



**UPSC
Mentorship**
A Unit of Mentorship India

DAILY CURRENT AFFAIRS

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SOURCES



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GS III

1. Sticky inflation: Why is RBI refusing to cut interest rates?

Source: IE, Page 10

Prelims: Repo Rate, Inflation

Mains: Indian Economy and issues relating to planning

News: The article discusses the Reserve Bank of India's (RBI) decision to maintain the repo rate in its latest bi-monthly monetary policy review.

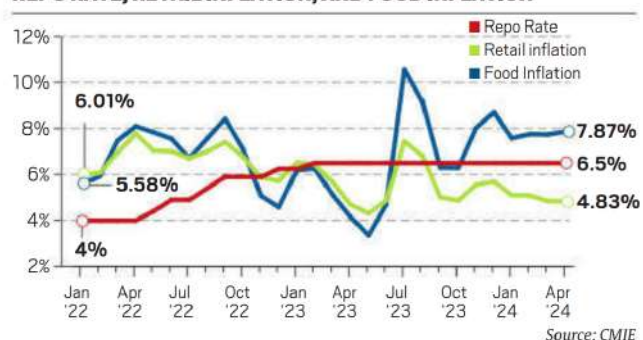
What is Repo Rate?

The repo rate is the interest rate at which the RBI lends money to commercial banks. When the RBI lowers the repo rate, it becomes cheaper for banks to borrow, thereby incentivizing economic activity. Conversely, raising the repo rate makes borrowing costlier, thereby disincentivizing economic activity.

Monetary Policy Goals

- Maintain price stability in the economy:** This is measured by the retail inflation rate, targeting an inflation rate of 4%. A 4% inflation rate is seen as the optimal balance between encouraging production and maintaining consumer purchasing power.
- Promote economic growth.:** The RBI cuts the repo rate to stimulate economic activity when needed, such as during the recovery from the Covid pandemic. Conversely, it raises the repo rate to control inflation when it significantly exceeds the 4% target.

REPO RATE, RETAIL INFLATION, AND FOOD INFLATION



Reasons why RBI didn't cut Repo Rate

- Current Inflation Trends:** Retail inflation is approaching the 4% target. Although inflation might temporarily fall below 4%, this is expected to be due to temporary factors.
- Strong Economic Growth:** India's GDP growth rate has been robust, with forecasts for the current financial year raised from 7% to 7.2%. This growth indicates that economic activity is strong and does not require a boost through a lower repo rate.
- Economic Activity:** The RBI usually cuts the repo rate to boost economic activity when needed. Given the strong GDP growth, the current repo rate is not seen as a hindrance to economic growth.
- Fiscal Considerations:** Although not explicitly stated by the RBI, the upcoming Union Budget and concerns about the fiscal deficit may influence the decision. A higher fiscal deficit could impact inflation and interest rates, making a repo rate cut less favorable.



Editorials, Opinions and Ideas

2. Remoulding the Global Plastics Treaty

Source: **The Hindu**, Page 3

The article talks about the need for an international legally binding treaty on plastic pollution and recognition & integration of informal sector workers into the plastic waste management system.

Plastic Waste Worldwide - Data

- Global plastic waste production was 353 million tonnes in 2019, more than double since 2000.
- Plastic waste is projected to triple by 2060.
- Only 9% of plastic waste was recycled, 50% sent to landfills, 19% incinerated, and 22% disposed of in uncontrolled sites or dumps.
- Of the recycled plastic, 85% was processed by informal recycling workers.

Role of Informal Sector

- Informal recycling workers collect, sort, and recover recyclable and reusable materials, reducing the financial burden on municipal budgets.
- They promote circular waste management solutions and help mitigate greenhouse gas emissions.
- They significantly reduce plastic content in landfills and dump sites, preventing plastic from leaking into the environment.
- Despite their contributions, informal workers face vulnerabilities such as privatization of waste management, waste-to-energy projects, and exclusion from Extended Producer Responsibility (EPR) policies.

Global Plastic Treaty

- It aims to establish a legally binding agreement to reduce and eliminate plastic pollution.
- The Intergovernmental Negotiating Committee (INC) was established in early 2021 during the fifth UN Environment Assembly.
- Key meetings have been held in Dakar, Uruguay, Paris, Nairobi, with the fourth INC-4 in Canada, and the final INC-5 in South Korea.
- The International Alliance of Waste Pickers (IAWP) emphasizes the importance of integrating informal waste pickers into policy discussions and legal frameworks.

India's Voice

- India advocates for enhancing repair, reuse, refill, and recycling without eliminating plastics entirely.
- India's informal waste pickers play a crucial role in the plastic waste management system.
- Calls for rethinking Extended producer responsibility (EPR) norms to integrate informal waste pickers into the new legal framework.
- Highlights the need for the Global Plastics Treaty to enable a just transition for informal waste workers, ensuring social justice and equity.



InBrief

3. Fish kill spotlights pangs of Periyar

Source: The Hindu, 10

Context: The latest fish kill reported in the Periyar on May 21 and 22 has brought to light uncontrolled pollution of the river.

Periyar River

- The Periyar River originates from the Sivagiri hills of the Western Ghats, located in Tamil Nadu. It flows into Vembanad Lake and finally into Arabian Sea.
- Periyar is the longest river and the river with the largest discharge potential in the Indian state of Kerala.
- It generates a significant proportion of Kerala's electrical power via the Idukki Dam and flows along a region of industrial and commercial activity.
- The main tributaries of the Periyar River include Muthirapuzha, Mullayar, Cheruthoni and Perinjankutti.



4. Insurance e-marketplace Bima Sugam phase 1 likely Apr. 2025

Source: The Hindu, Page 11

Context: The first phase of Bima Sugam is expected to be unveiled around April 2025, IRDAI Chairman told in a meeting.

Bima Sugam

- It is an online platform where customers can choose a suitable scheme from multiple options given by various companies.
- All insurance requirements, including those for life, health, and general insurance (including motor and travel) will be met by Bima Sugam.
- This platform will help in the settlement of claims, whether it is health coverage or death claims, in a paperless manner on the basis of policy numbers.
- Life insurance and general insurance companies will own a 47.5 per cent stake each, while brokers and agent bodies will own 2.5 per cent each.



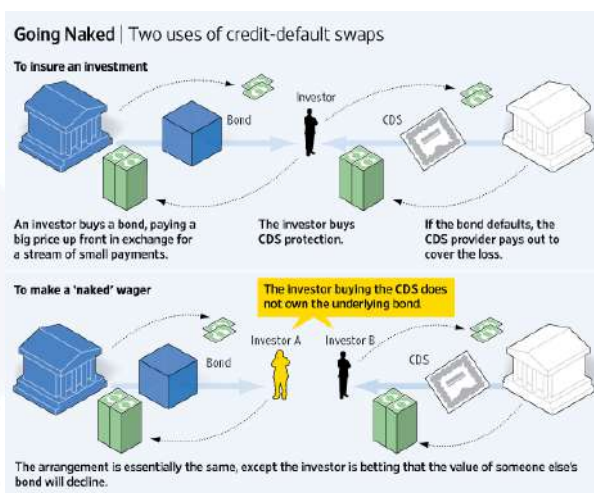
5. SEBI to allow MFs unveil new products on CD swaps

Source: The Hindu, Page 11

Context: Market regulator SEBI will soon allow mutual funds to sell a new investment product on credit default swaps (CDS).

Credit Default Swaps (CDS)

- A CDS is a credit derivative contract which acts as an insurance against credit default.
- For instance, if a mutual fund invests in a corporate bond yielding 7% per annum, it can sell CDS as an insurance by paying a premium of about 0.50 bps. In case of default in the corporate bond, the buyer of CDS (insurance company) will pay principle with the interest.



6. Malaysia destroys nearly 140 houses of of sea nomads

Source: The Hindu, Page 12

Context: Malaysian security forces have destroyed nearly 140 houses belonging to an indigenous sea-dwelling community off Borneo island. Activists have condemned the action against the Bajau Laut.

Bajau Laut

- The Bajau, often known as the Sea Gypsies or Sea Nomads are a semi Nomadic ethnic group who live in the Pacific Ocean regions around Southern Philippines, Indonesia and Coastal Borneo.
- Originating from Mindanao in Southern Philippines the Bajau have taken refuge on the seas around Sulawesi, Indonesia and the islands of the coast of Borneo where they are known as the Bajau Laut.
- The Regatta Lepa is a popular annual festival celebrating their wonderful customs and traditions.



7. RBI permits automatic replenishment of UPI Lite wallet

Source: Business Standards

Context: The Reserve Bank of India (RBI) proposed a facility to allow customers to automatically replenish their UPI Lite wallets, aiming to promote small-value digital payments.

UPI Lite

- UPI Lite will be an on-device wallet functionality that will enable offline transactions of smaller values.
- UPI Lite will work via the wallet system.
 - Transaction limit- Funds have to be added in the UPI Lite wallet and which can be used to make small payments under Rs 200.
 - Wallet limit- There is a Rs 2,000 limit on the amount of money you can have in this UPI Lite wallet.
- The users will not be required to enter their UPI PIN while confirming UPI Lite payments.

8. CSC signs MoU to convert 10,000 FPOs into CSCs

Source: PIB

Context: An MoU between CSC SPV and Ministry of Agriculture & Farmers Welfare was signed here today to convert FPOs registered under 'Formation & Promotion of 10,000 FPOs scheme' into CSCs and help them to deliver citizen-centric services.

Common Service Centres (CSC)

- Common Services Centre (CSC) programme is an initiative of the Ministry of Electronics & IT (MeitY), Government of India.
- CSCs are the access points for delivery of various electronic services to villages in India, thereby contributing to a digitally and financially inclusive society.
- CSC e-Governance Services India Limited is a Special Purpose Vehicle (CSC SPV) incorporated under the Companies Act, 1956.
- CSCs are more than service delivery points in rural India. They are positioned as change agents, promoting rural entrepreneurship and building rural capacities and livelihoods.



Daily Quiz

1. Which of the following statements correctly describes the Repo Rate?

1. It is the rate at which the Reserve Bank of India (RBI) lends short-term money to commercial banks.
2. An increase in the Repo Rate generally indicates a tightening of monetary policy.
3. A lower Repo Rate makes borrowing from the RBI more expensive for commercial banks.
4. The Repo Rate directly influences the interest rates on loans and deposits in the economy.

Select the correct option using the code given below:

- A. 1 and 2 only
- B. 1, 2, and 4 only
- C. 2, 3, and 4 only
- D. 1, 2, 3, and 4

2. The ongoing negotiations for a Global Plastic Treaty aim to address plastic pollution by focusing on:

- A. A complete ban on all single-use plastic products worldwide.
- B. Developing and promoting biodegradable alternatives to traditional plastics.
- C. Encouraging responsible plastic production, consumption, and waste management across the entire plastic lifecycle.
- D. Imposing trade restrictions on countries with poor plastic waste management practices.

3. Consider the following statements regarding the Periyar River:

1. The Periyar River originates from the Sivagiri hills of the Western Ghats, located in Tamil Nadu.
2. It flows into Vembanad Lake and finally into the Arabian Sea.
3. The Periyar River is the longest river in the Indian state of Kerala.
4. Muthirapuzha is one of the main tributaries of the Periyar River.

How many of the statements given above are correct?

- A. Only 1
- B. Only 2
- C. Only 3
- D. All are correct

4. Which of the following statements correctly describes the "Bima Sugam" initiative in India?

- A. Bima Sugam is a digital platform launched by the Ministry of Finance to provide instant personal loan approval and disbursement to citizens.
- B. Bima Sugam is an online portal developed by the Insurance Regulatory and Development Authority of India (IRDAI) to streamline the purchase and renewal of insurance policies.
- C. Bima Sugam is a government scheme aimed at providing health insurance to senior citizens above the age of 60 at subsidized rates.
- D. Bima Sugam is an initiative by the Reserve Bank of India (RBI) to offer comprehensive financial literacy programs across rural India.



5. In the financial market, Credit Default Swaps (CDS) primarily function as:

- A. Debt instruments used by governments to raise funds.
- B. Contracts that speculate on the overall health of a country's economy.
- C. Insurance-like instruments that provide protection against a borrower's default.
- D. Derivatives used to hedge against fluctuations in interest rates.

6. Sometimes seen in the news, 'Bajau Laut' community belongs to which of the following regions?

- A. Southeast Asia
- B. Middle East Region
- C. Latin America
- D. Central Africa

7. Consider the following statements regarding UPI Lite:

- 1. UPI Lite is designed for offline transactions to enhance the reach of digital payments in areas with poor internet connectivity.
- 2. It allows users to make low-value transactions without the need for a UPI PIN.
- 3. The maximum limit for a single UPI Lite transaction is set at Rs. 200.
- 4. UPI Lite transactions are reflected in the user's main bank account statement in real-time.

Which of the statements given above are correct?

- A. 1 and 3 only
- B. 2 and 4 only
- C. 1, 2, and 3 only
- D. 1, 3, and 4 only

8. Common Services Centre (CSC) programme is initiated by which of the following ministries?

- A. Ministry of Agriculture & Farmers Welfare
- B. Ministry of Communications
- C. Ministry of Electronics and Information Technology
- D. Ministry of Rural Development



Solutions

Answer 1: B

Solution:

- Statement 1 is correct: The Repo Rate is the rate at which the Reserve Bank of India lends short-term money to commercial banks.
- Statement 2 is correct: An increase in the Repo Rate generally indicates a tightening of monetary policy, as it makes borrowing more expensive for banks, leading to reduced money supply in the economy.
- Statement 3 is incorrect: A lower Repo Rate makes borrowing from the RBI cheaper for commercial banks, not more expensive.
- Statement 4 is correct: The Repo Rate directly influences the interest rates on loans and deposits in the economy, as changes in the Repo Rate affect the cost of funds for banks, which in turn influences the rates they offer to consumers.

Hence, Option B is correct.

Answer 2: C

Solution:

The discussions surrounding the Global Plastic Treaty aim for a comprehensive approach to tackling plastic pollution. This includes:

- Promoting responsible production of plastics, potentially involving reducing virgin plastic use and increasing recycled content.
- Encouraging sustainable consumption patterns, including consumer awareness and behavior change strategies.
- Strengthening waste management systems to improve collection, sorting, recycling, and disposal of plastic waste.

Hence, Option C is correct.

Answer 3: D

Solution:

- Statement 1 is correct: The Periyar River originates from the Sivagiri hills of the Western Ghats, located in Tamil Nadu.
- Statement 2 is correct: It flows into Vembanad Lake and finally into the Arabian Sea.
- Statement 3 is correct: The Periyar River is the longest river in the Indian state of Kerala.
- Statement 4 is correct: The main tributaries of the Periyar River include Muthirapuzha, Mullayar, Cheruthoni, and Perinjankutti.

Hence, Option D is correct.

Answer 4: B

Solution: Bima Sugam is an initiative by the Insurance Regulatory and Development Authority of India (IRDAI) to create a unified digital platform for the insurance sector.

Hence, Option B is correct.

Answer 5: C

Solution:

- A Credit Default Swap (CDS) is a financial derivative contract that acts like a form of insurance.
- In a CDS, The buyer of the CDS pays a premium to the seller. If the reference entity (borrower) defaults on their loan, the seller compensates the buyer for the loss.

Hence, option C is correct.



Answer 6: A

Solution:

- The Bajau Laut, also known as the "Sea Gypsies" or "Sea Nomads," are an indigenous maritime community traditionally living in the waters of Southeast Asia.
- They are primarily found in the coastal areas of Malaysia, the Philippines, and Indonesia.
- The Bajau Laut are renowned for their seafaring lifestyle, living on houseboats and practicing free-diving fishing techniques.

Hence, Option A is correct.

Answer 7: C

Solution:

- Statement 1 is correct: UPI Lite is specifically designed to facilitate offline transactions, thereby improving digital payment accessibility in areas with poor internet connectivity.
- Statement 2 is correct: UPI Lite allows users to make low-value transactions

without the need for entering a UPI PIN, making the process quicker and more convenient.

- Statement 3 is correct: The maximum limit for a single UPI Lite transaction is set at Rs. 200, which suits small, everyday purchases.
- Statement 4 is incorrect: UPI Lite transactions are not reflected in the user's main bank account statement in real-time. Instead, they are updated periodically to minimize the load on banking systems.

Hence, Option C is correct.

Answer 8: C

Solution:

- Common Services Centre (CSC) programme is an initiative of the Ministry of Electronics & IT (MeitY), Government of India.
- CSCs are the access points for delivery of various electronic services to villages in India, thereby contributing to a digitally and financially inclusive society.

Hence, Option C is correct.





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