Stance

- Climate Risks:** Unpredictable monsoons and rising temperatures threaten food supplies, especially for vegetables and pulses, potentially derailing inflation targets.
- Global Oil Prices:** Surging crude oil due to tensions and supply constraints can increase imported inflation, exceeding MPC assumptions and putting pressure on inflation goals.
- Foreign Portfolio Inflows:** Increased foreign investment, boosted by inclusion in global bond indices, might lead to excess liquidity if the rupee is not allowed to appreciate, challenging RBI's inflation management.
- System Liquidity Surplus:** Higher government spending and other factors are creating liquidity excess, making interest rate control more difficult and potentially undermining the RBI's anti-accommodative stance.

Major Benefits of Recent MPC Outcome

- Optimism for Growth:** The projected 7% GDP growth suggests confidence in India's economic trajectory, with potential benefits for rural demand and investment.
- Moderating Inflation:** While subject to risk factors, the inflation projection hints at successful management efforts and offers potential for easing monetary policy over time.
- Financial Inclusion:** Initiatives like the mobile app for retail GILT purchases aim to widen participation in government securities, promoting financial inclusion and deepening capital markets.

Way Forward

- RBI emphasizes the ongoing task of ensuring inflation remains on a downward path towards the 4% target.
- Market analysts anticipate future rate cuts, possibly starting in October 2024, should inflationary pressures ease.
- The RBI will need to maintain vigilance, balancing tight monetary policy for inflation control with measures to mitigate negative headwinds and support growth in an uncertain global economic environment.

Parliaments past, a mirror to changing dynamics

Context

- As the 17th Lok Sabha concludes, a review of its performance reveals shifts in parliamentary priorities and the use of tools for oversight.
- Concerns arise about how effectively Parliament is holding the government accountable, ensuring legislative scrutiny, and upholding the principles of democracy.

Background

- Parliament provides a platform for questioning the executive, raising critical issues, and enacting legislation.
- Parliamentary tools like questions, discussions, Zero Hour, and others are meant to facilitate robust debate and scrutiny of government action.

Role of Parliamentary Tools & Recent Trends

- Shifting Ministerial Priorities:** Health and Agriculture have gained prominence in questioning, while scrutiny of Home Affairs and Finance has declined.
- Dwindling Interest:** Questions directed at the PMO have sharply decreased.
- Disallowed Questions:** A rising percentage, especially in the Rajya Sabha, indicates potential obstacles to effective oversight.
- Surging Zero Hour:** Growing use suggests lawmakers are raising urgent issues, but this comes at the expense of other robust discussion formats.

Ministries Evading Parliamentary Responsibility

- Prime Minister's Office:** Facing far fewer questions signifies a potential weakening of direct accountability at the highest level.
- Other Ministries:** Notable declines in questions for Home Affairs and Finance raise concerns about reduced scrutiny in crucial areas.

Signs of Weakening Democratic Norms

- Less Scrutiny of the Executive:** The decline in questions directed at the PMO and crucial ministries like Home Affairs and Finance indicates a reduced ability or willingness of Parliament to hold the executive branch to account. This is a key aspect of democratic checks and balances.
- Obstacle to Oversight:** Rising percentage of disallowed questions, especially in the Rajya Sabha, suggests attempts to limit what topics can be raised and scrutinized.
- Prioritizing Urgency over Depth:** Focusing on Zero Hour for pressing issues is important but neglecting more structured 'Calling Attention' or 'Short Duration' discussions weakens the potential for thorough policy debates.

These trends, if left unchecked, can contribute to:

- Unchecked Executive Power:** Less scrutiny translates to more unchecked authority for the ruling government. This creates the potential for abuse of power and less responsiveness to the needs of the people.
- Erosion of Accountability:** An executive that evades questioning becomes less transparent and less answerable for its actions. This is a hallmark of authoritarian systems and diminishes the power of the legislature.
- Reduced Quality of Legislation:** Less debate and discussion on sensitive matters leads to less informed and potentially flawed policymaking.

Corrective Measures & Way Forward

- Strengthen Questioning Process:** Increase the number of questions allowed, especially those directed at the PMO, and ensure transparent reasons for disallowing questions.
- Revitalize Discussion Mechanisms:** Encourage the use of 'Calling Attention', 'Short Duration', and 'Half-an-Hour' discussions to foster in-depth debate on urgent issues.
- Build Accountability Culture:** Opposition must hold the government accountable, while the ruling side should be responsive to legitimate scrutiny.
- Citizen Engagement:** Encourage greater public awareness of parliamentary processes to demand accountability from elected representatives.

Overall: The changing dynamics of Parliament highlight a need to restore vibrancy to the legislative process. Upholding the core principles of parliamentary democracy requires continuous effort and a commitment to thorough scrutiny, open dialogue, and responsiveness from both government and opposition.



RBI to tweak LCR framework to facilitate better management of liquidity risk by banks

- 🏠 The RBI is set to revise its Liquidity Coverage Ratio (LCR) regulations to assist banks in effectively handling abrupt deposit withdrawals, particularly during periods of financial strain.
- 🔄 The modification is prompted by the impact of digital banking, which has streamlined the process of transferring funds swiftly, posing challenges for banks in managing liquidity. Recent global incidents have underscored the potential liquidity issues that can arise for banks due to the ease of fund movement facilitated by digital platforms.
- 🏠 The Liquidity Coverage Ratio (LCR) stands as a pivotal banking regulation meticulously crafted to fortify the financial resilience of banks by mandating the possession of an ample reserve of easily convertible assets. This regulatory framework is strategically designed to equip banks with the necessary liquidity to weather short-term financial storms and emerge unscathed from potential crises that may threaten their stability.
- 🏠 At the core of the LCR lies the requirement for banks to uphold a specific threshold of High-Quality Liquid Assets (HQLAs), meticulously selected to ensure their ability to meet anticipated cash demands over a 30-day period characterized by severe financial turmoil. By compelling banks to maintain a robust reserve of HQLAs, the LCR acts as a safeguard against liquidity shortages and funding market disruptions, thereby bolstering the financial soundness of the banking sector.
- 🏠 The overarching goal of the Liquidity Coverage Ratio is to instill a sense of resilience within banks, shielding them from the adverse impacts of sudden surges in withdrawals or freezes in funding markets. By serving as a protective barrier during times of economic distress, the LCR plays a pivotal role in averting potential bank collapses and fostering stability within the financial ecosystem.
- 🏠 High-Quality Liquid Assets (HQLAs) serve as the cornerstone of the LCR, encompassing a spectrum of assets that possess the intrinsic ability to be swiftly and effortlessly converted into cash, even amidst the tumultuous backdrop of a market downturn. From cash reserves to government bonds, high-grade corporate bonds, and select liquid stocks, these assets provide banks with a vital buffer, enabling them to fulfill their financial obligations without compromising their core lending activities.
- 🏠 Operationalizing the Liquidity Coverage Ratio involves subjecting banks to stress tests that simulate severe financial crisis scenarios, thereby gauging their preparedness to navigate challenging circumstances. By meticulously calculating net cash outflows over the ensuing 30 days and stipulating that banks maintain a reserve of HQLAs to cover a minimum of 100% of these anticipated outflows, the LCR ensures that banks are adequately equipped to withstand the rigors of stress periods.
- 🌐 The significance of the Liquidity Coverage Ratio transcends mere regulatory compliance, as it serves as a linchpin in fortifying financial stability in the aftermath of the 2008 financial crisis. By mitigating the risk of bank runs through bolstering depositor confidence, the LCR plays a pivotal role in averting financial panics and reducing the reliance on taxpayer-funded bailouts, thereby fostering a more resilient and self-sufficient banking sector.

Section 144 imposed in Leh ahead of 'Pashmina March'

- 🚫 Prohibitory orders under Section 144 of the CrPC have been imposed in Leh by the Ladakh administration, prohibiting public rallies just before the scheduled 'Pashmina March' led by climate activist Sonam Wangchuk to raise awareness about shrinking grazing lands and threats from China in the Changthang region.
- 📢 The imposition of Section 144 was justified by the Leh District Magistrate citing concerns of potential disruptions to peace and public tranquillity based on credible information.
- 📍 The 'Pashmina March' initiative comes amidst ongoing protests in Ladakh advocating for Statehood, adding to the charged atmosphere in the region.
- 🚫 In preparation for the march, the police have issued a directive to limit mobile data services in Leh to 2G, possibly as a precautionary measure to manage communication and information flow during the event.

🏠 Pashmina, renowned as the epitome of fine craftsmanship globally, involves the transformation of delicate Cashmere threads into luxurious accessories. The fleece of the exotic Changthangi Goat, known as Pashm, is the source of Pashmina, a term originating from Urdu with roots in Farsi. These goats, found exclusively at high altitudes of 15,000 feet in Ladakh, Jammu and Kashmir, contribute to the rarity and prestige of Pashmina, captivating individuals worldwide with its magical allure and traditional elegance.

🏠 Throughout history, Pashmina has garnered admiration from kings, queens, and nobles worldwide, with royal patronage elevating its status. Dating back to the 16th century under Mughal rule in Kashmir, Pashmina captured the hearts of monarchs, including French Emperor Napoleon Bonaparte, who gifted his wife, Josephine, numerous Pashmina shawls. In Iran, rulers incorporated Pashminas into their political exchanges, while in India, Maharaja Ranjit embellished his court with hand-embroidered Pashmina shawls and fabrics, showcasing the art's regal splendor.

🌟 Despite contemporary challenges faced by Kashmiri Pashmina, Cashmere continues to reign supreme as the "king of all fabrics," embodying timelessness and heritage that transcends generations, preserving its esteemed position in the realm of luxury textiles.

India abstains from UNHRC vote that called upon Israel for immediate ceasefire in Gaza

- 🇮🇳 India abstained on a UN Human Rights Council resolution calling for an immediate ceasefire in Gaza and an arms embargo on Israel, maintaining a routine stance on HRC resolutions criticizing Israel for human rights violations against Palestinians.
- 🇮🇳 India voted in favor of three other resolutions condemning Israel's actions, introduced by Pakistan on behalf of the Organisation for Islamic Cooperation, addressing human rights violations, Israel's occupation of Syrian Golan, and advocating for Palestinian self-determination.
- 🔍 The abstention was consistent with India's past votes on similar resolutions and aligned with its stance at the UN General Assembly in October 2023, reflecting concerns over the resolution's failure to condemn Hamas while addressing Israel's actions in Gaza.
- 🌐 The resolution, opposed by the United States, Germany, and four other countries, was supported by a significant majority of 28 HRC members, including Bangladesh, China, Maldives, UAE, Indonesia, Brazil, and South Africa, emphasizing the need for an immediate ceasefire and accountability in the region.
- 📢 The adopted resolution demanded the lifting of Israel's blockade on Gaza, an immediate ceasefire, condemnation of actions potentially constituting ethnic cleansing, and restrictions on arms transfers to Israel, underscoring the gravity of the situation in the Occupied Palestinian Territory and East Jerusalem, occupied Syrian Golan.

What is UNHRC :

- 🌐 The Human Rights Council, established in 2006, is a key UN body dedicated to promoting and protecting human rights globally through dialogue, resolutions, and investigations.
- 📊 With 51 regular sessions, 35 special sessions, and 1,372 resolutions adopted, the Council addresses urgent human rights issues and conducts reviews of Member States' human rights records.
- 🔍 It utilizes mechanisms like the Universal Periodic Review, Special Procedures, and fact-finding missions to monitor and address human rights violations worldwide.
- 👥 Membership, comprising 47 Member States elected annually, ensures diverse representation and commitment to upholding human rights standards.
- 🔧 The Council's entities include the Advisory Committee, Complaint Procedure, and mechanisms for addressing human rights violations effectively.

