

**DAILY
CURRENT
AFFAIRS
ANALYSIS**



LAKSHYA ACADEMY®

30 JANUARY 2024

1 - Panama Canal and the Red Sea:

GS II

International issues:

- **Context:**
- Concerns about disruptions to global trade have been highlighted by recent attacks on ships in the Red Sea trade route and the persistent drought issue at the Panama Canal.
- **What are the main problems currently facing the Panama Canal and the Red Sea?**
- **Red Sea:**
 - Problem: About 200 nautical miles off the coast of Gujarat, a drone assault struck the chemical tanker MV Chem Pluto.
 - The chemical tanker MV Chem Pluto is operated by the Netherlands, owned by Japan, and flying the Liberian flag. It was scheduled to arrive in New Mangalore, India, having departed with crude from Al Jubail, Saudi Arabia.
 - Alleged Involved Entity: Houthi rebels from Yemen are thought to have been responsible, citing their protest of Israel's operations in Gaza.
 - In addition, the Houthi rebels and the Yemeni government are involved in a ten-year civil battle.
 - Impact on India: Due to disruptions in this vital trade route, Indian oil importers and exporters of important commodities like basmati and tea are concerned.
 - If the Red Sea route is disrupted, shipping through the Cape of Good Hope could result in a 10–20% increase in the price of Indian agricultural products.
 - Major shipping firms have avoided the Red Sea, which has resulted in a reduction in global oil and petroleum flows. India continues to purchase oil from Russia, though, untouched.
 - India's reliance on Russian oil—which is seen as Iran's ally—has not changed despite the Red Sea crisis.
- **Panama Canal:**
 - Problem: Over 50% less cargo passes through the 51-mile section of the Panama Canal due to drought conditions.
 - The drought in Panama is partly caused by a naturally occurring El Nino climate trend linked to warmer-than-normal water in the central and eastern tropical Pacific Ocean.
 - Impact: Due to the water scarcity, ships sailing from Asia to the US are being forced to take the Suez Canal instead of the Panama Canal, which takes six more days.

- Whereas the 100-year-old Panama Canal links the Atlantic and Pacific Oceans, the Bab-el-Mandeb Strait in the Red Sea region leads to the Suez Canal, which connects Asia to Europe.
- These two routes rank among the busiest worldwide.
- **What Role Does Maritime Transport Play in International Trade?**
- **Unmatched Volume and Value Carrier:** According to the United Nations Conference on Trade and Development, maritime transport accounts for an astounding 80% of world trade in volume and more than 70% in value, considerably outpacing other forms of transportation.
- **As of 2019,** the yearly global maritime trade was valued at about 14 trillion US dollars.
- **Environmental Considerations:** Compared to other forms of transportation, such as air freight, shipping is comparatively more fuel-efficient and generates fewer greenhouse gases per tonne of cargo delivered, even though it does account for roughly 3% of world greenhouse gas emissions.
- **Transportation of Energy:** The bulk of the world's energy resources, including natural gas and oil, are moved by sea. Tankers play a vital part in supplying the world's energy needs by transporting these resources from production areas to consumption zones.
- **What Steps Can India Take to Lessen Its Vulnerability to These Problems?**
- **Joint Maritime Security Initiative:** Offer a cooperative security framework that includes intelligence sharing, coordinated patrols, and joint drills with major Red Sea parties (Egypt, Saudi Arabia, UAE, Yemen).
- **Install integrated radar and drone surveillance systems** along India's western coastline to improve early threat detection and response capabilities. This is an example of how to deploy advanced surveillance systems.
- **Negotiate Preferential Access:** Speak with Panama Canal authorities about possible toll reductions for particular routes or preferential transit for Indian vessels.
- **Source → The Hindu**

2 - Special Assistance Programme for States in Capital Investment:

GS II

Government Policies and Interventions:

- **Context:**
- Over the last four years, Uttar Pradesh (UP) has received the largest amount of special assistance (loan) from the Centre under the Scheme for Special Assistance to States for capital expenditure/investment, totaling Rs 1,67,518.6 crore.

- The government's dedication to supporting development efforts in Uttar Pradesh is demonstrated by the significant financial support.

- **What are the Ministry of Finance's trends in capital expenditure?**

- The top two States that met the capital expenditure requirements and were given the most allocation under the scheme for the previous four years are Uttar Pradesh and Bihar.
- Approximately 1% to 2% of the total amount allocated under the Scheme has been distributed to Uttarakhand, Haryana, Kerala, and Punjab, among other States.
- According to the Ministry of Finance, Andhra Pradesh, Kerala, Manipur, and Punjab have not received any allocation for 2023–2024 and have not satisfied the eligibility requirements outlined in the Scheme.

- **What is the Capital Investment Scheme Special Assistance to States?**

- **About:**

- Following the Covid-19 Pandemic, the Scheme for Special Assistance to States for Capital Expenditure was introduced in FY 2020–21.
- With an investment of Rs 1.3 lakh crore, the programme has been expanded and is now known as the "Scheme for Special Assistance to States for Capital Investment 2023-24."

- **Components:**

- There are eight components to the plan, with Part I having the greatest allocation of Rs. 1 lakh crore. According to the ruling of the 15th Finance Commission, the states have received this sum in proportion to their share of federal taxes and duties.
- The remaining portions of the plan are either for initiatives that are sector-specific or related to changes.
- States are given incentives under Part-II to dispose of their outdated cars and establish automated vehicle testing facilities;
- States are given incentives in Parts III and IV to implement reforms in urban financing and planning;
- Funds from Part-V are used to expand the number of dwelling units available in urban police stations for police officers and their families.
- Part-VI of the programme uses Unity Mall projects to promote cultural variety and regional goods in order to further the goals of Made in India, One District One Product, and National Integration.
- Financial support of Rs. 5,000 crore is given to states under Part-VII to create Panchayat and Ward libraries equipped with digital infrastructure, aimed mainly at children and teenagers.

- **Goals of the Programme:**

- Because it is projected to increase demand and create jobs, the programme will have a greater multiplier effect on the economy.
- By providing cash for meeting the state share, the initiative also aims to accelerate projects in important areas like Jal Jeevan Mission and Pradhan Mantri Gramme Sadak Yojana.
- In order to enhance urban governance and quality of life, the programme also aims to persuade states to implement changes in urban finance and planning.

- **In India, what is Capital Expenditure?**

- **Capital Outlay (Capex):**

- It refers to the monies set aside by the government for the purchase, development, or enhancement of tangible assets including buildings, machinery, equipment, and infrastructure.
- As it increases the economy's potential for production and creates future revenue and jobs, it is regarded as productive and growth-enhancing.
- The finance minister presents the annual budget, which the Indian government uses to allocate capital expenditures.
- Following three years of increases, the capital investment outlay has reached Rs 10 lakh crore, or 3.3% of GDP, representing a noteworthy 33% growth (Union Budget 2023-24).

- **Utilising Capital Effectively:**

- The government's expenditure on creating capital assets through grants-in-aid to states and other agencies is not included in the capital expenditure that is included in the budget.
- Although these grants are included in the budget as revenue expenditures, they also help to build fixed assets like schools, hospitals, bridges, and roads.
- Therefore, the idea of "effective capital expenditure" has been created in order to accurately reflect the amount of public investment made by the central government.
- The total of capital expenditure and grants for the creation of capital assets is known as effective capital expenditure.
- According to the Union Budget 2023–24, it is allocated Rs 13.7 lakh crore, or 4.5% of GDP.

- **Source → *The Hindu***

3 - Keeping Climate Goals and Protecting Biodiversity in Balance:

GS III

Environmental Conservation:

- **Context:**
- A recent study titled "Balancing climate goals and biodiversity protection: legal implications of the 30x30 target for land-based carbon removal" focused on international environmental law and highlighted the conflicts that arise between the creation of protected areas and land-based carbon dioxide removal (CDR) strategies.
- **Which aspects of the study stand out the most?**
- **Restricted Access to Land:**
- One of the biggest obstacles to achieving biodiversity goals and land-based climate mitigation solutions is the scarcity of available land.
- Because there is a limited amount of land available, countries are pledging major amounts of their land for CDR operations, which makes the establishment of protected areas challenging.
- **Worldwide Goals and Present Situation:**
- By 2030, countries are expected to have vowed to protect 30% of the world's land and marine areas under the "30x30" biodiversity objective. Nevertheless, protected areas will not have reached the 30x30 target by 2023; as of that year, they only accounted for about 16% of land and 8% of marine areas.
- By 2030, the 30×30 objective calls for the protection of at least 30% of the planet's land and ocean.
- The global goal known as the 30x30 target is to stop the rapid extinction of species and save essential ecosystems, which are the foundation of our financial stability.
- **Conflict and Land Use:**
- Due to restrictions on land use, certain land-based mitigation techniques clash with the requirement to create additional protected areas.
- Widespread CDR implementation may lead to increased loss of biodiversity and competition for arable land.

- **Inadequate Objectives:**

- In order to effectively conserve biodiversity, scientists believe that at least 44% of the world's land needs be covered by protected areas, even with the ambitious 30x30 aim.
- Furthermore, it's possible that CDR efforts by themselves won't be sufficient to achieve the Paris Agreement's 1.5 or 2 degree Celsius global warming target.

- **Difficulties with Implementation:**

- Concerns are raised about how nations would distribute more land for restoration and protected areas while increasing food production and putting CDR plans into practice.
- Achieving these goals in balance is a big task.

- **Legal Viewpoints:**

- Current international environmental law does not prohibit the adoption of CDR strategies alongside protected areas on the same land parcels, even if some land-based CDR procedures may promote biodiversity.

- **Suggestions:**

- Prioritising CDR policies that preserve biodiversity and efficiently absorb greenhouse emissions is necessary. They stress how critical it is to slow down climate change, arguing that the damage it poses to biodiversity exceeds all other considerations.

- **Source** → *The Hindu*

4 - Ayushman Bharat Pradhan Mantri Jan Arogya Yojana:

GS II

Government Policies and Interventions:

- **Context:**

- Recently, Ayushman Bharat Pradhan Mantri — Jan Arogya Yojana (AB PM-JAY) figures were revealed by the Ministry of Health & Family Welfare.

- **Which AB PM-JAY statistics are the most noteworthy?**

- **Ayushman Cards:**

- Fourteen percent of Ayushman cards issued and eighteen percent of permitted hospital admissions are made by women.
- By December 2023, the total number of Ayushman Cards created since the program's launch was estimated to be 28.45 crore, of which 9.38 crore were created in 2023 alone.

- **Health Insurance:**

- The programme covers 55 crore people, or 12 crore families, and many states and union territories that are implementing AB PM-JAY have further extended the recipient base at their own expense.

- **Hospitalisations:**

Throughout 2023, a total of 6.11 crore hospital admissions totaling over Rs 78,188 crores were approved, of which 1.7 crore hospital admissions valued over Rs 25,000 crores were approved in January through December of that year.

- **Ayushman Bharat-PMJAY: What is it?**

- **About:**

- The largest health insurance programme in the world, PM-JAY is wholly funded by the government.
- It was introduced in 2018 and provides a family with a maximum insured amount of Rs. 5 lakh for secondary and tertiary care.
- Health Benefit Packages pay for tests, medications, surgery, medical care, and nursery expenses.

- **Recipients:**

- The beneficiaries of this entitlement-based programme are those determined by the most recent Socio-Economic Caste Census (SECC) statistics.
- States and UTs now have the option to tag remaining (unauthenticated) SECC families against databases of non-Socio-Economic Caste Census (SECC) recipient families that have comparable socio-economic features, thanks to flexibility granted by the National Health Authority (NHA).

- **Finances:**

- The programme is funded in the following proportions: 100% Central money for UTs without a legislature, 90% in Northeastern states, Jammu and Kashmir, Himachal Pradesh, and Uttarakhand, and 60:40 for all states and UTs with their own legislature.

- **Nodal Organisation:**

- Under the Society Registration Act, 1860, the National Health Authority (NHA) was established as an independent body to carry out PM-JAY in cooperation with state governments.
- The State Government's highest authority, the State Health Agency (SHA), is in charge of implementing AB PM-JAY throughout the State.

- *Source* → *The Hindu*

5 - Gross NPAs for banks decrease to 3.2%:

GS III

Indian Economy:

- **Context:**

- According to a recent Reserve Bank of India (RBI) report, the gross non-performing asset (GNPA) ratio for Scheduled commercial banks (SCBs) experienced a considerable dip, dropping from 3.9% at the end of March 2023 to 3.2% at the end of September 2023.
- Write-offs, upgrades, and recoveries all played a part.

- **A non-performing asset is what?**

- **About:**

- According to RBI, an asset stops making money for the bank and is considered non-performing.

- A non-performing asset (NPA) is typically a loan or advance for which the principal or interest payment was past due for a predetermined amount of time.
- Debt is often categorised as non-performing when loan payments are late for a minimum of ninety days.
- In the case of agriculture, a loan is deemed non-performing if the principle and interest are not paid for two cropping seasons.
- **Categories:**
- **Based on the length of time the asset has remained non-performing and the realizability of the dues, banks are required to further categorise non-performing assets into the following three groups:**
- Assets classed as non-performing assets (NPAs) for a duration of less than or equal to a year are referred to as substandard assets.
- questionable Assets: An asset is considered questionable if it has not produced results for more than a year.
- Loss assets are those that must be completely written off since they are uncollectible and have little to no chance of being recovered.
- **Net NPA and Gross NPA (GNPA):**
- GNPA: The entire amount of non-performing assets (NPAs) minus the provisional amount.
- Net NPA: This is the total NPA less the allowance.
- The money that banks set aside to offset possible losses from nonperforming assets (NPAs) is referred to as a provision.
- **Policies for Handling NPAs in India:**
- In order to swiftly decide cases and collect debts owed to banks and financial institutions, the Recovery of Debts due to Banks and Financial Institutions Act (RDB Act), 1993, established Debt Recovery Tribunals (DRTs) and Debts Recovery Appellate Tribunals (DRATs).
- Banks and other financial institutions are able to seize and sell secured assets of noncompliant borrowers without the involvement of a judge thanks to the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI Act), which was passed in 2002.
- For stressed assets, especially non-performing assets (NPAs), the bankruptcy and Bankruptcy Code (IBC), 2016, offers a streamlined corporate bankruptcy resolution process.
- Since its founding, IBC has assisted in the resolution of Rs 3.16 lakh crore in debt that was stalled in 808 cases.
- Write-offs: When a non-performing loan or asset is removed from the bank's records, it is acknowledged that there is little chance that the debt will be recouped.

- This acknowledges the potential of a loss but does not release the borrower from repayment obligations.
 - Upgrades: If certain requirements are met, such as the borrower paying interest and principal arrears, the process of reclassifying a loan account from non-performing assets (NPA) back to a "standard" asset category will take place.
 - Recoveries: Recoveries are the money or assets that the bank is able to get back after collecting on delinquent loans or non-performing assets.
 - These may take the form of settlements following the pursuit of recovery methods, collateral liquidations, or repayments.
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- *Source → The Hindu*



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