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POLITY AND GOVERNANCE

Arvind Kejriwal sent to ED custody till March 28

CONTEXT: The Rouse Avenue Courts remanded Delhi Chief Minister and Aam Aadmi Party (AAP) National Convener Arvind Kejriwal in Enforcement Directorate (ED) custody in connection with an excise policy-linked money laundering case till March 28.



In July 2022, Delhi Chief Secretary Naresh Kumar submitted a report to Lieutenant Governor (LG) Vinai Kumar Saxena, noting alleged procedural lapses in the formulation of the Delhi Excise Policy 2021-22. The Delhi Excise Policy 2021-22 came into force in November 2021, but was scrapped in July 2022. The report cited “arbitrary and unilateral decisions” taken by Sisodia in his capacity as Excise Minister had resulted in “financial losses to the exchequer” estimated at more than Rs 580 Cr. The CBI Sisodia was arrested on February 26, 2023.

The ED alleged that the scam was to give the wholesale liquor business to private entities and fix a 12 % margin, for a 6 % kickback. In its first prosecution complaint in November 2021, the policy was “formulated with deliberate loopholes” that “promoted cartel formations through the back door” to benefit AAP leaders.

INTERNATIONAL RELATIONS

India to double assistance to Bhutan to ₹10,000 crore over five years, says Modi

CONTEXT: Bhutan conferred the highest honour, the ‘Order of the Druk Gyalpo’, announced in 2021 to acknowledge India’s role in ensuring “Bhutan’s success in managing the COVID-19 pandemic”.



India has decided to double Bhutan’s assistance over the next five years, from ₹ 5,000 Cr. in 2019-2024 to ₹ 10,000 Cr. for the period till 2029. India and Bhutan inked seven agreements on energy, food safety, sports, and research, as well as a space collaboration roadmap.

India would assist Bhutan with establishing a new airport for better connectivity, rail links between Kokrajhar-Gelephu and Banarhat-Samtse, waterways navigation on the Brahmaputra to strengthen trade infrastructure and integrated check posts. Modi has voiced India’s support to the ‘Gelephu Mindfulness City’ — which he called a “visionary project” launched by Bhutan’s King Jigme Khesar Namgyel Wangchuck in 2023.

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POLITY & GOVERNANCE

Governor R.N. Ravi re-inducts Ponmudy as Minister in T.N.

CONTEXT: Tamil Nadu Governor R.N. Ravi administered the oath of office and secrecy to K. Ponmudy, after the Supreme Court made strong observations against him for refusing to re-induct former Minister K. Ponmudy in the State Cabinet.



On Thursday, Chief Justice of India D.Y. Chandrachud slammed the Tamil Nadu Governor for “defying the Supreme Court”. The Governor declined to administer the oath of office to Mr. Ponmudy despite March 11 court order of apex court, suspending his conviction in a disproportionate assets case. On the recommendation of the Chief Minister, Mr. Ponmudy was given the Higher Education portfolio, including Technical Education, Electronics, Science and Technology that he held earlier before his disqualification.

Taliban share ideological similarities. The Afghan Taliban's refusal to sever ties with the TTP has heightened tensions between Afghanistan and Pakistan. Pakistan's history of supporting Islamist insurgency is now causing problems, especially with the situation in Afghanistan.

ECONOMICS & DEVELOPMENT

Real GDP growth may hit 8% this fiscal year, signals FinMin

CONTEXT: The National Statistical Office (NSO), the Finance Ministry project a real GDP growth rate of about 8 % this fiscal, outstripping the 7.6 %, citing the continuing momentum in economic activity in the ongoing final quarter of 2023-24. The NSO's growth estimate cited recent growth projections of 7.8 % - 8 % for FY24.

Outlook 'bright'

FinMin cites positive close to FY24 with 'strong growth, stable inflation, external account' as factors for upbeat FY25 outlook



■ Sees inflation view positive as pick-up in summer crops' sowing likely to help pare food prices

■ Expects rural demand recovery to strengthen on 'forecast of a normal monsoon'

■ Flags risk to goods exports outlook from Red Sea crisis, need to monitor current account deficit in FY25

The Ministry asserted the outlook for 2024-25 was bright with this fiscal closing on a positive note of 'strong growth, stable inflation and external account and a progressive employment outlook', despite risks such as “hardening crude oil prices” and “global supply chain bottlenecks to trade”.

The retail inflation had extended its stay inside the RBI's tolerance range of 2 % - 6 % for a sixth month with core inflation continuing to ease. Despite price volatility in certain specific food items, headline inflation stayed below 6 % throughout this year except in July and August, adding that spices and cereals had recorded the lowest inflation since August 2022 last month. The inflation outlook was positive, citing the pick-up in the sowing of summer crops, which was likely to help reduce food prices.

The Ministry cited strengthening of private consumption demand as seen in indicators like “burgeoning air passenger traffic and sale of passenger vehicles, digital payments, improved consumer confidence and expectations of a normal monsoon”. The Ministry acknowledged that private consumption demand was backed by 'resilient urban demand' while rural demand remained weak.

'Rural demand'

The recovery in rural consumption demand is expected to be strengthened by the forecast of a normal monsoon. It also underlined that an increase in household savings would be necessary to finance private sector capital formation. On the

INTERNATIONAL RELATIONS

Blowback

CONTEXT: The Afghanistan-Pakistan border has become a source of tension as Pakistan conducted air strikes in Afghan provinces, leading to civilian casualties. Pakistan targeted the Tehrik-i-Taliban Pakistan (TTP), blaming them for attacks on its territory. In response, the Taliban attacked Pakistani military posts.

SUMMARY: The once-friendly relationship between the Afghan Taliban and the Pakistani military has deteriorated. Pakistan historically supported the Taliban, but after 9/11, it shifted its stance under US pressure while covertly supporting the Taliban. During this time, the Taliban leadership was based in Quetta, Balochistan. Pakistan historically supported the Taliban against the Afghan government backed by the US and India. However, after the collapse of President Ashraf Ghani's government in 2021 and the Taliban's return to power, Pakistan's expectations of deepening its influence in South Asia through a friendly Kabul regime were dashed. The relationship between Afghanistan and Pakistan has been historically strained due to border disputes. While the Taliban were once supported by Pakistan as an insurgency against the Afghan government, they are now the government themselves, which has complicated the dynamic. The resurgence of the Taliban in Afghanistan has also strengthened the TTP, or the Pakistani Taliban. Despite being separate organizations, the TTP and the Afghan

external front, the narrowing merchandise trade deficit and the rising net services receipts are expected to result in an improvement in the current account balance in 2023-24. However, in 2024-25, the current account deficit will bear watching," it averred, hinting at the risks to goods exports and possible oil price surges due to the Red Sea crisis and the drought in the Panama Canal.

ECONOMICS & DEVELOPMENT

'Inequality dipped over the past decade'

CONTEXT: The Finance Ministry asserted that India experienced "inclusive growth" over the past decade, citing "reassuring findings" of the Household Consumption Expenditure Survey of 2022-23.

The rural-urban divide in MPCE [monthly per capita consumption expenditure] has declined considerably. Within rural and urban areas, the consumption of the lowest 5 % of the MPCE population grew at a faster rate than the top 5 %, pointing to a decline in inequality over the last decade. Juxtaposing the MPCE numbers with per capita gross national income, reveal an inclusive trend in economic growth. The MPCE/PCI ratio has increased for all consumption classes except the top 5% in rural India and the top 10% in urban India.

Focus on profitability

Investors in Indian start-ups are increasingly prioritizing profitability over the allure of technology firms, showing more interest in stable brick-and-mortar businesses. Data from Venture Intelligence indicates a slow start for Indian start-ups in 2024, with

only about \$900 million raised in January and February, compared to \$8 billion in 2023 and record highs of \$36 billion in 2021 and \$24 billion in 2022. This decline in funding is more severe than that seen in the US and China. The stock market, however, has surged, indicating a divergence in investor sentiment. Major venture capital firms in India are also opting for funds equal to or smaller than their previous ones, a departure from the trend of increasing fund sizes. The slowdown in start-up funding could have significant economic implications, as start-ups have been significant drivers of job creation and economic growth in India. The shift in investor sentiment is partly attributed to the troubled performance of prominent start-ups like Paytm, Byju's, and Ola Cabs, which have faced sharp declines in valuation and operational challenges, leading to investor caution in the sector.

INTERNATIONAL RELATIONS

Australia, Britain to build AUKUS subs

CONTEXT: Australia and Britain signed a landmark deal to develop AUKUS nuclear-powered submarines would go ahead, despite mounting fears about costs, capabilities and the possible return of Donald Trump.

A key pillar of the agreement is to supply Australia with a fleet of nuclear-powered submarines. Under the fledgling AUKUS deal, the two countries along with the United States have pledged to beef up their military muscle in a bid to counter China's rise.



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Corporate office:

Vedhik IAS Academy
Samkalp Bhawan, Plot No.15,
Sector 4, Rama Krishna Puram,
New Delhi, Delhi-110022

Regional office

Vedhik IAS Academy
202, Raheja Chambers, 12,
Museum Road. Bangalore -
560001. Karnataka, India.

GCC Office:

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Bobsco Trading & Contracting Co. W. L . L
Office 22, Dream Tower 1,
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