

THE FREE FALL OF THE RUPEE

SYLLABUS: GS PAPER-III (FISCAL POLICY, MONETARY POLICY, CAPITAL MARKET)

CONTEXT: The Indian rupee hit an all time low against the U.S. dollar this week weakening past the 79 rupees to a dollar mark and selling as low as 79.05 against the dollar on Wednesday.

WHAT IS DEPRICIATION?

- 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 DEPRICIATION OF INDIAN RUPEE

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.

REASONS FOR DEPRICIATION OF THE 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.

IMPACT ON 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.

PRIMARY AGRICULTURAL CREDIT SOCIETIES (PACS)

SYLLABUS: GS PAPER-III (AGRICULTURE)

CONTEXT: Cabinet approves digitisation of 63,000 Primary Agricultural Credit Societies.

ABOUT PACS

- It is a village-level institution that works directly with rural residents. It encourages agriculturists to save, accepts deposits from them, makes loans to deserving borrowers, and collects repayments.
- PACS are the lowest unit in a three-tier structure: The other two tiers — State Cooperative Banks (StCB) and District Central Cooperative Banks (DCCB) — have already been automated by the NABARD and brought on the Common Banking Software (CBS).

BENEFITS

- Computerisation will bring transparency and link all credit societies to a common accounting system.
- Each PACS will get around 34 lakh to upgrade its capacity and even old accounting records will be digitised and linked to cloud-based software.
- Service delivery: Direct Benefit Transfer (DBT), Interest Subvention Scheme (ISS), Crop Insurance Scheme (PMFBY), and inputs like fertilizers and seeds.
- A government statement said that PACS account for 41% (3.01 crore farmers) of the Kisan Credit Card (KCC) loans given by all entities in the country.

EUROPEAN UNION (EU)

SYLLABUS: GS PAPER-II (IMPORTANT INTERNATIONAL INSTITUTIONS)

CONTEXT: European Union leaders granted Ukraine and Moldova the coveted status of official candidate to join their 27-nation club.

ABOUT EUROPEAN UNION

- European Union is an international organisation consisting of European Countries, which was formed in 1993.

- It came into force after the signing of the **Maastricht Treaty by 28 countries**. The Maastricht Treaty is also known as the **Treaty of the European Union (TEU)**. Maastricht is a city located in the Netherlands.
- **Members of the EU:** 27 (UK made an exit from the EU on 31st January 2020).
- **Official Language of EU:** European Union has 24 official languages.
- The Euro is the official currency for 19 of the 27 EU member countries. 9 EU members (Bulgaria, Croatia, Czech Republic, Denmark, Hungary, Poland, Romania, Sweden, and the United Kingdom) do not use the euro.

EUROPEAN COUNCIL

- It is a collective body that defines the European Union's overall political direction and priorities.
- It comprises of the heads of state or government of the EU member states, along with the President of the European Council and the President of the European Commission.
- The High Representative of the Union for Foreign Affairs and Security Policy also takes part in its meetings.
- Established as an informal summit in 1975, the European Council was formalised as an institution in 2009 upon the entry into force of the **Treaty of Lisbon**.
- The decisions of its summits are adopted by consensus.
- Current President: **Charles Michel**

EUROPEAN COMMISSION

- It is an executive body of the European Union, responsible for proposing legislation, implementing decisions, upholding the EU treaties and managing the day-to-day business of the EU.
- The Commission operates as a cabinet government, with 27 members of the Commission. There is one member per member state. These members are proposed by member countries and European Parliament gives final approval on them.
- Current President: **Ursula von der Leyen**

WHAT DOES UKRAINE'S EU MEMBERSHIP MEAN FOR RUSSIA?

- Ukraine's membership can help the country militarily, as EU members are bound by a mutual defence clause.
- This clause requires other members to help a country if it's a victim of armed aggression on its territory.
- The admission to the bloc would benefit Ukraine's economy and give it additional benefits such as free movement throughout the EU and a variety of rights granted to EU citizen.

PRELIMS FACTS

ABHYAS

- ABHYAS–High Speed Expendable Aerial Target (HEAT) was successfully flight tested from the **Integrated Test Range, Chandipur** off the coast of Odisha.
- It consists of **twin under-slung boosters** which provides the initial acceleration to the vehicle.
- Further, the aerial vehicle is powered by a gas turbine engine to sustain a long endurance flight at high subsonic speed.
- ABHYAS is an **indigenous unmanned aerial target system** to meet the requirement of Indian Armed Forces to eliminate air-borne threats.
- It has been designed and developed by **Aeronautical Development Establishment of Defence Research and Development Organisation.**

CISLUNAR AUTONOMOUS POSITIONING SYSTEM TECHNOLOGY OPERATIONS & NAVIGATION EXPERIMENT (CAPSTONE)

- **NASA** has launched CAPSTONE, a cubesat that will fly in cislunar space, the orbital space near and around the moon.
- CAPSTONE is headed toward an orbit intended in the future for Gateway, a **Moon-orbiting outpost.**
- As a pathfinder for Gateway, CAPSTONE aims to help reduce risk for future spacecraft by validating innovative navigation technologies.

EASE OF DOING BUSINESS

- **Andhra Pradesh, Gujarat and Haryana** are among the seven states that have been classified as "top achievers" in rolling out the Business Reforms Action Plan (BRAP) FOR 2020.
- BRAP was set jointly by the department for the promotion of industry and internal trade (DPIIT) and the World Bank.
- In a break from the past, the states have been clubbed into particular categories–**top achievers, achievers, aspirers and emerging business ecosystems.**
- The broader aim of this exercise is to boost investor confidence, foster a business friendly climate and augment the ease of doing business across the country by introducing an element of competition.