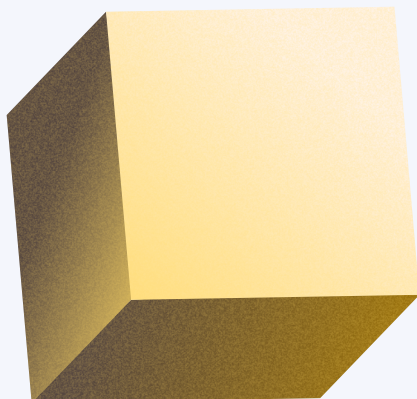


# THE HINDU ANALYSIS

**5th April 2024**  
by saurabh pandey



# **Topics**

- **Pharmaceutical industries**
- **Bharatiya Nyaya Sanhita (BNS), 2023,**
- **How are symbols allotted to political parties?**
- **The Purchasing Managers Index (PMI)**
- **Derivatives**
- **Basel III endgame**
- **Mains**



**Q 'Bharatiya Nyaya Sanhita (BNS), 2023, inculcate contemporary social changes in criminal justice system  
"Examine**

**प्रश्न 'भारतीय न्याय संहिता (बीएनएस), 2023, आपराधिक न्याय प्रणाली में समकालीन सामाजिक परिवर्तनों को शामिल करता है' परीक्षण**



**The hindu analysis by  
saurabh pandey sir**

Article

Q → "Article 293 provides constitutional mechanism for fiscal consolidation but not ~~with~~ without dilution of fiscal federalism". Discuss.

⇒ Article 293 states that

- executive power of state extends to borrowing within territory of India upon security of Consolidated fund of India
- empowers state government to take loan from central government
- restrict states from borrowing without consent or permission of central government.

The Union government had taken the borrowing limit to 3% of state income or Gross state Domestic Product (GSDP). This limit is fixed on the advice of Finance Commission.

If the borrowing limit is abandoned, the central government can face a situation of fiscal consolidation.

- Fiscal consolidation is a term used to describe revenue deficit and results in debt.

Article 293 provides constitutional mechanism for financial consolidation without affecting fiscal federalism.

- Fiscal federalism refers to the distribution of funds between centre and state.

- State receive funds from three sources

- i) own revenue (tax and non-tax)
- ii) Transfer from Union government as grants or share of taxes
- iii) market borrowings.

- Power to raise tax rests with Union government while greater part of spending is done by state government.

- It is asserted that the setting of borrowing limit was done based on the recommendation of Finance Commission and applied to all states equally.



- Reserve Bank of India categorised the budgetary expenditure by Union & state government as 'developmental' and 'non developmental' - developmental expenditure is on social and economic service and non-developmental refers to interest payment, pensions, subsidies.
- To control fiscal consolidation due to fiscal federalism centre had applied a barrier of acts on state ~~for~~ borrowing -
- FRBM Act:- Financial Responsibility and Budget Management Act 2003 to institutionalize financial discipline, and reduce India's fiscal deficit. Its main objective is to introduce transparent and equitable fiscal management for financial stability in India.
- Net borrowing ceiling:- a limitation on borrowing of state from all sources including market borrowings to deduct liabilities from state account.

### ⇒ Kerala & Centre dispute

- Kerala state government accused centre to regulate all state loans and it can impose condition only on borrowing from centre & not from its ability to fulfill its basic commitments.
- Kerala is one of state having highest GDP based on social democratic welfare state.
- Kerala move to court stating that NBM imposed on state is taken the Kerala to a financial crisis, not able to pay salaries or pension. Kerala has an enforceable right under Article 243 to raise borrowing limits from state and other sources.
- SC refused to pass any order to lift the borrowing, as it stated that financial crisis is caused due to malfunctioning of states. It stated that the mechanism are not ~~even~~ affecting fiscal federalism. It also highlighted the need of responsible financial management by state.

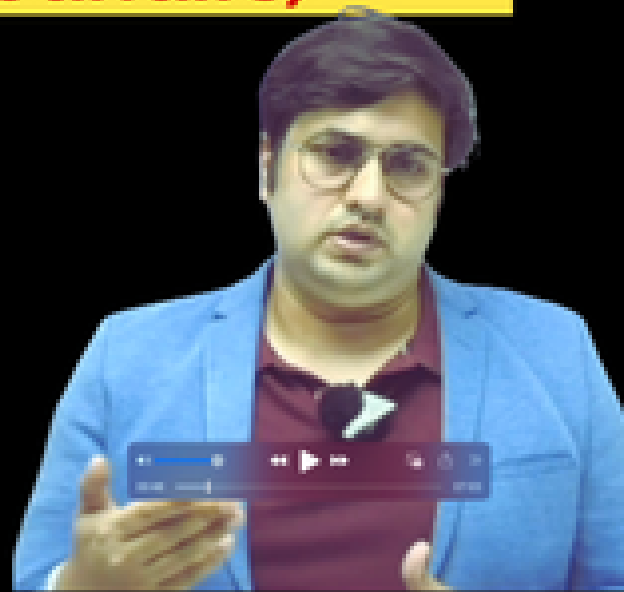
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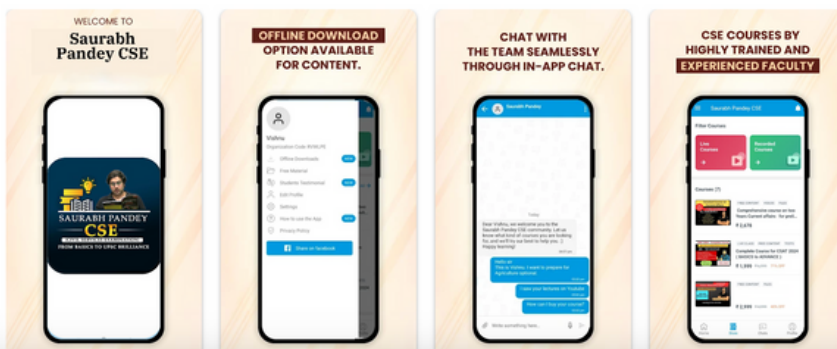
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# Govt. body hikes prices of essential medicines again, says 'it's miniscule'

In an election year after double digit hikes in ceiling price of essential drugs over the past two years, the Central government says it flat lined the hike this year. The annual change works out to (+) 0.00551% during the calendar year 2023 over the corresponding period in 2022

Bindu Shajan Perappadan

**A**n increase in the prices of essential medicines came into force on April 1, earlier this week. The National Pharmaceutical Pricing Authority (NPPA) enforced an increase in the Maximum Retail Price (MRP) this year of 0.00551 percent for scheduled formulations (of drugs) from the beginning of the fiscal year 2024-25. The Department of Pharmaceuticals issued its annual list of revised ceiling prices for 923 scheduled drug formulations and revised retail prices for 65 formulations, with the ceiling rates coming into effect on April 1. The price revision, according to the Central Government, is in line with the change in the Wholesale Price Index (WPI). "Based on the WPI data provided by the office of the Economic Advisor, Department of Industry and Internal Trade, Ministry of Commerce and Industry, the annual change in WPI works out to (+) 0.00551% during the calendar year 2023 over the corresponding period in 2022," said the notice by the NPPA.

## Increase based on WPI

According to the recent notice, manufacturers may increase the MRP of the scheduled formulations based on this WPI and no prior approval will be required from the government. Notably, this increase in prices comes after medicine prices were hiked by 12 per cent last year and 10 per cent in 2022. Despite this, the government will have you believe that the current hike will only marginally increase the cost of antibiotics, painkillers and other essential drugs. Currently, India has approximately 400 molecules and 960 formulations covered under the National List of Essential Medicines. The prices of non-essential drugs are also monitored by the government to ensure that the manufacturers of these drugs don't increase MRP by more than 10% annually. NPPA follows DPCO (2013), which allows for price hikes in line with the changes in the WPI index.

"The NPPA under the Department of Pharmaceuticals annually revises the ceiling prices of scheduled medicines on the basis of WPI. The scheduled medicines included in Schedule-I of the DPCO, 2013 are essential medicines. During the calendar year 2023 compared to the corresponding period in 2022, the annual change in WPI with the base year of 2011-12 was +/- 0.00551%, according to data published by the Department for Promotion of Industry and Internal Trade (DPIIT). Accordingly, the Authority, in its meeting held on March 20, has approved the WPI increase of +/- 0.00551% for the scheduled medicines," said the Health Ministry. It added that the ceiling prices on 923 medicines are effective as of date. Based on the mentioned WPI factor of (+) 0.00551%, there will be no change in the prevailing ceiling prices for 782 medicines, and the existing ceiling prices will continue to prevail up to March 31, 2025.

## Almost no change

Fifty-four medicines with ceiling prices ranging from ₹90 to ₹261 will see a miniscule increase of ₹0.01. As the permissible price increase is so low, the companies may or may not avail of this



The Department of Pharmaceuticals issued its annual list of revised ceiling prices for 923 scheduled drug formulations and revised retail prices for 65 formulations, with the ceiling rates coming into effect on April 1. GETTY IMAGES

increase. Thus, in FY 2024-25, there will be almost no change in the ceiling price of medicines based on WPI, said the Ministry.

NPPA, constituted by the government of India in 1997 under the Ministry of Chemicals and Fertilizers, regulates drug pricing while ensuring the availability and accessibility of medicines at affordable prices. The authority is allowed to direct a price hike of over 10% for the drugs and devices listed on the National List of Essential Medicines (NLEM). All medicines under the NLEM are subject to price regulation.

"With the announcement of the new National Pharmaceutical Pricing Policy, 2012, and the DPCO, 2013, there has been a shift in regulation of prices from economic and cost-based criteria to essentiality and market-based criteria, which involves creating and maintaining a data base and strengthening the existing monitoring system of the NPPA," the Central Government stated. The WPI is a measure that tracks average changes in prices of goods at the wholesale level, providing insights into inflation and price trends for goods sold to retailers and businesses rather than individual consumers.

The marginal hike this year has the pharmaceutical companies concerned, as they claim to be facing high input costs, stringent price controls, and diminishing profit margins.

The lower-than-expected hike in drug prices has seen pharma companies discontinue production of drugs that they claim have become economically unviable. Also earlier this year, India's pharmaceutical industry sought a one-time exemption from price control measures tied to the declining WPI.



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## Prices hiked to save firms

In 2019, for instance, NPPA used its emergency powers to raise the ceiling prices of 21 essential drugs by 50% after several companies applied for the discontinuation of products due to their high cost. Pharma companies maintain that a rational increase in the cost of drugs contributes to quality control. According to information shared by the Centre in the Lok Sabha, the key principles for regulation of prices in the 2012 National Pharmaceuticals Pricing Policy are the essentiality of drugs, control of formulation prices, and market-based pricing. It added that all manufacturers of scheduled medicines have to sell their products within the ceiling price (plus applicable Goods and Service Tax) fixed by the NPPA. DPCO, 2013, which also allows an annual price rise for scheduled formulations based on WPI. NPPA also fixes the retail price of a new drug under DPCO, 2013 for existing manufacturers of scheduled formulations. Hence, the annual increase allowed in the case of scheduled formulations is up to the level of annual revision in WPI. Further, in cases of non-scheduled formulations, no manufacturer can increase the MRP by more than 10% of the MRP during the

preceding 12 months. Instances of overcharging are dealt with by NPPA under the relevant provisions of DPCO 2013.

"The fixation of prices has resulted in a notional savings of about ₹12,447 crore per annum to the public after the implementation of DPCO, 2013," Parliament was informed. Meanwhile, though some consumers are happy with the almost steady pricing for medicines for another year, experts point to the country's dependence on China for raw materials for drug manufacture. The country faced major challenges with these high-cost imports, especially during the COVID pandemic.

## Dependence on China

In a discussion paper 'India's Import Dependence on China in Pharmaceuticals: Status, Issues, and Policy Options' author Sudip Chaudhuri argues that while India has one of the most advanced pharmaceutical industries among developing countries, being the third largest in the world in volume terms and the 13th largest in value, it is critically dependent on China for supplies of bulk drugs and drug intermediates, with China accounting for about two-thirds of the total imports. The paper further notes that the largest export destination of bulk drugs from India is the US, which has the strictest regulatory standards, followed by Brazil, Bangladesh, Turkey, China, the Netherlands, Nigeria, Vietnam, and Egypt. India is among the top five suppliers of bulk drugs to many developing countries, like, Bangladesh, Nigeria, Vietnam, Egypt, Iran, and Pakistan. China is a larger supplier, but India is also a substantial exporter, it said. (bindu.p@thehindu.co.in)



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# Pharmaceutical industries

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➤ **“Active pharmaceutical ingredients or Bulk drug”**- means any pharmaceutical, chemical, biological or plant product including its salts, esters, isomers, analogues and derivatives, conforming to pharmacopoeial standards specified in the Drugs and Cosmetics Act, 1940 and which is used as such or as an ingredient in any formulation.

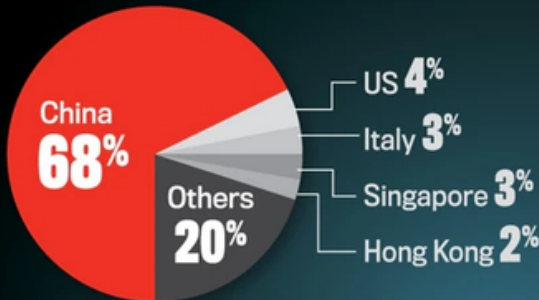


# ON THE DRIP

Indian pharma's focus on the lucrative formulations side of the business has led to a heavy dependence on China for basic APIs and key starting material

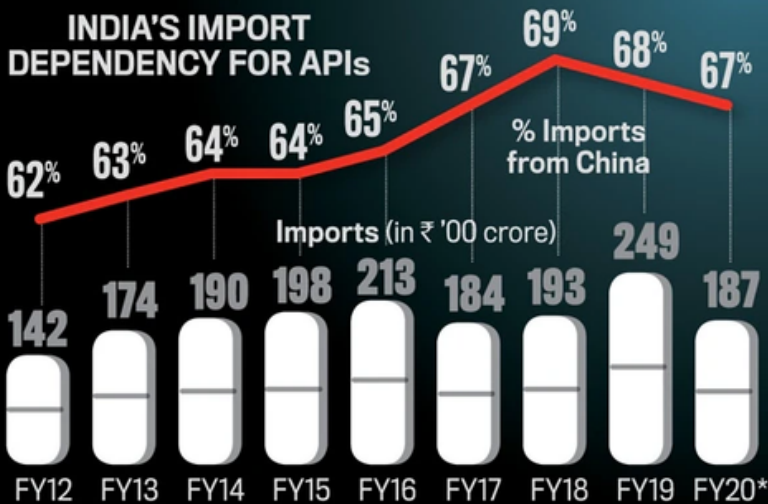
## INDIA'S API IMPORTS BY COUNTRY (FY19)

Total imports\*  
₹18,700 cr



10.3% India's share of China's bulk drug exports\*\*

## INDIA'S IMPORT DEPENDENCY FOR APIs



## INDIA'S IMPORTS OF SELECT APIs (FY19)

	By value	By volume
Tetracycline	99.8%	100%
Oxytetracycline	100%	100%
Doxycycline*	58%	91%
Gentamicin*	85%	86%
Neomycin*	92%	98%
Azithromycin*	99%	100%
Erythromycin* and derivatives	63%	56%
Norfloxacin	98.5%	100%
Heparin*	86%	72%
Vitamin B1	74%	75%
Vitamin B6	77%	77%
Vitamin B12	93.5%	68%

\*APIs are part of National List of Essential Medicines, 2015



# DPCO

- **National Pharmaceutical Pricing Policy (NPPP)** is the policy *governing price control* and DPCO is the order by which *price control is enforced*.
- The Drug Price Control Orders are issued by Ministry of Chemicals and Fertilizers, which is the main nodal administrative ministry for pharmaceutical companies.
- They are issued under the "Essential Commodities Act 1955" whereby certain medicines could be declared to be essential commodities.



## Revisit these sections of the Bharatiya Nyaya Sanhita

The central government has notified July 1, 2024 as the day on which the recently enacted three criminal laws will come into effect. Section 106(2) of the Bharatiya Nyaya Sanhita (BNS), 2023, which provides for a maximum 10 years of imprisonment in the case of a fatal accident if the accused person escapes without reporting to the police or a magistrate, has been put on hold. The Ministry of Home Affairs (MHA) press statement of January 2 said that the decision to implement Section 106(2) would be taken up after discussions with the All India Motor Transport Congress. This was prompted by a strike by truck drivers who alleged that the provision was too harsh. Besides the pending decision with regard to Section 106(2), it will be pertinent for the central government to reconsider a few more provisions of the BNS. These are "petty organised crime" defined under Section 112, "theft" defined under Section 303(2) and two sub-sections of Section 143 pertaining to human trafficking.

A reconsideration of Section 106(2) is significant for two reasons. First, the increase in sentence from five to 10 years of imprisonment for just fleeing the scene without reporting to the police or a magistrate soon after the accident seems disproportionate. There is no other provision in the law with similar consequences. It is not even a case of saving the persons who might have been grievously injured and in need of medical assistance. This clause applies to accidents that cause the death of any person. The only benefit seems to be that the appropriate motor accident claim could be sought if the vehicle details are known. Second, this clause seems to be in conflict with the fundamental right of prohibition against self-incrimination enshrined under Article 20(3) of the Constitution of India. Article 20(3) says that "no person accused of any offence shall be compelled to be a witness against himself".

The Supreme Court of India, in *Nandini Satpathy vs P.L. Dani*, widened the scope of Article 20(3) and held that compelled testimony must be read as evidence procured not merely by physical threats or violence but by psychic torture, overbearing and intimidatory methods and the like. Therefore, disclosure of culpability by informing the police or a magistrate due to fear of enhanced punishment may not qualify the test of constitutionality.

Second, a new offence, 'petty organised crime', has been introduced in Section 112 of the BNS. Here, "whoever, being a member of a group or gang, either singly or jointly, commits any act of theft, snatching, cheating, unauthorised selling of tickets, unauthorised betting or gambling, selling of public examination question papers or any other similar criminal acts, is said to commit petty organised crime".

Offences not defined in the BNS, such as "unauthorised selling of tickets" and "selling of



**R.K. Vij**  
is a former Indian  
Police Service officer

public examination question papers" are not linked with any special Act. However, the phrase 'any other similar criminal acts' of the section is more indefinite and open-ended. While theft and snatching prescribe imprisonment of up to three years (Section 303 of the BNS), theft in a dwelling house or means of transportation gets up to seven years (Section 305 of the BNS), and theft after preparation made for causing death, hurt or restraint in order to commit theft gets up to 10 years (Section 307 of the BNS). Similarly, cheating provides for imprisonment from three years to seven years (Section 318 of the BNS).

Therefore, what will fall within the range of 'any other similar criminal acts' is unspecified. Similar criminal acts, *inter alia*, could include criminal breach of trust, criminal misappropriation of property, and receiving stolen property. However, the sentence for these offences varies from two years to 10 years. Obviously, an offence punishable with up to 10 years of imprisonment cannot be called a petty crime, particularly when the maximum sentence provided for a petty organised act is seven years. Therefore, unless some specific maximum limit of sentence is prescribed, this provision may not stand the scrutiny of the Supreme Court. It is important to mention that Section 66A of the Information Technology Act, 2000 was struck down by the Supreme Court in *Shreya Singhal vs Union of India* (2015) as it found the expression "grossly offensive" used in the Section to be open-ended, undefined and vague.

### Property theft, a specific value

Third, the offence of theft, as provided for under proviso to Sub-section (2) of Section 303 of the BNS, also needs to be revisited. The proviso to the sub-section says that 'provided that in cases of theft where the value of the stolen property is less than five thousand rupees, and a person is convicted for the first time, shall on the return of the value of property or restoration of the stolen property, shall be punished with community service'. The First Schedule to the Bharatiya Nagarik Suraksha Sanhita (BNSS) categorises the offence under this category as a non-cognisable offence.

While making theft of any moveable property of less than ₹5,000 a non-cognisable offence may reduce the workload of the police, this may raise some complications that are both legal and practical. First, in cities and towns, while the value of ₹5,000 may not impact the pocket of a well-off person, it is a huge sum for say a daily wage earner. Think of a student whose bicycle is stolen and the police refusing to file a first information report, being a non-cognisable case. He may not be able to afford approaching a court for justice, thus feeling totally helpless. It is known that bicycles are distributed even by the governments to students under welfare schemes to encourage them to pursue school and even

college education. Second, if property offences, of whatever value, are not registered, property offenders will be out of the police radar for surveillance unless they are found to be involved in some other cognisable offence. Legal issues may also arise with regard to the return of such property if recovered with some other stolen or looted property.

Third, if the stolen property of value less than ₹5,000 is not returned or restored by the convict as provided for, the only option available with the court will be to award imprisonment which may extend up to three years – as provided for other cases of thefts (of higher value) in the first paragraph of Sub-section (2) of Section 303, categorised as a cognisable offence in the First Schedule to the BNSS. The interplay between the two parts of the sub-section is intricate. While this obfuscation may be removed by tweaking the definition and adding alternate punishment for such cases for which the value of stolen property is not returned, or the stolen property is not restored, making theft of property of any value a cognisable offence (which would require only a minor change in the First Schedule to the BNSS) will resolve other stated issues of legal and practical implications as well.

### No discretion to judiciary

Section 303 of the Indian Penal Code pertaining to 'punishment for murder by life-convict' was struck down as being void and unconstitutional by the Supreme Court in *Mithu vs State of Punjab* (1983). One of the grounds of unconstitutionality was that it gave no discretion to the judiciary and, hence, the law was not just, fair, and reasonable within the meaning of Article 21 of the Constitution.

Section 303 of the IPC has been restored in the form of Section 104 of the BNS, by removing the defect for which it was held unconstitutional. Section 104 of the BNS now provides for either death punishment or imprisonment for life, which shall mean the remainder of that person's natural life.

However, Sub-sections (6) and (7) of Section 143 of the BNS which punish trafficking of a child on more than one occasion and trafficking of a person by a public servant or a police officer respectively, and provide only for life imprisonment (which shall mean the remainder of that person's natural life) under both provisions, also seem to suffer from the same illegality as they do not provide any discretion to the judiciary to award punishment.

In view of these points, sub-section (2) of Section 106, Section 112, sub-section (2) of Section 303, and sub-sections (6) and (7) of Section 143 of the BNS (which seem to have serious legal and/or constitutional and practical consequences) need to be revisited before they become operational.

*The views expressed are personal*

The sections on reporting of a fatal accident, petty organised crime, theft and human trafficking have flaws

The hindu analysis by  
saurabh pandey sir





# **Bharatiya Nyaya Sanhita (BNS), 2023,**

- **Section 106(2) of the Bharatiya Nyaya Sanhita (BNS), 2023, which provides for a maximum 10 years of imprisonment in the case of a fatal accident if the accused person escapes without reporting to the police or a magistrate, has been put on hold.**
- **A reconsideration of Section 106(2) is significant for two reasons.**
- **First, the increase in sentence from five to 10 years of imprisonment for just fleeing the scene without reporting to the police or a magistrate soon after the accident seems disproportionate.**
- **There is no other provision in the law with similar consequences.**
- **It is not even a case of saving the persons who might have been grievously injured and in need of medical assistance.**



- **The Supreme Court of India, in Nandini Satpathy vs P.L. Dani, widened the scope of Article 20(3) and held that compelled testimony must be read as evidence procured not merely by physical threats or violence but by psychic torture, overbearing and intimidatory methods and the like.**
- **Therefore, disclosure of culpability by informing the police or a magistrate due to fear of enhanced punishment may not qualify the test of constitutionality.**

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- **However, the phrase ‘any other similar criminal acts’ of the section is more indefinite and open-ended.**



- Third, the offence of theft, as provided for under proviso to Sub-section (2) of Section 303 of the BNS, also needs to be revisited.
- The proviso to the sub-section says that ‘provided that in cases of theft where the value of the stolen property is less than five thousand rupees, and a person is convicted for the first time, shall on the return of the value of property or restoration of the stolen property, shall be punished with community service’.
- The First Schedule to the Bharatiya Nagarik Suraksha Sanhita (BNSS) categorises the offence under this category as a non-cognisable offence.
- While making theft of any moveable property of less than ₹5,000 a non-cognisable offence may reduce the workload of the police, this may raise some complications that are both legal and practical.
- First, in cities and towns, while the value of ₹5,000 may not impact the pocket of a well-off person, it is a huge sum for say a daily wage earner.



- **Sub-sections (6) and (7) of Section 143 of the BNS which punish trafficking of a child on more than one occasion and trafficking of a person by a public servant or a police officer respectively, and provide only for life imprisonment (which shall mean the remainder of that person's natural life) under both provisions, also seem to suffer from the same illegality as they do not provide any discretion to the judiciary to award punishment.**

# How are symbols allotted to political parties?

Why was the Viduthalai Chiruthaigal Katchi denied a common symbol by the ECI in Tamil Nadu?

**Rangarajan. R**

**The story so far:**

**T**he Naam Tamilar Katchi (NTK) that secured 3.9% and 6.5% votes in Tamil Nadu in 2019 and 2021 respectively, has been allotted a new common symbol (Mike). The Viduthalai Chiruthaigal Katchi (VCK) that secured 1.09% and 0.99% votes in 2019 and 2021 has been denied a common symbol (Pot). This has raised questions about the allotment of symbols to 'registered unrecognised parties'.

**What do the rules specify?**

A party is recognised as a 'national' or 'state' party under the provisions of the Election Symbols (Reservation and Allotment) Order, 1968 (Symbols Order) by the Election Commission of India (ECI). The criteria for recognition at the State level consists of (a) winning one Lok Sabha seat for every 25 seats or 3% of Legislative Assembly seats or (b) winning one Lok Sabha or two Assembly seats

along with 6% of votes polled or (c) securing 8% of votes polled in a general election. Symbols are allotted to political parties and contesting candidates as per the provisions of the Symbols Order by ECI. In the largest democracy where a sizeable population is still illiterate, symbols play a crucial role in the voting process. A recognised political party has a reserved symbol that is not allotted to any other candidate in any constituency. For registered but unrecognised political parties, one of the free symbols is allotted as a common symbol during an election if that party contests in two Lok Sabha constituencies or in 5% of seats to the Assembly of a State as the case may be.

**What is the current issue?**

Rule 10B of the Symbols Order provides that the concession of a common free symbol shall be available to a 'registered unrecognised party' for two general elections. Furthermore, a party shall be eligible for a common symbol in any subsequent general election if it had

secured at least 1% of votes polled in the State on the previous occasion when the party availed of this facility. Such an unrecognised party should however apply for a symbol every time in the prescribed format. This application can be made any time during the period commencing six months prior to the expiry of the term of the Lok Sabha or State Assembly as the case may be. The symbols are thereafter allotted on a 'first-come-first-served' basis.

In the above cases, the NTK had secured more than 1% of votes in the last two elections with the common symbol of 'Ganna Kisan'. However, since they applied for that symbol only in February 2024, the ECI had allotted that symbol to Bharatiya Praja Aikya Party (BPAP), that had applied earlier, based on the 'first-come-first-served' rule. However, the BPAP has not contested elections in Tamil Nadu before. The VCK was declined allotment of a common symbol as it had failed to secure 1% of votes polled in the elections to the State Legislative Assembly

in 2021. The VCK notably has one Lok Sabha MP and four MLAs in Tamil Nadu contesting on the 'Pot' symbol in 2019 and 2021 elections.

**What can be the way forward?**

The ECI has decided on the applications of NTK and VCK as per existing rules. However, it is counter intuitive from a layman's perspective that the NTK which secured more than 6% of votes polled is not allotted the previous common symbol of its choice. It would be equally baffling for an average voter that the VCK which has elected representatives is ineligible to obtain a common symbol. The two VCK candidates have been eventually allotted the free symbol of 'Pot' by the respective returning officers.

The existing threshold for recognition of a party may continue. The candidates set up by recognised parties enjoy the advantage of being listed at the top of the ballot in the Electronic Voting Machine. Nevertheless, the ECI may consider amending the rules that registered unrecognised parties that secure at least 1% of votes polled in a previous election or have an elected representative in the Lok Sabha or State Assembly, shall have the right to be allotted a common symbol of their choice. This would ensure a fair weightage being given for their past electoral performance and strengthen the democratic process.

*Rangarajan R is a former IAS officer and author of 'Polity Simplified'. Views expressed are personal.*

## THE GIST

▼  
The Viduthalai Chiruthaigal Katchi (VCK) that secured 1.09% and 0.99% votes in 2019 and 2021 has been denied a common symbol (Pot).

▼  
The VCK was declined allotment of a common symbol as it had failed to secure 1% of votes polled in the elections to the State Legislative Assembly in 2021.

▼  
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- Symbols are allotted to political parties and contesting candidates as per the provisions of the Symbols Order by ECI.
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- **What is the current issue?**
- **Rule 10B of the Symbols Order provides that the concession of a common free symbol shall be available to a ‘registered unrecognised party’ for two general elections.**
- **Furthermore, a party shall be eligible for a common symbol in any subsequent general election if it had secured at least 1% of votes polled in the State on the previous occasion when the party availed of this facility.**
- **Such an unrecognised party should however apply for a symbol every time in the prescribed format.**
- **This application can be made any time during the period commencing six months prior to the expiry of the term of the Lok Sabha or State Assembly as the case may be.**
- **The symbols are thereafter allotted on a ‘First-come-first-served’ basis.**

# 'March Services PMI survey signals activity grew to strongest since 2010'

HSBC index shows services added jobs at the fastest pace since August as new export orders grew at the quickest rate since 2014; the rate of charge inflation accelerated to the highest since July 2017 and business sentiment slid to a four-month low

**The Hindu Bureau**  
NEW DELHI

**B**usiness activity in the services sectors likely clocked their fastest expansion in more than 13 and a half years in March, aided by a record uptick in export orders, as per the HSBC India Services Purchasing Managers' Index (PMI) which rose to 61.2 from February's 60.6.

With fresh work orders increasing capacity pressures at service providers, firms raised employment

## Surge in services

HSBC's March survey shows sales and business activity in services likely clocked the fastest expansion in more than 13 and a half years



- The Services PMI reading rose to 61.2, from 60.6 in February
- Barring real estate and business services, input costs and output charges rose at a stronger pace for all sectors
- Firms reported higher labour and material costs as key challenges

levels at the joint-fastest pace since November 2022 and the highest pace since August 2023. On the flip

side, input costs as well as charges levied on customers grew at a faster pace, with output charges raised

at the highest rates since July 2017.

Barring real estate and business services, input costs and output charges rose at a stronger pace for all sectors, with the highest input cost inflation seen in consumer services and finance and insurance seeing the steepest surge in selling prices. Firms surveyed for the index reported higher labour and material costs as key challenges.

Though business sentiment levels remained positive, they slipped to a four-month low, with some con-

cerns emerging about competitive pressures.

"India's services PMI rose in March, following a small dip in February, on the back of strong demand that spurred sales and business activity," said Ines Lam, HSBC economist.

Finance and insurance firms saw the highest increase in output and sales. New export business rose at the fastest rate since the PMI series started in September 2014, with orders reported from Africa, Asia, Australia, Europe, the Americas and West Asia.



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# **The Purchasing Managers Index (PMI)**

- **The Purchasing Managers Index (PMI) is a measure of the prevailing direction of economic trends in manufacturing.**
- **The PMI is based on a monthly survey of supply chain managers across 19 industries, covering both upstream and downstream activity.**
- **The value and movements in the PMI and its components can provide useful insight to business decision makers, market analysts, and investors, and is a leading indicator of overall economic activity**





- The headline PMI is a number from 0 to 100. A PMI above 50 represents an expansion when compared with the previous month.
- A PMI reading under 50 represents a contraction, and a reading at 50 indicates no change. The further away from 50 the greater the level of change.
- 
- The PMI is calculated as:
- 
- $PMI = (P1 * 1) + (P2 * 0.5) + (P3 * 0)$
- Where:
- P1 = percentage of answers reporting an improvement
- P2 = percentage of answers reporting no change
- P3 = percentage of answers reporting a deterioration
-

# RBI holds firm on rupee derivatives, defers rules to May 3

**The Hindu Bureau**

MUMBAI

The Reserve Bank of India (RBI) on Thursday reiterated that its stance on the regulatory framework for Exchange Traded Currency Derivatives (ETCD) had remained consistent over the years and underlined there would be no change in its policy approach.

## **Defers implementation**

However, following feedback from participants, the RBI said it was deferring the implementation of the

consolidated currency derivative rules to May 3, from April 5.

“As hitherto, participants with a valid underlying contracted exposure can continue to enter into ETCDs involving the Indian Rupee up to a limit of \$100 million without having to produce documentary evidence of the underlying exposure,” the RBI said.

The RBI is emphasising the norm relating to ‘underlying contracted exposure’ to curb the potential for speculative trading in currency derivatives.



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# Derivatives

- **Derivatives are contracts that get their value from an underlying asset – equities, bonds, commodities, and currencies, among many.**
- **In layman terms, if the cost of raw material of a particular product increase, the price of that product will also rise. The same principle applies to derivatives.**



# What are Currency Derivatives?

- **Currency Derivatives are exchange-traded contracts deriving their value from their underlying asset, i.e., the currency.**
- **The investor buys or sells specific units of fixed currency on a pre-specified date and rate.**
- **These contracts are actively traded on the stock exchanges and are mainly used by importers and exporters to hedge against domestic currency fluctuation**

# What is 'Basel III endgame' and why are U.S. banks worked up about it?

The rules, applying to banks with over \$100 bn in assets, would overhaul the way the biggest banks manage their capital, with knock-on implications for lending, trading activities; banks say additional capital is unnecessary and will hurt the economy and have aggressively lobbied against the project

## EXPLAINER

### Reuters

**T**he U.S. Federal Reserve said last month it will make significant changes to a sweeping proposal for stricter bank capital requirements known as the "Basel III endgame" in a win for Wall Street banks that have waged an unprecedented campaign to water down the rule. What is Basel and why is it so contentious?

The rules, which would apply to banks with over \$100 billion in assets, would overhaul the way the biggest banks manage their capital, with knock-on implications for lending and trading activities.

Banks say additional capital is unnecessary and will hurt the economy, and have aggressively lobbied against the project.

### 'Basel III endgame'

The Basel Committee on Banking Supervision is a panel convened by the Bank for International Settlements (BIS) in Basel, Switzerland, which aims to ensure regulators globally apply similar minimum capital standards so that banks can survive loan losses during tough times.

The committee's "Basel III" standard was agreed after the 2007-09 global financial crisis. It includes



**Sweeping overhaul:** The U.S. proposal would overhaul how banks gauge their risk. REUTERS

numerous capital, leverage and liquidity requirements. Regulators across the world have worked for years to implement many of those standards, and the so-called "endgame," agreed in 2017, is the final iteration. The "endgame" proposal, unveiled in July, refines Basel's approach to setting capital based on the riskiness of banks' activities.

The U.S. proposal would overhaul how banks gauge their risk, and in turn, how much capital they should set aside as a cushion against potential losses. The main areas of focus are credit risk, market risk and operational risk.

On credit risk, regulators are seeking to end banks' ability to use their own internal risk models

when determining how much capital should be held against lending activities, like mortgages or corporate loans.

Federal Reserve Vice Chair for Supervision Michael Barr said those internal models can often underestimate risk, as banks are incentivised to keep their capital costs low. Instead, regulators would prefer uniform modelling standards across large banks. Similarly, the proposal would establish new requirements for how banks gauge the risk posed by swings in the markets and potential losses from trading. Regulators say these market risks are currently being understated.

When assessing these risks, banks will be permitted to continue using inter-

nal models approved by regulators, although Mr. Barr has said standardised models may be required for particularly complex risks. Banks will also have to model trading risks at the level of the individual trading desk, as opposed to at an aggregate level.

All told, the changes would result in higher capital needs for banks with large trading operations.

Gauging operational risk is a key new area of the Basel Endgame. This refers to the potential losses banks could face from unexpected sources, such as failed internal policies, management mistakes, litigation costs or external events. Similar to credit risk, regulators are looking to replace existing internal models with a stand-

dised approach, which would take into account a bank's various activities and historical operational losses when calculating capital levels.

Banks warned this approach could lead to significantly higher costs for some banks that rely heavily on non-interest fee income, such as credit card and investment banking fees. These fees are included in a formula used to help calculate operational risk, and banks warn it could lead to disproportionately higher capital requirements for some firms if not capped.

### 'Well capitalised'

While the rules have been years in the making, banks had hoped U.S. regulators would offer relief elsewhere by making tweaks to existing capital requirements to help offset the new hikes. They argue banks are well-capitalised, having withstood the COVID-19 pandemic and regularly clearing the Fed's annual stress tests, and any capital hikes are unjustified. Banks have also complained that regulators have not provided sufficient data to justify the new increases, and have even threatened to sue.

Mr. Barr said that most banks already have enough capital to meet the requirements, and those that need to raise funds could do so by retaining earnings for

less than two years while still paying dividends. And regulators have also pointed to the failure of three lenders in 2023 as evidence they need to be vigilant.

Following months of criticism and pressure from the industry, U.S. regulators are expected to meaningfully reduce the impact of the proposal in a broad rewrite. Reuters reported in March the agencies are expected to significantly lower the overall capital impact of the new rules. Fed Chair Jerome Powell confirmed that trajectory when he told Congress last month he expects "broad, material" changes to the plan.

The Fed and other regulators are currently digesting hundreds of public comments submitted on the proposal, most of which have been critical. Regulators are also expected to conduct additional data analysis around the proposal.

No timeline has been set for completing the rule-writing project, and an open question is whether regulators opt to re-propose the rule following the rewrite. Such a step could ease industry complaints by giving them a chance to offer more feedback, but would significantly delay the effort and potentially imperil it, as regulatory leadership could change following the November presidential election.



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# Basel III endgame'

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- The committee's "Basel III" standard was agreed after the 2007-09 global financial crisis.
- It includes numerous capital, leverage and liquidity requirements.
- Regulators across the world have worked for years to implement many of those standards, and the so-called "endgame," agreed in 2017, is the final iteration.
-



- The “endgame” proposal, unveiled in July, refines Basel’s approach to setting capital based on the riskiness of banks’ activities.
- The U.S. proposal would overhaul how banks gauge their risk, and in turn, how much capital they should set aside as a cushion against potential losses.
- The main areas of focus are credit risk, market risk and operational risk.



- **The U.S. Federal Reserve said last month it will make significant changes to a sweeping proposal for stricter bank capital requirements known as the “Basel III endgame” in a win for Wall Street banks that have waged an unprecedented campaign to water down the rule**

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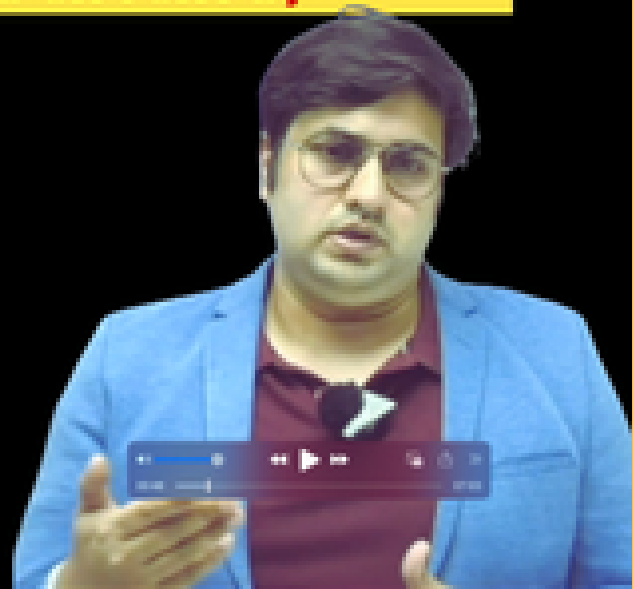
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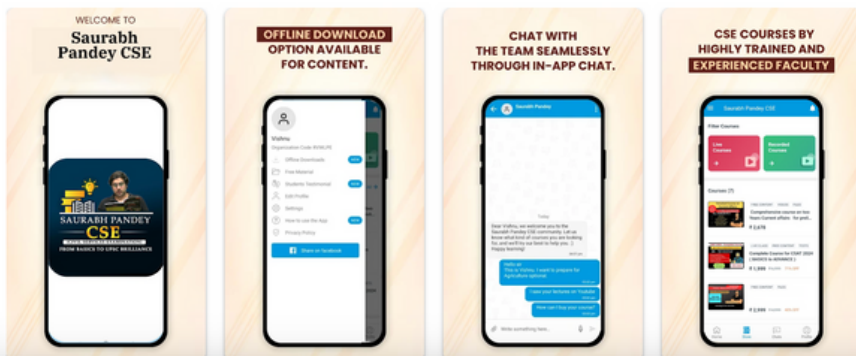

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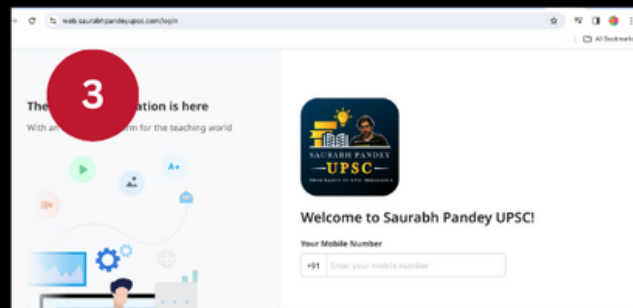
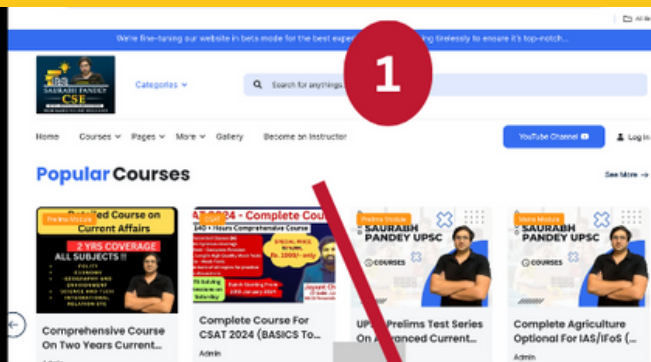
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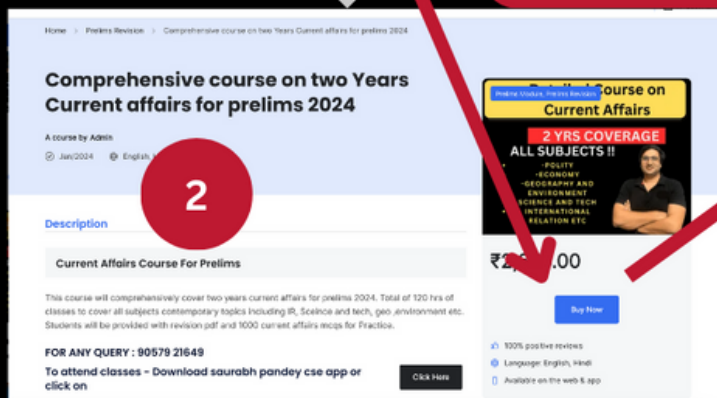
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