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RBI hikes repo rate, signals more increase

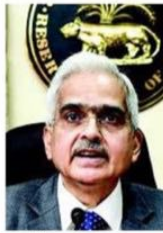
MUMBAI, June 8: Home, auto and other loan EMIs will rise after the Reserve Bank of India (RBI) on Wednesday raised the key interest rate by 50 basis points, the second increase in five weeks, to rein in a rise in prices that was seen continuing to hurt consumers in the near term.

The increase in lending rate or the repurchase rate (repo) by 50 bps – the biggest in more than a decade – to 4.90 per cent comes on the

back of a 40 bps hike last month at an unscheduled meeting that kicked off the tightening cycle.

Simultaneously, the pandemic-era accommodative stance was dropped, which meant more hikes may be in the offing to tame inflation that since the start of the year has been hovering above the central bank's upper tolerance limit.

"Inflation has steeply increased much beyond the up-



Shaktikanta Das

per tolerance level (of 6 per cent)," RBI Governor Shaktikanta Das said while announcing the bimonthly monetary policy. "Upside risks to inflation as highlighted in last

policy meetings have materialised earlier than expected."

The RBI raised its inflation forecast for the current fiscal (April 2022 to March 2023) to 6.7 per cent from 5.7 per cent earlier on the expectations of prices staying above the 2-6 per cent tolerance band in the first three quarters (till December-end).

The law mandates that the Central bank will have to explain in writing to the government the reasons for failing to keep inflation within the targeted band if prices were to stay above 6 per cent for three straight quarters. It also has to suggest remedial measures to bring prices

under control.

To balance the inflation-growth dynamics, Das said RBI will remain focused on the withdrawal of accommodation as system liquidity continues to remain above pre-pandemic levels. However, withdrawal of accommodation will be done in a way that growth will continue to get adequate support, he added. "We have dropped the word (accommodative) but we remain accommodative and that is mainly to give more clarity to the market," he said.

The Monetary Policy Committee (MPC), however, retained its economic growth projection at 7.2 per cent.

While food, energy and commodity prices remain elevated, it suggested that most of the excess inflation is due to global/supply-side factors. Retail inflation in April accelerated to 7.79 per cent from a year earlier.

Das said 75 per cent of the 100 bps increase in the inflation forecast is on account of a spike in food prices which are due to the war in Ukraine. "The war has led to globalisation of inflation," he noted.

The rate hike on May 4 and on Wednesday came after the RBI held the interest rate at a record low of 4 per cent for 11 consecutive times. – PTI



What is Repo Rate?

- Repo rate is the rate at which the Reserve Bank of India (RBI) lends to other banks.
- It is a part of the Liquidity Adjustment Facility (LAF) of the RBI.
- The Repo rate borrowing is generally available at the overnight repo, 7 days, 14-day repo.
- The commercial banks make a repurchase agreement with the RBI and sell the G-secs and buy back at a different rate on the agreed price.
- The increased repo rate will discourage banks to borrow from the RBI and lending to the customers. This in turn will reduce the liquidity and demand in the market. It is part of the contractionary monetary policy.
- On the other hand, decreased repo rate will encourage banks to borrow and lend to customers increasing the liquidity and demand in the market. This is a part of the Expansionary Monetary Policy.

Objectives of Repo Rate

Inflation

- The Repo rate is used as a tool to control inflation by increasing the repo rate.
- During periods of high inflation, the RBI makes concerted efforts to reduce the flow of money in the economy.
- One way to accomplish this is to increase the repo rate.
- Borrowing becomes more expensive for businesses and industries as a result, slowing investment and money supply in the market.
- As a result, it has a negative impact on economic growth, which aids in the control of inflation.

Liquidity

- The Repo rate is tweaked to increase or decrease the liquidity to alter the demand in the economy based on the macroeconomic scenario.
- When the RBI needs to inject funds into the system, on the other hand, it lowers the repo rate.
- As a result, borrowing money for various investment purposes becomes less expensive for businesses and industries.
- It also expands the economy's overall money supply. This, in turn, boosts the economy's growth rate.

Components of Repo Rate

- Preventing "squeeze" in the economy - The central bank adjusts the Repo rate in response to inflation. As a result, it seeks to govern the economy by keeping inflation under control.
- Hedging and Leverage - The RBI tries to hedge and leverage by purchasing securities and bonds from banks and providing cash in exchange for collateral deposited.
- Short-Term Borrowing — The RBI lends money for a short length of time, up to an overnight period, after which banks purchase back their deposited securities at a predetermined price.
- Collateral and Securities — The RBI takes gold, bonds, and other forms of collateral.
- Cash Reserve or Liquidity: Banks borrow money from the Reserve Bank of India (RBI) to preserve liquidity or cash reserves as a precautionary measure.



India rejects Environment Performance Index 2022

NEW DELHI, June 8: The Union Environment Ministry today rebutted the Environmental Performance Index 2022, which ranked India at the bottom of a list of 180 countries, saying some of the indicators it used are extrapolated and based on surmises and unscientific methods.

The index published recently by the Yale Center for Environmental Law and Policy and the Center for International Earth Science Information Network, Columbia University, used 40 perform-

ance indicators across 11 categories to judge countries on climate change performance, environmental health and ecosystem vitality.

The Environmental Performance Index (EPI) 2022 released recently has many indicators based on unfounded assumptions. Some of these indicators used for assessing performance are extrapolated and based on surmises and unscientific methods, the

ministry said in a statement.

A new indicator in the climate policy objective is 'projected GHG emissions levels in 2050'. This is computed based on the average rate of change in emission of the last 10 years instead of modelling that takes into account a longer time period, extent of renewable energy capacity and use, additional carbon sinks, energy efficiency, etc., of respective countries, the ministry said.

Forests and wetlands of the country are crucial carbon sinks but have not been factored in while computing the projected GHG emissions trajectory up to 2050 given by EPI 2022. Historical data on the lowest emission trajectory has been ignored in the computation, it said while rejecting the analysis.

The ministry said the weight of the indicators in which India performed well has been reduced and the reasons for such change have not been explained in the report. – PTI

Country's lowest rank among 180 nations

ENVIRONMENT PERFORMANCE INDEX

NEIGHBOURHOOD: WHERE INDIA STANDS

Afghanistan	81	Pakistan	176
Sri Lanka	132	Bangladesh	177
China	160	India	180
Nepal	162		



TOP 5: Denmark, UK, Finland, Malta, Sweden

SOME KEY INDICATORS, AND INDIA

Biodiversity	179	Green House Gas emissions	171
Protected Areas	177	Biodiversity habitat index	170
Species Protection Index	175	PM2.5	174
Air Quality	179	Waste management	151
Climate Policy	165		
Ecosystem vitality	178		

- Denmark tops the 2022 rankings — an achievement rooted in strong performance across nearly all issues tracked by the EPI, with notable leadership in efforts to promote a clean energy future and sustainable agriculture.
- The United Kingdom and Finland place 2nd and 3rd both earning high scores for slashing greenhouse gas emissions in recent years.
- The United States places 20th out of 22 wealthy democracies in the Global West and 43rd overall.
- With a paltry score of 18.9, India's 180th ranking comes after Pakistan, Bangladesh, Vietnam and Myanmar.
- The Environment Performance Index (EPI) is an international ranking system that measures environmental health and sustainability of countries.
- The EPI, a biennial index, was started in 2002 as Environmental Sustainability Index by the World Economic Forum in collaboration with the Yale Center for Environmental Law and Policy and the Columbia University Center for International Earth Science Information Network.

'Special Cells for Women & Community



Approach' launched in ten districts

STAFF REPORTER

GUWAHATI, June 8: The Director General of Assam Police Bhaskarjyoti Mahanta formally launched 'Special Cells for Women & Community Approach' today for 10 police stations, one each in Dibrugarh, Sivasagar, Sonitpur, Nagaon, Kamrup (Rural), Karbi Anglong, Cachar, Barpeta, Kokrajhar and Dhubri districts.

The Tata Institute of Social Sciences (TISS) which signed a MoU with Government of Assam represented by Assam Police, Home Department and Department of Social Welfare will be manning these Special Cells through social workers, counsellors and state coordinators. Experienced and trained counsellors have been selected and specialised training has been imparted to them.

Special Cells create space for violated

women to receive emotional and social support through quality psychological, social and legal services from professional full-time social workers, within the criminal justice system (CJS) framework.

The violence survivor's needs and concerns are addressed within a facilitative environment. These Special Cells will operate from Sadar police stations of the above districts.

The TISS has further collaborated with US Agency for International Development's MOMENTUM Country and Global Leadership: India-Yash led by Jhpiego and Child in Need Institute (CINI) to operate these special cells for a period of two years.

Speaking on the occasion, the DGP assured that the Assam Police is determined to fight crime against women and children and effectively combat gender-based violence. He also stressed the need for a multi-

disciplinary approach to tackle this menace saying that the police, NGOs, Social Welfare Department and Home Department and other stakeholders need to work together to address the issue.

The meeting was attended by AYW Krishna, Additional DGP; CID, MC Sahu, Principal Secretary, Social Welfare Department; Diganta Barah, Commissioner & Secretary, Home, Political, I&PR Department; Aarthi Chandrasekhar, Programme Coordinator RCI-VAW TISS; Nayan Chakravarty, Chief of Party USAID's MOMENTUM Country and Global Leadership: India, Yash, JHPIEGO; Meghendra Banerjee, Chief of Programme, CINI and other dignitaries.

Additional DGP, CID will coordinate the Special Cells and the officials from Home Department, Social Welfare Department, TISS, JHPIEGO and CINI.

■ Constitutional Safeguards:

- Fundamental Rights: It guarantees all Indians the right to equality (Article 14), no discrimination by the State on the basis of gender (Article 15(1)) and special provisions to be made by the State in favour of women (Article 15(3)).
- Fundamental Duties: It ensures that practices derogatory to the dignity of women are prohibited under Article 51 (A).

■ Legislative Framework:

- Protection of Women from Domestic Violence Act, 2005: It provides victims of domestic violence with a means for practical remedy through prosecution.
- The Dowry Prohibition Act, 1961: It prohibits the request, payment or acceptance of a dowry.
- The Sexual Harassment of Women at Workplace (Prevention, Prohibition, and Redressal) Act, 2013: This legislative act seeks to protect women from sexual harassment at their place of work.
- The Protection of Children from Sexual Offences (POCSO), 2012: It was enacted to protect minors from offences of sexual assault, sexual harassment and pornography, while safeguarding the interest of the child at every stage of the judicial process.

History (Optional)

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