

GOVERNANCE**Leniency Plus Regime: MCA Unveils Regime to Crack Down on Cartels****Why in News?**

- The Corporate Affairs Ministry (MCA) has notified the introduction of the 'Leniency plus' regime, which is already recognised in jurisdictions like the UK, US, Singapore and Brazil.
- This will pave the way for the Competition Commission of India (CCI) to roll out a new Cartel detecting tool that is expected to revolutionise Anti-Trust enforcement in the country.

What is Cartelisation?

- According to the CCI, cartelisation is a practice in which a group of competitors (manufacturers, sellers, distributors, etc.) form an agreement to limit competition.
- It reduces output while increasing prices, driving customers out of the market (if they refuse to pay a higher price) and unknowingly transferring wealth (if they want to pay).
- A cartel protects its members from full market exposure, which reduces costs while harming overall economic performance and innovation.
- Cartels vs monopoly: A monopolist completely dominates a particular market (since there is no rival), whereas cartels are formed (with the goal of limiting competition) to dominate the market.
- The Competition Act of 2002 intends to foster and preserve market competition, safeguard consumer interests, and secure market players' freedom to trade.
 - It created the CCI to eliminate practices that harm market competition.
- The Competition (Amendment) Act 2023 codifies cartel facilitators' liabilities. The CCI can now impose fines of up to 10% of an enterprise's entire global turnover.

What is Leniency Plus?

- Leniency plus is a proactive antitrust enforcement strategy aimed at attracting leniency applications by encouraging companies already under investigation for one cartel to report other cartels unknown to the competition regulator.
- The benefit of such disclosure would be a reduction of the penalty in the first cartel for the individual sharing the information, without prejudice to the company receiving a lower penalty for the newly disclosed cartel.
- While the Competition (Amendment) Act 2023 provides a framework for CCI to deal with leniency or lesser penalty applications, it until recently did not recognise leniency plus.

Significance of the Leniency Plus Regime

- The CCI had (in October 2023) issued draft Lesser Penalty regulations.
 - The draft regulations offer leniency applications in an ongoing cartel inquiry the incentive to disclose the details of another unrelated cartel.
- Under leniency plus, an applicant who has filed an existing lesser penalty (LP) application, and who makes full, true and vital disclosures in respect of the existence of a second cartel is eligible -
 - To receive an additional reduction in monetary penalty of up to 30% in the first cartel.
 - The applicant would also get a reduction of penalty of up to or equal to 100% in respect of the newly disclosed cartel.
- A leniency plus regime is expected to further incentivise applicants to come forward with disclosures regarding multiple cartels, thereby enabling the CCI to save time and resources on cartel investigation.
- This will give the CCI the requisite tools to focus their enforcement efforts at successfully prosecuting cartels which have a direct impact on the economy and consumer welfare.

ECONOMY**Financial Devolution Among States****Why in the News?**

- Recently various Opposition-ruled States especially from South India have claimed that they have not been receiving their fair share as per the present scheme of financial devolution.
- They have raised issues about their less than proportionate share of receipt in tax revenue when compared to their contribution towards tax collection.

What is Divisible Pool of Taxes?

- Article 270 of the Constitution provides for the scheme of distribution of net tax proceeds collected by the Union government between the Centre and the States.
- The taxes that are shared between the Centre and the States include corporation tax, personal income tax, Central GST, the Centre's share of the Integrated Goods and Services Tax (IGST) etc.
- This division is based on the recommendation of the Finance Commission (FC) that is constituted every five years as per the terms of Article 280.
- Apart from the share of taxes, States are also provided grants-in-aid as per the recommendation of the FC.
- The divisible pool, however, does not include cess and surcharge that are levied by the Centre.

How is the Finance Commission Constituted?

- The FC is constituted every five years and is a body that is exclusively constituted by the Union Government.

- It consists of a chairman and four other members who are appointed by the President.
- The Finance Commission (Miscellaneous Provisions) Act, 1951, has specified the qualifications for chairman and other members of the commission.
- The Union government has notified the constitution of the 16th Finance Commission under the chairmanship of Dr. Arvind Panagariya for making its recommendations for the period of 2026-31.

What is the Basis for Allocation?

- The share of States from the divisible pool (vertical devolution) stands at 41% as per the recommendation of the 15th FC.
- The distribution among the States (horizontal devolution) is based on various criteria.
- The table below lists the criteria for horizontal devolution among the States from the 11th to 15th FC.

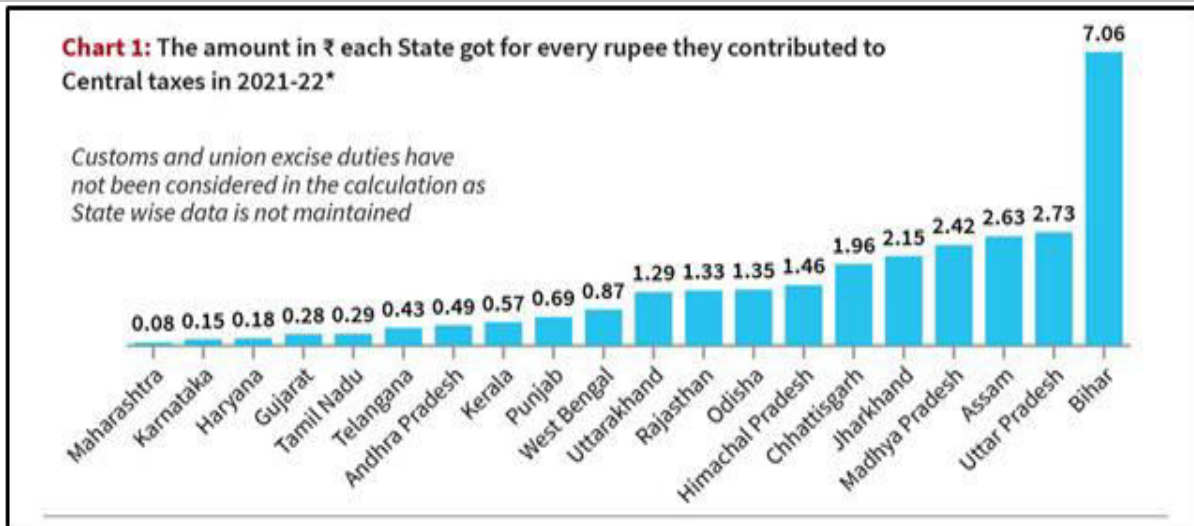
Table 1 : The criteria for horizontal devolution among States over the last five FCs

Criteria	11th FC 2000-05	12th FC 2005-10	13th FC 2010-15	14th FC 2015-20	15th FC 2021-26
Income Distance	62.5	50	47.5	50	45
Population (1971 Census)	10	25	25	17.5	-
Population (2011 Census)	-	-	-	10	15
Area	7.5	10	10	15	15
Forest cover	-	-	-	7.5	-
Forest and ecology	-	-	-	-	10
Infrastructure index	7.5	-	-	-	-
Fiscal discipline	7.5	7.5	17.5	-	-
Demographic performance	-	-	-	-	12.5
Tax effort	5	7.5	-	-	2.5
Total	100	100	100	100	100

- The criteria as per the 15th FC can be briefly explained as follows.
- ‘Income distance’ is the distance of a State’s income from the State with highest per capita income which is Haryana.
 - States with lower per capita income would be given a higher share to maintain equity among States.
- ‘Population’ is the population as per the 2011 Census.
 - Till the 14th FC, weightage was given for the population as per the 1971 Census but that has been discontinued in the 15th FC.
- ‘Forest and ecology’ consider the share of dense forest of each State in the aggregate dense forest of all the States.
- ‘Demographic performance’ criterion has been introduced to reward efforts made by States in controlling their population.
 - States with a lower fertility ratio will be scored higher on this criterion.
- ‘Tax effort’ as a criterion has been used to reward States with higher tax collection efficiency.

Challenges/Issues in the Devolution of Taxes

- Firstly, cess and surcharge collected by the Union government is estimated at around 23% of its gross tax receipts for 2024-25.
- This does not form part of the divisible pool and hence not shared with the States.
- Secondly, the amount each State gets back for every rupee they contribute to Central taxes shows steep variation.
- Industrially developed States received much less than a rupee for every rupee they contributed as against States like Uttar Pradesh and Bihar.
- This is partly due to the fact that many corporations are headquartered in these State capitals where they would remit their direct taxes.
- Thirdly, the percentage share in the divisible pool of taxes has been reducing for southern States over the last six FCs.
 - This is attributable to the higher weightage being given for equity (income gap) and needs (population, area and forest) than efficiency (demographic performance and tax effort).
- Finally, grants-in-aid as per the recommendation of the FC varies among various States.
 - As per the 15th FC, there are revenue deficit, sector-specific and State-specific grants given to various States as well as grants to local bodies that are given based on population and area of States.



Way Forward

- It must be noted that States generate around 40% of the revenue and bear around 60% of the expenditure.
- The FC and its recommendations are meant to assess this imbalance and propose a fair sharing mechanism.
- It is the responsibility of all States to contribute towards the more equitable development of our country.
- However, there are three important reforms that may be considered for maintaining the balance between equity and federalism while sharing revenue.
 - First, the divisible pool can be enlarged by including some portion of cess and surcharge in it.
 - The Centre should also gradually discontinue various cess and surcharges it imposes by suitably rationalising the tax slabs.
 - Second, the weightage for efficiency criteria in horizontal devolution should be increased.
 - State GST accrual (inclusive of Integrated GST settlement on inter-state sales) should be the same as the Central GST accrual from a State.
 - Hence, relative GST contribution from States can be included as a criterion by providing suitable weightage in future FCs.
 - Third, similar to the GST council, a more formal arrangement for the participation of States in the constitution and the working of the FC should be considered.
- These are measures that need to be implemented by the Centre after discussion with all the States.
- It is also imperative that the States uphold principles of fiscal federalism by devolving adequate resources to local bodies for vibrant and accountable development.

PRELIM FACTS

1. Disinflation

- Reserve Bank of India (RBI) governor recently said recurring food price shocks and renewed flash points on the geo-political front pose a challenge to the ongoing disinflation process.

About Disinflation:

- Disinflation is a decrease in inflation rates.
- In simple terms, a decline in the rate of increase in the general price level of goods and services in the gross domestic product (GDP) of a country over time is called disinflation.
- Unlike inflation and deflation, which refer to the direction of prices, disinflation refers to the rate of change in the rate of inflation.
- Disinflation is not considered problematic because prices do not actually drop, and disinflation does not usually signal the onset of a slowing economy.
- A healthy amount of disinflation is necessary since it represents economic contraction and prevents the economy from overheating.
- Disinflation is considered the opposite of reflation, which occurs when a government stimulates an economy by increasing the money supply.
- Causes of Disinflation:
 - Many reasons can cause disinflation in an economy.
 - If a central bank wants to enforce a tighter monetary policy and the government starts selling off some of its assets, the supply of money in the economy could be limited, causing a disinflationary effect.
 - Similarly, disinflation can also be caused by a contraction in the business cycle of recession. For instance, companies may choose not to raise prices to gain more significant market share, leading to disinflation.

2. Chinook Helicopter

- A Chinook helicopter of the Indian Air Force made a precautionary landing following a "technical snag" in Punjab's Barnala recently.

About Chinook Helicopter:

- Chinook/CH-47F is the U.S. Army's primary heavy troop and supply transport aircraft.
- It is an advanced multi-mission helicopter.
- It is manufactured by the American aerospace and defence firm Boeing for the US Army and international defence forces.
- It is used for the transportation of troops, artillery, supplies, and equipment to the battlefield.
- India has about 15 CH-47 Chinook helicopters.
- Features:
 - It is a twin-engine, tandem rotor heavy-lift helicopter.
 - It contains a fully integrated digital cockpit management system.
 - It has advanced cargo-handling capabilities that complement the aircraft's mission performance and handling characteristics.
 - It has a monolithic airframe with vibration reduction.
 - Maximum Speed: 160 knots (296 kmph).
 - It has a triple hook system, which provides stability for large external loads or the capacity for multiple external loads.
 - It can carry up to 55 troops or approximately 10 tonnes of mixed cargo.

3. Melghat Tiger Reserve

- The ongoing Kula Mama Volleyball Tournament-2024 in Melghat Tiger Reserve's (MTR) Semadoh sends a strong message to save tigers and the pristine forest with involvement of local youths.

About Melghat Tiger Reserve:

- Location:
 - It is located in the Amaravati district of Maharashtra.
 - It is located on the southern offshoot of the Satpura Hill Range in Central India, called Gavilgarh Hill.
- It was established as a wildlife sanctuary in 1967 and was declared a tiger reserve in 1974.
- It was the first tiger reserve in Maharashtra.
- It was among the first nine tiger reserves notified in 1973-74 under Project Tiger.
- The name 'Melghat' means the confluence of various 'ghats' or valleys, as is typical from the landscape of this tiger Reserve.
- Vegetation: The forest is tropical dry deciduous in nature, dominated by teak.
- Rivers: The reserve is a catchment area for five major rivers: the Khandu, Khapra, Sipna, Gadga, and Dolar, all of which are tributaries of the river Tapti.
- The Tapti River and the Gawilgadh ridge of the Satpura Range form the boundaries of the reserve.
- Tribes: The Korkus are the largest tribal community in Melghat. Other communities include the Gawli community, the Gond tribe, and several other smaller tribal communities.
- Flora: Some of the common species are teak, Lagerstroemia Parviflora, Terminalia Tomentosa, OugeiniaOojeinensis, Emblica Officinalis, Bamboo, etc.
- Fauna:
 - Apart from Tigers the other prominent animals are Sloth Bear, Indian Gaur, Sambar deer, Leopard, Nilgais, dhole, hyena, jungle cat, langur, etc.
 - It is considered a stronghold of the critically endangered forest owl.

4. Rip Currents

- Indian National Centre for Ocean Information Services (INCOIS) and Indian Space Research Organisation (ISRO) have embarked on a project to continuously monitor and issue operational forecast alerts of rip currents.

About Rip Currents:

- These are a strong flow of water running from a beach back to the Open Ocean, sea, or lake.
- These are one of the most well-known coastal hazards on beaches around the world.
- Formation
 - They are formed by a beach topography.
 - They can occur in areas with hard-bottom (rocky) or soft-bottom (sand or silt) beach topography.
 - A beaches topography includes the area outside the water, such as dunes or marshes.
 - Beach topography also includes the area within the water, like sandbars, piers, and reefs. Rip currents often form around these parts of a beaches topography.
 - They can form in a gap between sandbars, piers, or parts of a reef.
- Such underwater obstacles block waves from washing directly back to sea.
- The water from these waves, called feeder waves, runs along the shore until it finds an opening around the obstacle.

- Contrary to popular belief, a rip cannot pull a person down and hold him/her under the water.
- It simply carries floating objects, including people, out to just beyond the zone of the breaking waves.

5. Char Area

- Recently, the Chief Minister of Assam said his government would undertake a mission to reclaim the chars from encroachers to safeguard the “ecological integrity” of the Brahmaputra Valley.

About Char Area:

- The riverine areas (island) of the river Brahmaputra, locally known as “Char/ Chapori”
- The chars follow a peculiar pattern of migration.
- They are subjected to erosion on their upstream and deposition on the downstream, due to which they migrate downstream.
- This affects the geometry and location of the chars during floods almost every year.
- Issues with Char area
 - The physical, sociological and institutional constraints on development of Char Areas are many and complex.
 - Such as virtual absence of all-weather communication with the main banks, reliable means of intra and inter char mobility, inadequate growth of transport and basic infrastructure like surface roads, health and drinking water, delivery systems for farm inputs, marketing, agro-services electricity and education.
 - The problems in the Char Areas are unique in nature, due to constant threat from flood and erosion during the rainy season.
 - The land mass is segregated and cut off from each other, making it very difficult for taking any major scheme for road communication, irrigation, Power supply or setting of educational institutions.

ANSWER WRITING

Q. Highlight the difference between direct and indirect farm subsidies. Suggest policy measures to improve the effectiveness and efficiency of the agricultural subsidy regime.

Answer: A subsidy is defined as a form of financial assistance paid to an economic sector (institution, business or individual) to achieve certain policy objectives. Both Central and State governments provide various subsidies for the development of the agriculture sector and the welfare of farmers.

Direct and Indirect Agriculture Subsidy

- Direct Subsidies: Direct subsidies are those subsidies which involve an actual payment of funds toward a particular individual, group, or industry. These subsidies are delivered in the form of cash subsidies to the consumers. The beneficiary purchases the commodity at the market price.
 - For example, the Farm loan waiver scheme and PM Kisan Samman Nidhi Scheme, under which support of Rs.6000/- per year is provided to all land-holding farmer families across the country, irrespective of land size, in three equal instalments.
- Indirect Subsidies: Indirect subsidies are those subsidies which are provided in the form of discounts to lower the price of a particular commodity. It does not include direct cash payments to the beneficiary. It is intended to increase the consumption of a particular commodity by lowering its price in the market.
 - For example, Indirect subsidies in agriculture include input subsidies (Water, electricity, fertilizers, pesticides, seeds etc.), Minimum Support Price and Interest subvention on short-term loans.

Issues in Indian Agriculture Subsidy Regime

- Lack of Targeting: Subsidies often fail to reach small and marginal farmers who need support the most.

For example, Fertilizer subsidies are apportioned by rich farmers.

- Inequitable Distribution: Subsidies are often distributed unevenly among regions, crops, and farmers. This inequitable distribution leads to distortions in production patterns and can perpetuate regional disparities.
 - For example, higher MSP for wheat and rice has led to skewed cropping patterns in favour of these crops.
- Environmentally Unsustainable: subsidies artificially lower the cost of inputs, which can encourage overuse. This can have negative environmental consequences and affect long-term sustainability.
 - For example, subsidies on electricity led to overexploitation of groundwater, subsidies on fertilizers led to water and soil pollution etc.
- Low Investment: A high subsidy burden on the government translates to lower public investment in agriculture which can have serious ramifications for the long-term growth of the sector.
 - For example, Agri Subsidies = 8.2% of Agri GDP and public investment = 2% of Agri GDP.
- Exclusionary: Subsidies benefit only a small group of people.
 - For example, as per the MS Swaminathan Commission, only 6% of farmers benefited from the MSP regime.

Measures to improve Agriculture subsidy regime

- Rationalization of Subsidies: There needs to be periodic re-evaluation of the need for a particular subsidy. The scope of subsidies can be gradually reduced.
 - For example, NITI Aayog highlighted the need to reduce food subsidy bills by reducing the coverage under PDS.

- **Better Targeting:** The government can gradually reduce the input subsidies and replace them with Direct Benefit Transfer (DBT).
- **e-RUPI:** It is a digital voucher which a beneficiary gets on his phone in the form of an SMS or QR code. It is a pre-paid voucher, which he/she can go and redeem at any centre that accepts it.
 - For example, the government can provide e-RUPI vouchers to farmers for the purchase of fertilizers. This voucher cannot be used for any other purpose or person. Thus, e-RUPI is person and purpose-specific.
- **Increase Public Investment:** The government should increase public investment in the agriculture sector by funds saved through the rationalization of subsidies.
 - For example, the creation of irrigation infrastructure would result in long-term productivity gains in rainfed regions.

Conclusion

The government should relook at its subsidy policy. The share of direct subsidies should be increased gradually. Moreover, the Dalwai Panel highlighted that subsidies do not solve structural problems of Indian Agriculture – Fragmented landholding, access to markets etc. Thus, the government should undertake other reforms as well.

MCQs

1. Consider the following statements with reference to the Large language models (LLMs):
 1. These are deep learning models that consume and train on massive datasets to excel in language processing tasks.
 2. They can help in diagnosing diseases.
 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
2. SVEEP Initiative has been in the news recently, it is associated with which of the following?

(a) Promoting Gross Enrolment Ratio
(b) Welfare of the Gig workers
(c) Promotion of Ease of Doing Business for start-ups
(d) Program for voters education
3. Consider the following statements regarding the Base Erosion and Profit Shifting (BEPS):
 1. It refers to tax planning used by multinational enterprises that exploit gaps and mismatches in tax rules to avoid paying tax
 2. Double Taxation Avoidance Agreement (DTAA) is signed between the countries to deal with the issue of BEPS.
 3. OECD/G20 Inclusive Framework on BEPS provides 15 Actions that equip governments with the domestic and international instruments needed to tackle tax avoidance.
 How many of the above statements are correct?

(a) Only one (b) Only two
(c) All three (d) None
4. The word 'H1 rule' is sometimes mentioned in media with reference to

(a) Transport
(b) Pharmaceuticals
(c) Biotechnology
(d) Asteroids
5. Beyt Island, recently seen in the news, lies off the coast of:

(a) Karnataka (b) Odisha
(c) Maharashtra **(d) Gujarat**
6. Consider the following statements regarding SAMAR assessment certificate:
 1. It is jointly developed by the Defence Research and Development Organisation and Quality Council of India.
2. It provides an objective assessment of competency of defence manufacturing enterprises of India.

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
7. Exercise 'Dharma Guardian', recently seen in news, is conducted between India and:

(a) Russia **(b) Japan**
(c) France (d) Australia
8. Regarding the Vienna International Plan of Action, consider the following statements:
 1. It was the first international initiative that sparked the debate around aging.
 2. It aims to enhance governmental and societal capacity to address population aging, serving as a blueprint for formulating aging-related policies and programs.
 Which of the statements given above is/are not correct?

(a) 1 only (b) 2 only
(c) Both 1 and 2 **(d) Neither 1 nor 2**
9. Regarding Guinea Worm Disease, consider the following statements:
 1. It is a debilitating parasitic disease.
 2. There is no vaccine or medication to treat Guinea worm disease.
 3. The government of India received Guinea worm disease-free certification status from the WHO in 2024.
 How many of the above statements are correct?

(a) Only one
(b) Only two
(c) All three
(d) None of the above
10. Consider the following:
 1. King Cobra
 2. Krait
 3. Black Mamba
 How many of the above are Elapidae snakes?

(a) Only one
(b) Only two
(c) All three
(d) None of the above