

ECONOMY**Context: Electoral bond scheme****INTRODUCTION**

- For a considerable amount of time, civil society has been advocating for increased voter empowerment through better access to background information on the candidates running for office and increased transparency in the murky world of political funding.
- Public interest litigation (PIL) has proven to be an effective tool in this case. The foundation of the campaign is the citizen's democratic right to information (RTI), which is essential to the Constitution's basic right to free speech and expression.

The corporate donor is hidden

- The Electoral Bond Scheme (EBS), which provides incentives for political donations through banking channels, was hailed as a real attempt to improve electoral democracy.
- First, the Finance Act of 2016 retroactively amended the Foreign Contribution (Regulation) Act (FCRA) to allow donations to political parties by Indian subsidiaries of foreign corporations.
- Despite strong objections from the RBI, the Election Commission of India (ECI), and opposition parties, this was followed by an overhaul of the regulatory framework consisting of the Representation of the People Act (RPA), the Companies Act, 2013, the Income Tax (IT) Act, and the RBI Act through the Finance Act of 2017.
- The Finance Bill's clever incorporation of the amending Bills ensured the legislative proposals' seamless passage by essentially bypassing the Rajya Sabha's deliberations.
- A PIL was filed by Common Cause and the Association for Democratic Reforms (ADR) to contest the constitutionality of the Finance Act of 2017 amendments, several months prior to the EBS's promulgation.
- The petition argued that none of the permitted limitations under Article 19(2) could stop these amendments from violating citizens' fundamental "Right to know" as stated in Article 19(1)(a).
- According to the petition, the contested amendments encouraged corrupt behaviour by raising the ceiling on corporate donations and permitting contributions from shell and loss-making companies, endangering the nation's sovereignty and working against transparency. Consequently, the nexus between politics and big business was rendered more opaque.
- With the use of this tool, foreign governments, corporate lobbyists, and special interest groups would be able to adversely affect national governance and gain a firm grip over the electoral process.
- The amendments undermined the constitutional role of the ECI and deprived the public of important information regarding electoral funding by absolving political parties of the obligation to reveal the specifics of their donors.
- Furthermore, the constitutionally intended legislative framework was undermined by the use of a money bill to change the pertinent laws.

The preferred mode is bonds.

- With time, electoral bonds have emerged as the preferred method of contributing to politics. Up until July 2023, bonds totalling ₹13,791 crore have been sold in 27 tranches. 55.9% of the donations, according to ADR research, came from electoral bonds.
- BJP received the majority of the 74.5% of electoral bonds redeemed until 2020–21, according to the ADR report. The YSR Congress Party, the Biju Janata Dal, and the Trinamool Congress trailed far behind INC, which came in second place with 11%.
- The majority of electoral bonds sold—more than 94% of them—have denominations of one crore rupees, which are too large for individual contributors to afford. Additionally, party accounts appropriately reveal the details of donors who have contributed ₹20,000 or more.
- The estimated cost of the most recent Lok Sabha general election ranges from ₹55,000 to ₹60,000 crore.

- Political parties still conduct most of their business in cash, but the electoral bond proceeds allow them to pay for expenses related to infrastructure development, equipment, and print, broadcast, and digital media publicity.
- They have a significant advantage over their competitors in influencing voter behaviour and election results because of this.
- In the interim, there have been 30 State Assemblies elections and a general election for the Lok Sabha. Due to the EBS's inherent bias in favour of the incumbent, the political formations in power have benefited from increased corporate contributions in the majority of these contests.
- The petitioners' repeated requests to have the contested scheme put on hold while the important issues they raised in their petition were resolved were not well received by the Supreme Court (SC) of India.
- The Solicitor General has maintained that, despite the fact that artificial legal persons are not entitled to this fundamental right, anonymity is essential to political donors' right to privacy.

Conclusion:

Given the Supreme Court's impressive track record of extending the rights to freedom of speech and expression and giving voters the information they need to make an informed decision; one might hope that the upcoming elections will be held on a somewhat level playing field.

INTERNAL SECURITY

CONTEXT: Crowd funding for Terrorism Financing, Money-laundering and its prevention, Role of external state and non-state actors in creating challenges to internal security.

In News, why?

- In a report recently released under the title "Crowdfunding for Terrorism Financing," the Financial Action Task Force (FATF) noted that violent extremist groups have used well-organized networks to raise money.
- According to the report, the Popular Front of India (PFI) turned to asking for money in mosques and public areas. These funds were then used to buy weapons and ammunition and to train the cadres.

Describe crowdfunding.**About:**

- Crowdfunding is an innovative approach to fundraising that uses online platforms to collect modest contributions from a wide range of people for a variety of goals, including starting new businesses, funding creative endeavours, and supporting charitable causes.
- Although crowdfunding is mostly used for legal purposes, recent events have shown that it can also be used for illicit purposes, particularly by terrorists and terrorist organizations.
- These organizations raise money for their radical causes all over the world through social media and fundraising websites.

Methods of Misuse for Terror Financing:

- Abuse of humanitarian, charitable and non-profit causes which can act as a front to raise funds for terrorism.
- Because of the volume and variety of activity on dedicated crowdfunding platforms and websites, it can be challenging to identify illicit activity.
- Extremists can spread their messages more widely and direct users to particular fundraising causes by using social media platforms and messaging apps.
- Interaction between virtual assets and crowdfunding, including the use of privacy coins and services that improve anonymity, like mixers and tumblers.

Which aspects of the report stand out the most?

- Diverse Fundraising Techniques: The PFI solicited donations in public areas and religious locations like mosques.
- In order to promote donations, the group also employed contemporary digital techniques, such as sharing bank account information and QR codes.

- The organization collected funds through both domestic and international transactions, which presented a challenge for the investigation because of the multifaceted nature of the financial flows.
- Use of Funds: The money raised via crowdfunding wasn't put to use for just one thing. To provide a steady stream of revenue for the group's terrorist endeavours, a portion of the money raised was invested in companies and real estate ventures.

Worldwide Context:

- The study puts the problem of crowdsourcing to finance terrorism in a global perspective. It draws attention to the fact that although the majority of crowdfunding initiatives are lawful, terrorist groups like Al-Qaeda and the Islamic State of Iraq and the Levant have taken advantage of these platforms to raise funds for their operations.

Suggested actions:

- Global Anti-Money Laundering and Counter-Terrorism Financing (AML/CFT) regulations must be consistent, according to the FATF report.
- It draws attention to the fact that many nations do not routinely evaluate the risks connected to crowdfunding operations, which leaves a dearth of thorough information regarding its abuse.
- The cross-border aspect of crowdfunding campaigns and the related financial transfers is highlighted by FATF.
- Nations are reminded that even in cases where there isn't much domestic terrorism occurring within their borders, it can still be used as a pass-through for financial flows.

Define PFI.

- After the Students Islamic Movement of India (SIMI) was banned, three Muslim organizations in Tamil Nadu, southern India, merged to form the Popular Front of India. Since then, the group has been active in social and religious activities related to Islam.
- Although the PFI has portrayed itself as a group that supports Dalits, minorities, and marginalized communities, it has been accused of engaging in extremist activities.
- The PFI and its affiliates and fronts were deemed a "illegal association" by the Ministry of Home Affairs in 2022.

How Can We Deal with These Organizations and Still Protect Civil Rights and National Security?**Clear Legal Framework**

- Establish a comprehensive and unambiguous legal framework that specifies the circumstances in which an organization may be classified as posing a threat to national security.
- Due process, international human rights norms, and constitutional precepts ought to serve as the foundation for this framework.

Judicial Oversight:

- The judiciary is able to safeguard people's rights and determine whether government actions are compliant with the law.

Accountability and Transparency:

- Ensure accountability by disclosing the rationale behind any actions taken against an organization and by keeping the process of designating it as illegal transparent.
- Provide oversight and accountability systems to stop the legal system from being abused.

Targeted Actions:

- Rather than widely attacking a whole organization, concentrate on focusing on people or organizations that are directly involved in criminal or terrorist activity.
- This strategy lessens the effect on naive members and advocates.

Intelligence and Monitoring:

- Boost surveillance and intelligence-gathering capacities to keep an eye on possible threats' movements.
- Make sure that these acts are governed by the law and are being monitored.

Public Awareness:

- Raise awareness among the general public of the perils posed by extremist ideologies and the significance of reporting questionable activities.
- Motivate the populace to take proactive measures to protect the country's security.

Conclusion:

Crowd funding is legitimate but unfortunately donation based crowd funding is being misused to raise funds to finance terrorism as it lacks information about the purpose goals and ultimate beneficiaries of the campaign

PRELIM FACT**1. CITIIS 2.0 Challenge****Context**

- The Union Minister of Housing & Urban Affairs and Petroleum & Natural Gas launched the CITIIS 2.0 Challenge.

About

- CITIIS 2.0 is the second phase of the City Investments To Innovate, Integrate and Sustain (CITIIS) program.
- The program has been conceived by the Ministry of Housing and Urban Affairs (MoHUA) in collaboration with the French Development Agency (AFD), KfW Development Bank, the European Union and the National Institute of Urban Affairs (NIUA).
- The aim of the program is to:
 - Drive investments into urban climate action through competitively selected projects promoting a circular economy with focus on integrated waste management.
 - Foster climate-sensitive planning and action in states and cities through evidence-driven approaches.
 - Build institutional mechanisms, leverage partnerships and anchor capacity building for all urban local bodies in India.
- Significance: CITIIS 2.0 will complement the Smart Cities Mission, Swachh Bharat Mission, AMRUT along with commitments to combating the challenges posed by climate change.

2. Epilepsy Disease

National Epilepsy Day is celebrated every year in India on November 17 to raise awareness around the brain disorder and bust myths surrounding the disease.

About Epilepsy:

- It is a brain disease where nerve cells don't signal properly, which causes seizures.
- A seizure is usually defined as a sudden alteration of behavior due to a temporary change in the electrical functioning of the brain.
- Normally, the brain continuously generates tiny electrical impulses in an orderly pattern. These impulses travel along neurons—the network of nerve cells in the brain—and throughout the whole body via chemical messengers called neurotransmitters.
- In epilepsy, the brain's electrical rhythms have a tendency to become imbalanced, resulting in recurrent seizures.
- In patients with seizures, the normal electrical pattern is disrupted by sudden and synchronized bursts of electrical energy that may briefly affect their consciousness, movements, or sensations.
- Seizures can be classified into two broad categories, depending on the location of abnormal brain activity.
- Seizure in one part of the brain is called focal seizure, and it is usually accompanied by loss of consciousness, while in cases of generalised seizures, all areas of the brain are involved.
- It is a chronic, non communicable disease that affects people of all ages.
- Epilepsy (sometimes referred to as a seizure disorder) can have many different causes and seizure types.
- Some people may have convulsions (muscles contract repeatedly) and lose consciousness. Others may simply stop what they are doing, have a brief lapse of awareness, and stare into space for a short period of time.
- Epilepsy may develop as a result of many types of conditions that disrupt normal brain activity, known as “co-occurring conditions”. Examples of conditions that can lead to epilepsy include:
 - Brain tumors

- Head trauma
- Alcoholism or alcohol withdrawal
- Alzheimer's disease
- Strokes, heart attacks, and other conditions that deprive the brain of oxygen
- Abnormal blood vessel formation (called arteriovenous malformations) or bleeding in the brain
- Brain inflammation or swelling
- Infections such as meningitis, HIV-related infections, and viral encephalitis
- Around 50 million people worldwide have epilepsy, making it one of the most common neurological diseases globally.
- Nearly 80% of people with epilepsy live in low- and middle-income countries.
- The risk of premature death in people with epilepsy is up to three times higher than for the general population.

3. Zorawar Light Tank

India's indigenously designed and developed light tank, tentatively named Zorawar, is likely to be ready for trials soon.

About Zorawar Light Tank:

- It is an indigenously designed and developed Light Tank.
- It was developed by the Defence Research and Development Organisation (DRDO) in collaboration with Larsen & Toubro Limited.

Features:

- It is designed to operate in varying terrain, from high-altitude areas and marginal terrains to island territories.
- It will be highly transportable for rapid deployment to meet any operational situation.
- It will be equipped with all the modern technologies, such as Artificial Intelligence, Drone Integration, a high degree of situational awareness, and amphibious operation capability.
- It will weigh less than 25 tonnes with a high power-to-weight ratio as well as superior firepower and protection.

Who was Zorawar?

- He was a military general, Zorawar Singh Kahluria, and had served under Jammu's Raja Gulab Singh in the 19th Century.
- He is honoured for his conquests in the Himalayas, including Ladakh, Tibet, Baltistan, and Skardu.

4. Musseanda conferta

A team of scientists from the Botanical Survey of India (BSI) have reported the discovery of two new plant species from the evergreen forest patches in the southern end of the Western Ghats.

- The new species *Musseanda conferta* and *Rungia longistachya* were discovered during recent explorations by BSI scientists.

Musseanda conferta

- It was discovered from the rocky areas of Kanyakumari Wildlife Sanctuary and is related to the *Musseanda hirsutissima* family.
- It prefers the vicinity of rocks in the high-altitude grassland ecosystems.
- It has attractive flowers and the ornamental potential of this plant can be explored.

Rungia longistachya

- It belongs to the family of Acanthaceae.
- It was discovered from the moist places of Anamalai regions near the Idukki dam site in Kerala.
- The plant is an herb and grows in the margins of evergreen forests.
- Only eleven species of *Rungia* have been reported from the Western Ghats and the newly discovered plant has got distinct narrow long spike with long slender peduncle and light pinkish white flowers

5. "Micro Matters: Macro View" Microfinance Industry Network (MFIN) Report

Context: MFIN is an Association of Non-Bank Finance Company Micro Finance Institutions (NBFC-MFIs) established in 2009.

- It is an umbrella body of Micro Finance Institutions (MFIs) of the country

The key findings of the report

- NBFC-MFIs followed by banks are the largest provider of micro-credit amongst other regulated entities.
 - MFIs' gross Non-Performing Assets (NPA) decreased from 5.6% (FY22) to 2.7% (FY23).
 - The share of East and Northeast states fell to 34.9% from 37.7% from last year
- ❖ Microfinance refers to collateral-free loans given to individual/s belonging to low-income households, i.e., households having annual income up to ₹3,00,000.

Significance of Microfinance in India

- Financial Inclusion: helps in bringing the unbanked and underbanked population into the formal financial system.
- Women Empowerment: A significant proportion of microfinance borrowers are women.
- Poverty Alleviation: provide the poor with access to credit for income-generating activities, breaking the cycle of poverty and enabling economic mobility.
- Community Development: Through Self Help Groups(SHGs) and community-based approaches, microfinance has facilitated social cohesion and community development.

Issues with MFIs:

Low Outreach, high-interest rate, Negligence of Urban Poor, instances of ever-greening of overdue loans, etc

Government Initiatives for Microfinance in India

- SHG-Bank Linkage Program: to increase the loan volume of the SHGs, and modify their money lending pattern from nonincome generating activities to production-based activities.
- E-shakti Programme: to digitize the accounts of various SHGs and to bring the members of the groups under the fold of Financial Inclusion.
- PM SVANidhi: a special micro-credit loan facility providing affordable working capital loan to street vendors.

ANSWER WRITING

Q. Describe the importance of foreign direct investment (FDI) to the Indian economy and examine the causes of the fall in FDI inflows that has occurred recently. Make corrective recommendations to increase FDI in India.

Introduction

A sort of cross-border investment known as foreign direct investment (FDI) occurs when an investor from one nation takes a long-term stake in a business in another nation. The Global Investment Report 2023 states that in 2022, there was a 12% decline in total inflows of foreign direct investment (FDI).

Importance of FDI, or foreign direct investment:

- **Economic Growth:** By providing foreign capital for infrastructure development, industrial expansion, and technological advancement, FDI propels economic growth. Consider the production of silicon chips in India as a result of PLI, FDI, etc.
- **Job Creation:** Foreign Direct Investment (FDI) creates jobs, tackling population-related issues in India like poverty alleviation and unemployment.
- **Technology Transfer:** By bringing cutting-edge technology and experience, multinational corporations support homegrown innovation, such as Brahmos and Jet Engine or French Submarine.
- **Balance of Payments:** FDI increases foreign exchange reserves, which are essential for maintaining economic stability and controlling the trade deficit.
- **Industrial Development:** It supports the "Make in India" campaign and encourages expansion in industries such as manufacturing. For instance, Airbus and TATA invested in the manufacturing of airplanes.
- **International Cooperation:** Foreign Direct Investment (FDI) facilitates India's entry into the global economy.

Causes of the Drop in FDI Inflows:

- India's appeal as an investment destination has decreased due to high inflation and weak demand in the US and Europe.

- Absence of new policy reforms and state-level improvements: In recent years, there have been few initiatives to relax FDI restrictions or enhance the business climate at the state level.
- Global Pessimism: This significant drop in cross-border mergers and acquisitions (M&As) can be attributed in large part to global growth pessimism. Western businesses are hesitant to commit significant funds.
- Geopolitics: The strategy used in geopolitics is also crucial. Following the border skirmishes with China in 2020, India started to avoid Chinese FDI.
- Technology and Other Industries: Industries other than technology are impacted by the decrease in foreign direct investment.
- Policy Uncertainty: Investors must contend with volatility and sudden changes in policy.
- Lack of Trade Agreements: India's inability to participate in trade agreements such as the Regional Comprehensive Economic Partnership (RCEP) and its dearth of EU trade agreements impede its ability to attract foreign direct investment.
- Infrastructure bottlenecks: Investors are discouraged by inadequate infrastructure, particularly in the energy and logistics industries.

Corrective Actions to Increase FDI:

- Policies that are Steady and Predictable: Make sure the regulatory environment is steady and predictable.
- Ease of Doing Business: Simplify procedures, cut down on red tape, and make doing business easier.
- Infrastructure Investment: To encourage FDI, develop the energy, digital, and transportation infrastructure.
- Trade Agreement Participation: For better market access, take part in bilateral and regional trade agreements.
- 'Make in India' promotion: Promote manufacturing investments with programs such as the PLI scheme.
- Investor Protection: bolster systems for resolving disputes and safeguarding investors.
- Investing in skill development initiatives can facilitate technology transfer and innovation.

Conclusion

Improving FDI is essential to India's economic expansion. To ensure its continued prosperity, India should look for additional funding sources in addition to FDI and foreign investment.

MCQs

1. Consider the following statements about City Investments To Innovate, Integrate and Sustain (CITIIS) 2.0 Programme
 1. CITIIS 2.0 envisages fostering climate-sensitive planning in Indian cities and driving investments into urban climate action through specific projects.
 2. All 100 Smart Cities are eligible to seek assistance under CITIIS 2.0 programme.
 Choose the correct statements:
 - a) 1 only
 - b) 2 only
 - c) Both 1 and 2**
 - d) Neither 1 nor 2
2. Consider the following statements regarding Epilepsy:
 1. It is liver disease caused due to excessive salt intake.
2. It is a chronic, noncommunicable disease that affects people of all ages. Which of the statements given above is/are correct?
 - a) 1 only
 - b) 2 only**
 - c) Both 1 and 2
 - d) Neither 1 nor 2
3. The term 'Zorawar', that was in the news recently, refers to:
 - a) Indigenous light tank**
 - b) Unmanned Aerial Vehicle (UAV)
 - c) 3D printed satellite
 - d) Stealth guided missile destroyer
4. Musseanda conferta, recently seen in news, is a:
 - a) Moth species
 - b) Bacteria

- c) Fungi
d) **Plant species**
5. Consider the following statements about Leonid meteor shower
1. It is brought about by the dust and debris abandoned by the Halley's Comet.
 2. The shower is called after the Leo constellation, from which the meteors appear to radiate.
- Choose the incorrect statements:
- a) **1 only**
 - b) 2 only
 - c) Both 1 and 2
 - d) Neither 1 nor 2
6. Which committee/ commission among the following had recommended state funding of elections in India?
- a) Sarkaria commission
 - b) G Rohini commission
 - c) Bibek Debroy Committee
 - d) **Indrajit Gupta Committee**
7. Consider the following statements regarding 'Coconut Development Board'
1. It is a statutory body established by the Government of India.
 2. It is headquartered at Thiruvananthapuram, Kerala.
 3. It functions under the administrative control of the Ministry of Commerce, Government of India.
- How many of the above-mentioned statements are correct?
- a) **Only one**
 - b) Only two
 - c) All three
 - d) None
8. Consider the following pairs.
1. Green Ammonia: Made from sustainable electricity and water
 2. Brown Ammonia: Made from a fossil fuel with carbon capture
 3. Blue Ammonia: Made without using any fossil fuel
- How many of the above statements is/are correct?
- a) **Only one**
 - b) Only two
 - c) All three
 - d) None
9. Consider the following statements regarding Sarna Religion.
1. The Sarna religion is a nature-worshipping faith.
 2. The Sarna religion is practised by a majority of the tribal community in Jharkhand.
 3. Sarhul festival is the New Year festival, celebrated as part of the Sarna religion.
- How many of the above statements is/are correct?
- a) Only one
 - b) Only two
 - c) **All three**
 - d) None
10. Consider the following statements regarding Kashmiri saffron:
1. It is cultivated and harvested in the Karewa (highlands) of Jammu and Kashmir.
 2. It is one of the only 3 Globally Important Agricultural Heritage Systems (GIAHS) of India recognised so far.
- Which of the above statements is/are correct?
- a) 1 only
 - b) 2 only
 - c) **Both 1 and 2**
 - d) Neither 1 nor 2