

ECONOMY

Context: RBI Tightens Capital Norms for Unsecured Loans, Inclusive growth and issues arising from it.

In News, why?

- The Reserve Bank of India (RBI) has recently raised the Risk Weight on Bank Exposure in order to monitor unsecured loans, such as credit card receivables and personal loans.
- The Capital to Risk-Weighted Assets Ratio (CRAR) requirement for banks that lend to these categories is being raised by the RBI through its decision to increase the risk weight on unsecured loans.
- A loan that can be obtained without requiring security is known as an unsecured loan. Based on a borrower's creditworthiness, the lender issues it. Therefore, being approved for an unsecured loan requires having a high credit score.

What is Capital Adequacy Ratio (CAR)?

- The CAR is a measure of a bank's available capital expressed as a percentage of a bank's risk-weighted credit exposures.
- The Capital Adequacy Ratio, also known as Capital-to-Risk Weighted assets ratio (CRAR), is used to protect depositors and promote the stability and efficiency of financial systems around the world.

What is Risk Weight on Bank Exposure?

- To put it simply, risk weight on bank exposure is a method used by regulators, like central banks or financial supervisory authorities, to evaluate the risk associated with different kinds of assets that banks hold.
- This technique establishes the amount of capital that banks must hold against these assets as a safety net in case of losses.
- The risk weights assigned to various asset categories are based on how risky the assets are deemed to be; the higher risk assets require a higher risk weight, while the lower risk assets receive lower risk weights, requiring banks to allocate more capital against them.

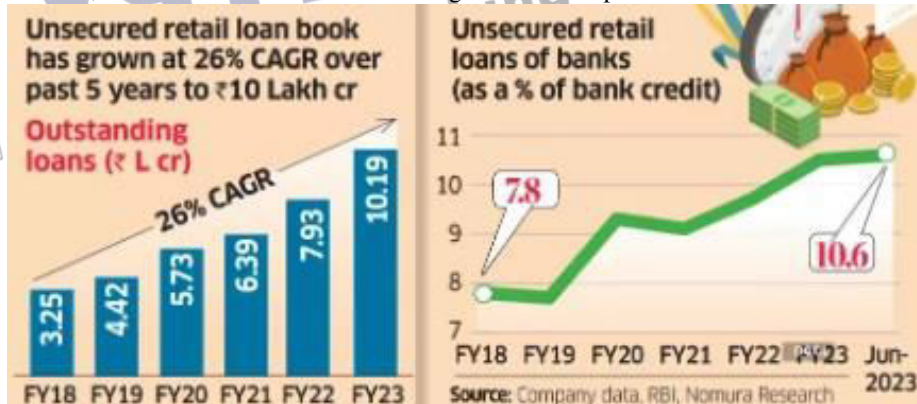
Example:

- A very small percentage, or even 0%, can be the risk weight assigned to low-risk assets like cash or government securities. This suggests that banks just need to put a little amount of cash down on these assets.
- Depending on their perceived risk, higher-risk assets such as business loans, unsecured consumer loans, or derivatives may have risk weights of up to 150%. As a result, banks need to set aside more capital to protect themselves from future losses on these assets.

What is the RBI's position on unsecured loans and why is it necessary?

- **Raised Risk Weights:** In response to banks' exposure to specific categories, like as consumer loans, credit card receivables, and NBFCs, the RBI has increased the risk weight on those exposures.

• The risk-weights on credit cards have climbed 150% from 125%, and those on unsecured personal loans and consumer durable loans from banks have increased to 125% from 100%.



- Additionally, NBFCs' unsecured credit cards, consumer durables loans, and personal loans now have risk-weights of 125% instead of 100%.
- This implies that in order to protect themselves from future losses stemming from these particular loan categories, banks and other financial institutions must set aside additional capital.
- The RBI has, however, exempted microfinance loans by NBFCs from the risk-weight increase.

Reasons for Such a Step:

- **In charge Unchecked Growth:** Unsecured loans, particularly those for consumers, have been growing at a faster rate than less hazardous lending assets. There may be threats to the financial system's stability as a result of this unrestrained growth.

- Due to the lack of collateral, these loans carry a higher risk for lenders. In the event that borrowers miss payments on these loans because of personal financial difficulties or economic downturns, banks and other lending organizations may suffer large credit losses.

Risk Mitigation:

- The RBI seeks to make consumer loans from banks, credit card companies, and NBFCs (Non-Banking Financial Companies) more capital-intensive for financial institutions by raising the risk weights on these loans.
- By bringing the capital requirements into line with the risks involved, this helps make it costlier for lenders to grant these kinds of loans.

Stop Risk from Growing:

- Having procedures for these advances that are overseen by the board guarantees that banks have appropriate risk-assessment systems in place.
- The goal of this action is to stop the risk associated with unsecured retail lending from growing.

Maintain Financial Stability:

- The major objective is to keep the banking and financial sectors safe from a systemic risk by correcting the imbalance in lending practices and making sure that the fast expansion of unsecured consumer loans doesn't affect them.

What is the state of unsecured credit for banks at the moment?

- With the exception of microfinance organizations, only 5–13% of large banks' overall loans are secured. Additionally, banks receive another 5-12% of their total loan volume from NBFCs.
- Analyst estimates indicate that IndusInd Bank has the lowest percentage of the entire impacted book—10%—among large banks, with NBFC and unsecured loans accounting for 15–20% of the total.
- SBI Cards is the NBFC most impacted because all of its loans are unsecured.
- Bajaj Finance comes in second with 38% of the total loan amount coming from unsecured loans, followed by Aditya Birla Capital with 20% of its loan portfolio coming from unsecured consumer loans.

What Effects Will This Change Have on NBFCs and Banks?

- Effect on Borrowing Costs: As a result of these legislative changes, customers may see an increase in lending rates.
- Corporate bonds may be impacted by banks' increased lending rates to non-banking financial institutions, which could result in higher yields and wider credit spreads for these organizations.
- Able to Handle Systemic Hazards Associated with This Type of Lending:
- It is anticipated that the increased capital requirements will restrain the expansion of unsecured loans and maybe mitigate the systemic risks connected to them.

The Way Ahead

- Re-evaluating their risk models and lending procedures for unsecured loans may be necessary for banks and NBFCs.
- They might concentrate more on evaluating creditworthiness and take into account different approaches to risk management in order to keep making loans.
- To counteract the effects of higher risk-weighting on unsecured loans, financial institutions may diversify their loan portfolios by concentrating more on secured lending or looking into other creditworthy areas.

ENVIRONMENT AND CLIMATE CHANGE
Context: Recognizing the impact of climate change on health.

Examining the impact of climate change on India's health is crucial as the nation prepares for the 28th Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC COP28).

India's health systems and climate change:

- India's population is especially susceptible to the negative effects of climate threats on health because of our country's subpar healthcare services. Health is directly impacted by climate change, which increases illness and mortality. Indirect effects include decreased working hours; increased stress caused by the climate, and altered nutrition.
- In the Paris Agreement, all countries committed to limiting global warming to 1.5°C. It's obvious that we failed. The greatest temperatures and heat waves in recorded history occurred in 2023.
- Extreme heat, cyclones, and floods are examples of climate crises that are predicted to happen more frequently. These will exacerbate health issues and interfere with livelihoods and food security.

Double burden

- Climate change would exacerbate India's dual morbidity burden from noncommunicable diseases (NCDs) and communicable illnesses (CMDs). Additionally, heat modifies a pathogen's pathogenicity.

- It might encourage the development of vectors like ticks, sandflies, mosquitoes, and other, as-yet-unidentified ones, and alter the seasonality of infection by altering their life cycle.
- Additionally, it might make it easier for illnesses and vectors to spread to formerly uninhabited areas—like the Himalayan States, where mosquitoes are found.
- Vulnerability to illnesses is increased by decreased food and water availability as well as decreased food nutritional content. Floods are a common trigger for epidemics, but prolonged warm weather also encourages the growth of food- and water-borne infections and illnesses.
- The effects of climate change on NCDs and mental health—both of which are inadequately treated in India—are less widely acknowledged.
- Kidney injuries, which are on the rise in India as a result of uncontrolled diabetes, can be caused by heat, physical activity, and dehydration—all conditions that labourer’s must constantly deal with.
- Increased and prolonged exposure to air pollution aggravates chronic obstructive pulmonary diseases.
- A climate emergency is almost always accompanied with post-traumatic stress disorder (PTSD) and depression, which are made worse by the stress caused by the weather shift.

Urban India and climate change:

- India is rapidly and unplannedly becoming more urbanized. Urban heat island effect: With asphalt roads, heat-retaining buildings that physically obstruct air circulation, and a lack of greenery and open spaces to buffer against climate change, urban regions suffer the harshest consequences. (Rural areas nearby are cooler than urban places, especially at night).
- The already fragile urban primary health system is further burdened by climate change in addition to the negative consequences of air pollution, physically inactive urban design, and stress from the workplace and culture.

Way forward: Mitigation efforts

- Assessing the burden and comprehending the direct and indirect ways that climate change affects health are the first steps in the process. The health information systems are not currently changed to collect this information.
- The impact can be mitigated by implementing social assistance and health service systems, as socioeconomic factors have a significant influence.
- Better urban design, more green space, water conservation, and public health initiatives will all require more extensive action, not only for health but for numerous health factors as well.
- Global, regional, and local actions are required to combat climate change. The best location for intervention will be determined by the pathways and effects of climate change. In order to do this, India must acknowledge the issue of climate change and its effects on health is one that both requires and can be addressed.

Conclusion:

The decision to take action on the research-generated policy alternatives rests with the federal, state, and local governments. Meaningful change is only likely to occur when the three streams of problematization, policy choices, and political decision making come together.

PRELIM FACTS

1. Atmospheric Waves Experiment (AWE)

Context: NASA is set to launch the Atmospheric Waves Experiment (AWE) to study ‘airglow’ to understand space weather.

About the Atmospheric Waves Experiment (AWE):

- It is a first-of-its-kind NASA experimental attempt aimed at studying the interactions between terrestrial and space weather.
- It is planned under NASA’s Helio physics Explorers Programme. This mission will study the links between how waves in the lower layers of the atmosphere impact the upper atmosphere and, thus, space weather.
- It will be launched and mounted on the exterior of the Earth-orbiting International Space Station (ISS).
- From the vantage point, it will look down at the Earth and record the colourful light bands, commonly known as airglow.
- The new NASA mission will try to understand the combination of forces that drive the Space weather in the upper atmosphere.
- It will measure the airglow at mesopause (about 85 to 87 km above the Earth’s surface), where the atmospheric temperatures dip to minus 100 degrees Celsius.
- At this altitude, it is possible to capture the faint airglow in the infrared bandwidth, which appears to be the brightest, enabling easy detection.
- It will be able to resolve waves at finer horizontal scales than what satellites can usually see at those altitudes, which is part of what makes the mission unique.
- The health of the ionosphere, whose lower layers sit at the edge of space, is important for maintaining seamless communication.

What will NASA's AWE do?

- It will perform focused mapping of the colourful airglows in the Earth's atmosphere.
- Onboard AWE is an Advanced Mesospheric Temperature Mapper (ATMT), an instrument that will scan or map the mesopause (a region between the mesosphere and thermosphere).
- Using the four identical telescopes comprising an imaging radiometer, scientists hope to obtain the brightness of light at specific wavelengths.
- This information can then be converted into a temperature map, which could reveal the airglow movement and, ultimately, give clues on their role in the upper atmosphere and Space weather.

What is an airglow?

- It is a faint luminescence of Earth's upper atmosphere that is caused by air molecules and atoms' selective absorption of solar ultraviolet and X-radiation.
- Most of the airglow emanates from the region about 50 to 300 km above the surface of Earth, with the brightest area concentrated at altitudes around 97 km.

2. Tantalum

Context: Recently, a team of researchers from the Indian Institute of Technology (IIT), Ropar, found the presence of tantalum, a rare metal, in the Sutlej River sand in Punjab.

About Tantalum:

- It is a rare metal with the atomic number 73—the number of protons found in one atom of the element.
- The rare metal has been named after a Greek mythological figure, Tantalus.

Properties

- It's grey, heavy, very hard, and one of the most corrosion-resistant metals in use today. It possesses high corrosion resistance because, when exposed to air, it forms an oxide layer that is extremely difficult to remove, even when it interacts with strong and hot acid environments.
- When pure, tantalum is ductile, meaning it can be stretched, pulled, or drawn into a thin wire or thread without breaking.
- It is almost completely immune to chemical attack at temperatures below 150°C and is attacked only by hydrofluoric acid, acidic solutions containing the fluoride ion, and free sulphur trioxide."
- It also has an extremely high melting point, exceeded only by tungsten and rhenium.
- When it is placed in the midst of acids, it is incapable of taking any of them up.

Applications

- It is most prominently used in the electronic sector.
- The capacitors made from tantalum are capable of storing more electricity in smaller sizes without much leakage than any other type of capacitor.
- This makes them ideal for use in portable electronic devices such as smartphones, laptops, and digital cameras.
- As tantalum has a high melting point, it is frequently used as a substitute for platinum, which is more expensive.
- The rare metal is also used to make components for chemical plants, nuclear power plants, aeroplanes and missiles.
- It does not react with bodily fluids and is used to make surgical equipment and implants, like artificial joints
- A composite consisting of tantalum carbide (TaC) and graphite is one of the hardest materials known and is used on the cutting edges of high-speed machine tools.

3. Naval Anti-Ship Missile Short Range (NASM-SR)

Context: The Indian Navy, in association with DRDO, successfully undertook Guided Flight Trials of the first indigenously developed Naval Anti-Ship Missile Short Range (NASM-SR) from a Sea King 42B helicopter recently.

- It is the first indigenous air-launched anti-ship cruise missile developed for the Indian Navy.
- It was developed by the Defence Research and Development Organisation (DRDO).
- It can be launched from attack helicopters.
- This missile will replace the Sea Eagle missiles, which are currently in use with the Navy.
- With the Sea King helicopters also being phased out, it is expected that the NASM-SR will be used with the new MH-60R multi-role helicopters, which are being inducted into the Navy.
- The missile's new guidance system includes a state-of-the-art navigation system and integrated avionics.
- It employs several new technologies, including an indigenously developed launcher for the helicopter.
- With a strike range of around 60 km, the air-launched anti-ship missile can travel at a speed of Mach 0.8 (slower than the speed of sound).
- It would have an imaging infrared seeker, which would home in on the heat emissions of its targets.
- It can have a warhead of 100kg and is capable of sinking patrol boats and damaging larger warships.

- The NASM-SR, on approach to its target, can cruise at just 5metres above sea level, making it difficult for enemy radars to detect, track, and shoot down with surface-to-air missiles or guns. This low-level capability of anti-ship missiles is known as sea skimming.

4. SATHEE portal

Context:

Ministry of Education (MoE) recently said they would write to all States to encourage aspirants to utilise the newly launched portal for exam preparation — SATHEE (Self Assessment Test and Help for Entrance Exams)

- It is a new initiative by the Ministry of Education to provide a free learning and assessment platform for students.

SATHEE Features:

- Preparation material for entrance exams including JEE and NEET
- Video solutions in regional languages for entrance exams
- JEE and NEET entrance exam preparation ideas webinars
- Students' stories of struggles and achievement
- Solve with me sessions
- Motivational sessions and assessment platform for students.
- The platform will have videos made by the faculty members of IITs and IISC to help students prepare for the competitive examinations.
- The videos would also help students learn concepts and revise topics
- It makes use of an indigenously developed AI programme called Prutor, which was developed by IIT-Kanpur.

5.Ghol or Black spotted Crocker

- Gujarat declared Ghol species as the state fish at the Global Fisheries Conference India 2023.
- Ghol fish is widely distributed in Indo-Pacific from Persian Gulf to Pacific Ocean.
- Its swim bladders are highly priced because of their medicinal and commercial values.
- It is exported to countries of south-east Asia (Hong Kong, Singapore and Malaysia).

Usage:

- To prepare isinglass (a form of collagen used mainly for the clarification of wine and beer).
- Traditional medicine (believed to prevent bleeding in patients with urinary problems).
- Cosmetics

ANSWER WRITING

Q. What does emotional intelligence mean to you? Prove its importance in the civil services

Introduction

According to Mayer and Salovey (1997), emotional intelligence is the capacity to recognize emotions, evaluate and produce emotions to support cognition, comprehend emotions and emotional knowledge, and reflectively control emotions to foster both intellectual and emotional development.

Emotional intelligence, to put it simply, is the ability to control one's emotions in order to improve one's life and to comprehend how others feel.

Significance of Emotional intelligence in civil services:-

Today's civil services operate in a setting plagued by a plethora of issues, difficulties, and even paradoxes, including:

- Rapidly evolving societal structure and values
- Growing economic, digital, and regional divides, as well as increases in unemployment and population
- Inadequate access to basic amenities such as clean drinking water, housing, and infrastructure; growing public awareness of the issue; and the existence of a sizable population of impoverished people who lack a voice and are marginalized.
- Numerous issues plague the administration itself, including political pressures, widespread corruption, antiquated policies, procedures, and regulations, a lack of growth opportunities, excessive centralization, self-aggrandizement, and more.

Emotional intelligence's application is beneficial in the following ways:

- It is essential for leading a productive group or company. Emotionally intelligent administrators are able to empathize with others and grow in their interpersonal abilities, which are essential for effective citizen-centric administration.
- Enhanced ability to manage: Workplace changes; Stress and strain; Conflicts
- The capacity to perceive the enduring consequences of one's behaviour or mindset.
- higher degrees of dedication, reliability, and diligence
- Possessing a comprehensive perspective
- The capacity to overcome obstacles and be upbeat

- Locating constructive methods to deal with intense or negative emotions
- Greater passion for achievement, initiative, perseverance, and inspiring others Better communication skills Improved group dynamics in terms of cooperation, collaboration, and forming bonds
- Improved leadership qualities, such as the understanding of when and how to take the lead, as well as when to follow; the capacity to negotiate in a win-win manner; and the capacity to recognize variety and the worth of others
- The capacity to handle several things at once because of improved information and time management
- Increased attention Aware of office politics but not overly swayed by them
- Not easily agitated.
- The capacity to spark change.

Conclusion

To summarize emotional skills have gained foothold in the public services and are essential for good administrative practices and customer service.

El has been used successfully by many public and private sector organizations. US Air Force, US Navy, Johnson and Johnson, HPCL, to mention a few.

MCQs

- Recently, "AWE" mission was in the news. It is launched to study which one of the following?
 - Wireless Energy
 - Weaponry Experiment
 - Artificial World Experience
 - Space weather**
- Consider the following statements about NASM-SR missile
 - It is the first indigenous air-launched anti-ship cruise missile developed for the Indian Navy.
 - With a strike range of around 60 km, the air-launched anti-ship missile can travel at a speed of Mach 3.
 Choose the incorrect statements:
 - 1 only
 - 2 only**
 - Both 1 and 2
 - Neither 1 nor 2
- OneWeb project can be best described as—
 - A worldwide, universal and low-cost space-based internet service.**
 - A global project to ensure net neutrality.
 - One health approach to pandemics taking into account the entire earth as one giant food web.
 - A project to build secure socket layers for the entire World Wide Web.
- Consider the following statements regarding 'Tantalum' metal
 - It is a rare metal with the atomic number 113.
 - It's grey, heavy, very hard, and one of the most corrosion-resistant metals in use today.
 - When pure, tantalum is highly brittle and, hence cannot be used to make wires or threads.
 How many of the above-mentioned statements are correct?
 - Only one**
 - Only two
 - All three
 - None
- Consider the following statements about SATHEE portal
 - It is a initiative of NITI Aayog to provide a free learning and assessment platform for students..
- It makes use of an indigenously developed AI programme called Prutor, which was developed by IIT-Kanpur.
- It will help students gain access to training and coaching for competitive examinations for free. How many of the statements given above are correct?
 - Only one
 - Only two**
 - All Three
 - None
- Consider the following statements regarding the Brahmani River:
 - It is an east-flowing river of the peninsular India.
 - A major part of its basin lies in Andhra Pradesh.
 Which of the statements given above is/are correct?
 - 1 only**
 - 2 only
 - Both 1 and 2
 - Neither 1 nor 2
- Shivpuri Wildlife Sanctuary is located in:
 - West Bengal
 - Karnataka
 - Madhya Pradesh**
 - Assam
- Exercise AUSTRALIND-23, recently seen in news, is conducted between India and:
 - Australia**
 - France
 - South Africa
 - Russia
- Which of the five-year plan (FYP) mentioned below had aimed for "Faster & More Inclusive Growth"?
 - Ninth Plan (FYP)
 - Tenth Plan (FYP)
 - Eleventh Plan (FYP)**
 - Twelfth Plan (FYP)
- Advisory jurisdiction of the Supreme Court, in Indian Constitution, is taken from which of the following source?
 - Canadian Constitution**
 - Australian Constitution
 - South African Constitution
 - British Constitution