

### GS III

SYLLABUS: INDIAN ECONOMY AND ISSUES RELATING TO GROWTH.

#### MANUFACTURING SECTOR

THE HINDU, PG.NO: 8.

**News:** "Building on the revival of the manufacturing sector"

#### Manufacturing Sector issues:

- **Manufacturing sector's GDP share stagnated:** at 15%-17% over the last three decades—**National Accounts Statistics (NAS)**.
- **Manufacturing sector's real GVA growth rate has slowed down:** from 8% during 2001-12 to 5% during 2012-23—National Accounts Statistics (NAS).
- **Manufacturing sector's workforce decline:** Eg. It was 12% in 2011-12 and 11% in 2022-23, this was the decade of Make in India.
- **Agriculture's share in the workforce increased** from 42% in 2018-19 to 46% in 2022-23. (This conforms deindustrialization).
- **Service sector led growth over manufacturing:** Eg. Non expansion of MSMEs: which are backbone for employment but constrained by compliance burdens etc.

#### What are the causes:

- Practically, growth rate of Gross Fixed Capital Formation (**GFCF**) is zero during 2012-20—**report by Annual Survey of Industries**.
- **GOI heavy reliance on Ease of Doing Business Index for investments:** which turned to be bogus (where India improved its rank from 142 (in 2014) to 64 (in 2019)).
- **Imports from China met the demand** during the years 2012 to 2020.
- **Concentration of industrial activity in a few States:** with MH, GJ, TN, KA, and UP, collectively accounting for over 54% of total manufacturing GVA and 55% of employment.
- **Female LFPR concern:** Against world average of 48% (2022), the WLFPR in India was 37% (2023)—Economic Survey 2023-24.
- **Job losses in MSMEs of manufacturing sector:** ~2 million jobs were lost in the textile and toy industries between 2015 and 2020—FICCI 2021.

#### Schemes To boost Manufacturing Sector:

- **Make In India:**
  - To rise manufacturing sector's **share in GDP to 25%** (from 14% — 15%).
  - To **create 100 million additional industrial jobs** (from about 60 million) by 2025.
- **About Production Linked Incentive:**
  - Production-Linked Incentive (PLI) Schemes of **Rs. 2 lakh crore in 14 sectors:** to encourage domestic manufacturing in electronics, pharmaceuticals, and textiles etc.

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#### PYQs

**GS III 2017:** Account for the failure of manufacturing sector in achieving the goal of labour-intensive exports rather than capital-intensive exports. Suggest measures for more labour-intensive rather than capital-intensive exports.

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#### INFLATION TARGETING

THE HINDU, PG.NO: 1,8,13.

**News:** "Staying the course."

**News:** "Balance between growth and inflation is unsettled, says RBI Governor."

**News:** Amid high inflation, RBI retains repo rate at 6.5%

#### About Monetary Policy Committee:

- **Type:** **Statutory body** under **RBI Act 1934**. (Established in 2016).
- **Urjit Patel committee** recommended the formation of MPC.
- **Constituted by:** Central Govt. where 3 members from RBI and 3 nominated by government (nominee must not be a government official).
- **Responsibilities & Functions of MPC:**
  - Entrusted with the responsibility of **deciding the different policy rates**, including **MSF, Repo Rate (RR), Reverse Repo Rate (RRR), LAF** etc.
  - To **ensure price stability** with sustainable growth.
  - **Inflation targeting @ 4% with 2% buffer**.
  - Required to **meet at least four times in a year**.
  - **Decisions are taken by majority**, Governor has a casting vote in case of tie.
  - **RBI must publish half-early MPC report** explaining sources of inflation, forecast of 18 months ahead.
  - In case of failure, it should submit **report to Central Govt**.
- **Instruments of MPC:**
  - **LAF, MSF, MSS, OMO (RR & RRR), CRR, SLR, Bank Rate**.
- **Failure of MPC:** when average inflation is higher or lower than the desired limit for 3 consecutive quarters.

#### Challenges to Inflation Targeting:

- **Food inflation challenges:**
  - Monsoon dependent agriculture.
  - Lack of cold storage facilities for perishable goods.
  - Rising input costs.
- **Policy related Challenges:**
  - **Ineffective monetary policy transmission** shows implementation challenges in Banking system.
  - **Fiscal policy:** fiscal deficit remained above FRBM norms since 4 years, adding to increased inflation.
  - **Unemployment issues all year around**.
- **Global Challenges:**
  - Wars and Pandemics.
  - Disruption of Supply chains.
  - Foreign central bank Policies.
  - Climate change Eg. El Niño phenomenon, droughts.

#### Suggestions:

- **For Food Inflation:**
  - Creation of Buffer stocks for essential food items.
  - Banning exports and imposing stock limits.
- **For Core inflation:**
  - **Higher R&D allocation:** Climate smart agri- reduces Supply shocks.
  - **Rationalising Fertiliser subsidies:** ₹5T in 2022-23, needs to be reduced.
- **Policy measures:**
  - **Coordinated monetary and fiscal policy:** To tackle global disruptions Eg: Oilseeds, Cereals.
  - **Check to freebies:** instead promote rural investments, rural infrastructure, competitiveness in agriculture.



- **Spending on Infrastructure:** increases multiplier effect Eg: During Covid India showed World how to manage inflation while protecting GDP growth.
- **Different inflation targets:** Benefits for different classes Eg: Food-3-4%.
- **Improving Data quality and frequency:** AI based Data processing.

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## ENVIRONMENT

PRE-CONTEXT

### ENVIRONMENT REGULATORS

THE HINDU, PG.NO: 8.

**News:** "Silica scars."

#### Context:

- National Green Tribunal (**NGT**) on Friday **directed** the Central Pollution Control Board (**CPCB**) to prepare detailed pan-India guidelines for silica sand mining and silica washing plants within three months.

#### Issues with Silica Mining and Sand washing:

- Silica sand washing plant is used to **remove impurities** and contaminants from silica sand.
- Both mining and washing pose **health risks** to people working in the plants or residing nearby.
- They also cause **silicosis, an occupational lung disease** caused by prolonged **inhalation of silica dust**.

#### National Green Tribunal:

- **Statutory body:** Est. **National Green Tribunal Act 2010**.
- **Composition:** Chairperson, members from Judiciary, Domain experts.
- **Tenure:** 3 years.
- **Chairperson** **appointed by central government in consultation** with **Chief Justice of India**.

#### Powers:

- **Jurisdiction:** all matters related environment. Eg. **Water Act 1974, Air Act 1981, Environment Protection Act 1986** etc.
- Procedure guided by **Principles of Natural Justice**.
- **Suo Moto** (can take up issue on its own).
- Power to impose penalties.
- Its orders have **same status as a decree of a civil court**.
- It is mandated that dispose of all applications and appeals **within 6 months**.

#### CPCB:

- **Statutory body** created under **Water (Prevention and Control of Pollution) Act 1974**.
- Also entrusted with powers and functions under the **Air Act, 1981**.
- Works under **Ministry of Environment, Forest, and Climate Change**.
- **Advices** Central govt., on water & air pollution.

#### Powers of Board:

- Has **nationwide jurisdiction** but works in coordination with **State Pollution Control Boards**.

P.T.O

- Advices, coordinates & technical assistance for prevention of water pollution.
- **Amended in 1977:** imposes "**Cess**" on industries.
- Power to **punish, fine & imprisonment**.

#### Functions:

- Setting standards for notified pollutants under **National Ambient Air Quality Standards** for air quality.
- Sets environment criteria for products under **Ecomark scheme**.
- Monitors the usage of **single-use plastics**.

#### Initiatives by CPCB:

- **Comprehensive Pollution Index:** ranks industrial clusters based on the level of environmental pollution they cause.
- **National Air Quality Monitoring Program (NAMP):** Monitors ambient air quality at various locations across India.
- **National Water Quality Monitoring Program (NWMP):** Monitors water quality at different rivers, lakes and water bodies.
- **Graded Response Action Plan (GRAP):** dealing with severe air pollution levels in the National Capital Region (NCR).
- **National Clean Air Programme (NCAP):** to reduce PM10 & PM 2.5 by 20-30% by 2024.

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## ECONOMY

PRE-CONTEXT

### INFLATION

THE HINDU, PG.NO: 1,8,13.

**News:** "Staying the course."

**News:** "Balance between growth and inflation is unsettled, says RBI Governor."

#### Inflation:

- **A rise in general level of prices.**
  - **Note:** If the price of one good has gone up, it is not inflation.
- **Inflation** =  $\frac{\text{current period price index} - \text{last period price index}}{\text{last period price index}} \times 100$

#### Measuring Inflation:

- **Consumer Price Index (CPI):**
  - Also called **Retail Inflation**.
  - CPI **measures the average change in prices of fixed basket of goods and services** that households purchase for purpose of consumption.
  - Used for **inflation targeting and micro-level policy making**.
  - **Current base year** for CPI calculation is **2011-12**.
  - **Weights (High to Low):** Food and Beverages, Services, Fuel and Light etc.
  - **CPI is released by CSO** under Ministry of Statistics and Program Implementation.
- **Wholesale Price Index (WPI):**
  - Measures inflation at wholesale level, used for **macro level policy making**.
  - **Current base year** for WPI calculation is **2011-12**.
  - **Weights (High to Low):** Manufactured goods, WPI food, Primary Articles, Fuel and Power.

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- WPI serves as an important determinant in policy formulation of trade, economical and fiscal polices of Govt.
- **WPI index data is published by Office of Economic Advisor** under **Ministry of Commerce and Industry**.

**Core inflation:**

- Some goods & services are either included or excluded during calculation of core inflation.
- It **excludes food, fuel & light, transport & communication**.

**Base Effect:**

- Nothing to do with base year.
- **Shows the impact of the rise in price level in the previous year over the current year.**
- **Formula:** Current inflation rate = Current Price Index - Last year price index / last year price index \*100.

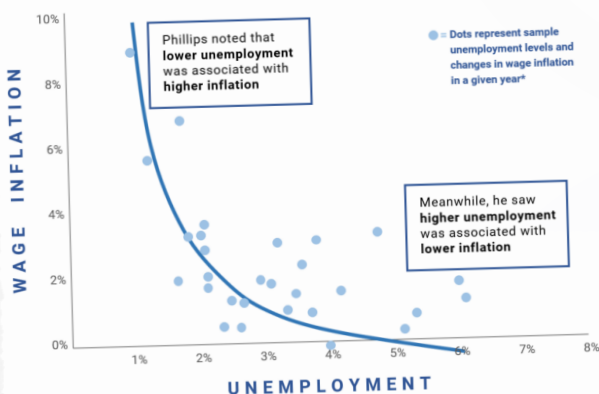
**GDP Deflator:**

- Measures GDP at **current prices** to that of the constant prices.
- Provides **comprehensive view** compared to inflation indicators.
- **Phillips Curve:** shows relationship between Inflation & unemployment.

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**UNDERSTANDING THE PHILLIPS CURVE**

In the 1950s, A.W. Phillips plotted decades' worth of data on wage inflation and unemployment. He noticed an inverse relationship between these two indicators.



**BUT WHY?**

The idea may seem intuitive: A lower unemployment rate means more people are working, which signals increased demand for labor. That can put upward pressure on wages, so companies may raise prices for their products. But the inverse relationship Phillips described has "flattened" in recent years, prompting debate among economists and policymakers.

**GEOGRAPHY**

PRE-CONTEXT

**TROPICAL CYCLONE**

THE HINDU, PG.NO: 9.

**News:** "The cyclone Fengal that battered Tamil Nadu".

**Tropical Cyclone Formation:**

- **Large sea surface with temperatures higher than 27° C** to form and sustain themselves.
  - **Bay of Bengal:** has higher SSTs due to its semi-enclosed nature and shallower depths, making it more conducive to cyclogenesis.
  - **Arabian Sea:** Historically less active than the Bay of Bengal but has shown increased cyclonic activity in recent years due to rising SSTs.
- **Presence of the Coriolis force enables cyclone rotation:** typically present at least 5° latitude away from the equator.
  - **India's geographic location** (approximately 8°N to 37°N) is within the latitude range.
- **Low vertical wind shear:** i.e the change in wind speed and direction with altitude. **High wind shear disrupts the vertical structure** of a developing cyclone.
- **Atmospheric instability:** where warm, moist air near the surface can rise and cool to form clouds and precipitation.
- **Divergence of air at the upper levels of the atmosphere:** allows rising air from below to be efficiently evacuated, **promoting strong updrafts**.

**Colour-Coded weather warning system by IMD:**

- **Green:** No action required. normal weather conditions.
- **Yellow:** Wait and watch. favourable conditions for severe weather.
- **Orange:** Alert. Be prepared; severe weather is likely.
- **Red:** Take action. severe weather is occurring; take immediate action to protect life and property.

**Naming cyclones:**

- Cyclones are named when they reach the cyclonic storm stage (**wind speed ≥ 62 km/h**).
- Names are **selected from a list contributed by countries in the region**, including India, Bangladesh, Myanmar, and others.
  - Cyclone name '**Fengal**' was proposed by **Saudi Arabia**.

**About Project Mausam:**

- **Implemented by: Ministry of Earth Sciences.**
- **Enhances India's weather and climate research** while addressing extreme weather events and the impacts of climate change.
- **Key areas of focus:**
  - Improved weather observations and understanding.
  - Accurate and timely forecasts for monsoons, air quality, cyclones etc.
- **Critical Components:**
  - **Next-generation radars and satellite systems** with advanced sensors.
  - High-performance **supercomputers**.
  - Enhanced Earth system models.
  - **GIS-based automated Decision Support System** for real-time data.

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**PYQs**

- **GS III 2022:** Tropical cyclones are largely confined to South China Sea, Bay of Bengal and Gulf of Mexico. Why?
- **GS III 2013:** Account for the The recent cyclone on the east coast of India was called "Phailin".

**Thank you!**