

21/04/2024

TOPICS COVERED

- IRDAI removes age bar for buying health insurance (21 April) (GS Paper I: Society, GS Paper II: Vulnerable Section)
- A dead stream springs back to life after 30 years (21 April) (GS Paper III: Environment Conservation)
- India in favour of 'regulating', not banning, single-use plastic (21 April) (GS Paper II: Environment)

IRDAI removes age bar for buying health insurance (21 April) (GS Paper I: Society, GS Paper II: Vulnerable Section)

IRDAI

- **Statutory Body:** Established by the Insurance Regulatory and Development Authority Act, 1999, IRDAI is the autonomous regulatory agency responsible for the insurance and re-insurance industry in India.
- **Headquarters:** Hyderabad, Telangana, India
- **Composition:** IRDAI is a 10-member body including a Chairperson, five full-time members, and four part-time members appointed by the Government of India.



Mandate and Objectives

- **Protection of Policyholders:** Ensuring fair treatment of policyholders and their interests are protected.
- **Regulating the Industry:** Overseeing the insurance sector through licensing, regulation setting, and supervision.
- **Promoting Growth:** Creating an environment for the orderly growth and development of the insurance market.

- **Competition:** Ensuring fair competition to enhance customer choice and provide fair premiums

Key Functions

- **Issuing Regulations:** IRDAI frames regulations for different aspects of the insurance sector, covering insurers, intermediaries, product design, and more.
- Grants licenses to insurers and registers intermediaries like agents and brokers.
- Ensures insurers comply with regulations, have sound financial health, and conduct business with integrity.
- Addresses grievances of policyholders and develops mechanisms to resolve complaints.
- **Investigating Violations:** Investigating and taking action against insurers or intermediaries that violate regulations.
- **Market Development:** Conducts research, collects data, and promotes insurance awareness and financial inclusion.

- The Insurance Regulatory and Development Authority of India (IRDAI) has removed the age limit for purchasing health insurance policies starting from April 1.
- **Previously, individuals above 65 years of age were restricted from buying new health insurance policies.**
- The IRDAI's decision aims to provide extended health benefits to senior citizens and cater to diverse demographic groups, including children and maternity needs.
- Health insurance providers are now mandated to develop specialized policies for senior citizens and establish dedicated channels to address their claims and grievances.
- Insurance companies are encouraged to create tailored products to meet specific age-related requirements, promoting a more inclusive healthcare ecosystem.
- This move is expected to enhance the accessibility and affordability of healthcare coverage across all age groups in India.
- The IRDAI is an autonomous and statutory body responsible for managing and regulating India's insurance and reinsurance industry.

'Significant move'

- With the age restriction lifted, even the elderly can now access cashless insurance benefits, although **premiums for this demographic may be higher.**
- This change is expected to greatly benefit those in need of medical insurance, including children, maternity cases, and senior citizens, promoting a healthier life for many.
- It may lead to better access to healthcare and reduce the burden of medical expenditure for those in the age bracket.

EC orders re-polling in 11 Manipur booths tomorrow (21 April)

Chief Electoral Officer (CEO)

- **Head of Elections at the State Level:** The CEO is the senior-most election official in an Indian state or Union Territory.
- **Appointment:** **Appointed by the Election Commission of India (ECI)**, usually from among senior Indian Administrative Service (IAS) officers.
- **Link to ECI:** The CEO works as a representative of the Election Commission in the state and implements the ECI's directives concerning electoral processes.

Key Roles and Responsibilities

- **Overall Supervision of Elections:** Oversees all election-related work in the state, including:
 - Preparation and revision of electoral rolls.
 - Conduct of elections for the State Assembly, Parliament, and offices of President and Vice President.
 - Implementation of the Model Code of Conduct.
- **Voter Education and Awareness:** Conducts outreach and campaigns to promote voter registration and informed participation in the electoral process.
- **Electoral Machinery Management:** Oversees the deployment of staff, polling stations, Electronic Voting Machines (EVMs), and other logistical arrangements.
- **Coordination:** Liaises with district election officials, police, and other government agencies to ensure smooth and fair elections.

- The Election Commission of India declared the polling conducted at 11 booths across five Assembly segments in Inner Manipur void.
- This decision followed reports of mob violence, gunfire, and destruction of Electronic Voting Machines (EVMs) at some booths.
- A re-poll has been scheduled for these booths on April 22, between 7 a.m. and 5 p.m., as announced by the Chief Electoral Officer (CEO) of Manipur.
- The affected polling stations are situated in the Khurai, Thongju, Uripok, Konthoujam, and Kshetrigao Assembly constituencies.
- Instances of mob violence, riots, and unidentified individuals casting votes on behalf of voters were reported at six of these polling stations.
- The incidents compromised the integrity of the polling process to an extent where the results from these booths cannot be ascertained.
- Presiding officers at these polling stations, including the one at Moirangkampu Sejab Primary School in Imphal, submitted reports recommending a re-poll due to "mob violence."

‘Exchange of gunfire’

- On the night of April 19, Manipur Police arrested three individuals near a school after an exchange of gunfire, resulting in at least one injury.
- At Khaidem Makha polling station in Imphal, a group of unidentified persons entered and cast **61 votes without following due procedure, leading to mob violence.**
- Mob violence also occurred at three polling stations at the Iroisemba Upper Primary School, where **EVMs were destroyed** as members of the public overpowered security personnel.
- The Manipur Pradesh Congress Committee **reported disturbances, violence, intimidation, and booth capturing at 47 polling booths across 12 Assembly segments, primarily in the Inner Manipur Lok Sabha constituency.**
- The Congress also alleged similar instances at 11 polling stations in the Sugnu area of the Outer Manipur constituency, but these claims had not been verified by the concerned poll officials.

A dead stream springs back to life after 30 years (21 April) (GS Paper III: Environment Conservation)

- A stream in a tribal settlement in Marayur sandal division, Idukki district, Kerala, has reappeared after 30 years.
- This transformation is **attributed to an eco-restoration initiative led by the Forest department in the area from 2021 to 2024.**
- The stream, called Kammalamkudy Thodu, had disappeared due to the introduction of exotic species.
- Prior to 1990, the hills in the forest division of Kammalamkudy had grasslands and active water streams.
- The Forest department initiated an eco-restoration project in 2021-22, supported by the **United Nations Development Programme and National Bank for Agriculture and Rural Development.**

UNDP

- The United Nations Development Programme (UNDP) is the lead United Nations agency focused on international development. It works to **eradicate poverty, reduce inequalities, and build resilience**, helping countries achieve the Sustainable Development Goals (SDGs).

The UNDP's work centers around three main pillars:

1. **Sustainable Development:** Supports countries to achieve economic growth in ways that are inclusive, protect the planet, and build resilience against future shocks.
2. **Democratic Governance and Peacebuilding:** Helps strengthen democratic institutions, promote peace and conflict resolution, and support inclusive participation in decision-making.
3. **Climate and Disaster Resilience:** Assists countries in adapting to climate change, reducing their disaster risk, and transitioning to clean, renewable energy sources.

How the UNDP Operates

- **Global Network:** The UNDP has offices in about 170 countries and territories, providing on-the-ground support and local expertise.
- **Policy Advice:** Works with governments to develop and implement policies aligned with development goals.
- **Capacity Building:** Strengthens institutions and individuals in developing countries to take ownership of their development initiatives.
- **Partnerships:** Collaborates with governments, other UN agencies, civil society, the private sector, and local communities to achieve its mission.

Funding:

- The UNDP is **funded primarily by voluntary contributions from UN member states.**

National Bank for Agriculture and Rural Development (NABARD)

- NABARD is an All India Financial Institution (AIFI) and apex Regulatory Body.
- It supervises Regional Rural Banks (RRBs), State Cooperative Banks, and District Central Cooperative Banks in India.
- Established under the **NABARD Act 1981** passed by the Parliament of India.
- Fully owned by the Department of Financial Services (DFS) under the Ministry of Finance.

- **Exotic species** were removed systematically as part of the eco-restoration initiative.
- Natural grasses were allowed to flourish in the area.

- As a result, the stream has been rejuvenated and now releases 6.5 liters of water per minute, even during hot temperatures.
- A brushwood check-dam was erected along the stream to attract various wildlife species for hydration.



- The area has seen an influx of diverse wildlife since the conversion of hills into grassland.

India in favour of 'regulating', not banning, single-use plastic (21 April) (GS Paper II: Environment)

- India is in favor of "regulating" single-use plastic rather than eliminating it entirely, according to an analysis by the Centre for Science and Environment (CSE).
- The Plastic Waste Management Amendment Rules (2021) banned 19 categories of single-use plastics in India in 2022.
- Single-use plastics are defined as disposable goods made of plastic that are typically used once and then thrown away. This includes items like plastic cups, spoons, earbuds, decorative thermocol, and wrapping or packaging film for sweet boxes and cigarette packets.
- However, the ban does not include plastic bottles, even those less than 200 ml, and multi-layered packaging boxes such as milk cartons.
- Enforcement of the ban on single-use plastic items is not uniform across India, with many outlets continuing to sell these goods despite the regulations.
- Countries are expected to discuss various topics related to plastic pollution during negotiations in Toronto, Canada.
- One of these topics concerns "problematic and avoidable plastic products, including single-use plastics," which can harm the environment and human health.

- The goal is to implement global and national measures to address these products, such as removing them from the market, reducing production with alternative practices or non-plastic substitutes, and redesigning them for sustainability.
- India has opted for language in the negotiating document that supports "regulating" rather than outright banning the production, sale, import, and export of problematic plastic goods.
- India has agreed to use "science-based criteria" to identify such plastics.
- The European Union (EU) has proposed restrictions on making and selling these categories of plastic, while the United States also supports regulating rather than completely stopping single-use and avoidable plastic.

Enduring circle of life (21 April)

- During December to April, the Bay of Bengal coast of Tamil Nadu becomes a nesting ground for olive ridley sea turtles.

- Olive ridley sea turtle (*Lepidochelys olivacea*) belongs to the family Cheloniidae.
- It is also known as the Pacific ridley sea turtle.
- The species is the second-smallest and most abundant among all sea turtles worldwide.
- Kemp's ridley sea turtle (*Lepidochelys kempi*) is the smallest among all sea turtles worldwide.
- Found primarily in warm and tropical waters of the Pacific and Indian Oceans, and occasionally in the Atlantic Ocean.
- Known for unique synchronised mass nestings called arribadas.
- During arribadas, thousands of females gather on the same beach to lay eggs.
- The turtles lay around 100 eggs each, which hatch after 45 to 60 days.
- Conservation efforts by the Forest Department and NGOs like Students' Sea Turtle Conservation Network and TREE Foundation protect the nests.
- Volunteers and forest guards patrol the beaches nightly during nesting season, relocating eggs to temporary hatcheries to safeguard them from predators and human disturbances.
- Once hatched, the baby turtles are released into the sea under the cover of darkness.
- In 2022-23, Tamil Nadu released 1.83 lakh hatchlings, the highest in seven years.
- Some hatcheries were equipped with weather-monitoring devices to study temperature effects on turtles.
- Sea turtles face challenges such as entanglement in fishing gear and disorientation due to light pollution from coastal resorts.
- Only about one out of 1,000 hatchlings survives into adulthood.
- Despite challenges, the hatchlings represent hope for the species' continuity, symbolizing the enduring cycle of life in the ocean.

MAINS PRACTICE QUESTION: GS PAPER II: Role of NGOs

Question: How can be the role of NGOs be strengthened in India for development works relating to protection of the Environment? Discuss throwing light on the major constraints. (200 Words/12.5 Marks) (UPSC 2015)

ANSWER APPROACH:

- Introduce the answer by defining the role of NGOs (Non-Governmental Organizations) as agents of change promoting environmental sustainability and grassroots-level development.
- Then bring the areas where we need to Strengthen the Role of NGOs.
- Further bring the Major Constraints.
- Conclude by Emphasizing that addressing the constraints and strengthening NGOs will result in a more robust and holistic approach to environmental challenges.

ANSWER:

Non-Governmental Organizations (NGOs) play a pivotal role as agents of change in promoting environmental sustainability and grassroots-level development in India. These organizations work tirelessly to address environmental challenges, mobilize communities, and advocate for policy change. Strengthening the role of NGOs in environmental protection is crucial for achieving sustainable development goals and ensuring the well-being of present and future generations.

Areas where we need to Strengthen the Role of NGOs.

- There are several areas where the role of NGOs can be strengthened to enhance their effectiveness in environmental protection.
- Firstly, NGOs can be empowered with increased financial resources to expand their operations and reach. Adequate funding will enable NGOs to implement more projects, conduct awareness campaigns, and provide support to vulnerable communities affected by environmental degradation.
- Secondly, capacity building initiatives are essential to enhance the technical expertise and organizational capabilities of NGOs.
- Training programs, workshops, and access to information and technology can equip NGOs with the necessary skills to undertake complex environmental projects and initiatives.
- Additionally, partnerships with academic institutions and research organizations can facilitate knowledge sharing and innovation in environmental conservation efforts.
- Despite their potential, NGOs face several constraints that hinder their ability to effectively address environmental challenges.
- One major constraint is the lack of financial resources, which limits the scale and impact of NGO activities.

Major Constraints

- Many NGOs struggle to secure sustainable funding sources and rely heavily on project-based grants and donations. This financial instability makes it difficult for NGOs to plan and implement long-term environmental initiatives.
- Another constraint is the bureaucratic and regulatory hurdles faced by NGOs in India. Complex registration procedures, stringent reporting requirements, and bureaucratic delays create administrative burdens for NGOs and hamper their ability to operate efficiently.
- Simplifying regulatory processes, reducing red tape, and providing greater flexibility in reporting requirements can help alleviate these constraints and enable NGOs to focus more on their core mission of environmental protection.

- Furthermore, there is a need to enhance coordination and collaboration among NGOs, government agencies, and other stakeholders working in the field of environmental conservation.
- Fragmentation and duplication of efforts often occur due to lack of communication and synergy between different organizations. Strengthening networking platforms, fostering partnerships, and promoting information sharing can facilitate greater collaboration and maximize the impact of collective action in addressing environmental challenges.

Thus, addressing the constraints and strengthening the role of NGOs in environmental protection is essential for achieving sustainable development and safeguarding the environment for future generations. By providing increased financial support, capacity building opportunities, and fostering collaboration, the government and other stakeholders can empower NGOs to play a more robust and holistic role in addressing environmental challenges and promoting environmental sustainability in India.

CJI says safeguards in new criminal laws will protect rights of citizens (21 April)

- Chief Justice of India D.Y. Chandrachud described the new criminal justice system as a "watershed moment for our society".
- He highlighted how courts often hear "sordid stories" during search and seizure operations under the Income Tax Act and praised the new laws for having better safeguards.
- Justice Chandrachud made these remarks at a conference on "India's progressive path in the administration of criminal justice system" organized by the Ministry of Law and Justice.
- Union Law Minister Arjun Ram Meghwal, Attorney-General R. Venkataramani, and Solicitor-General Tushar Mehta were also present at the conference.
- The new laws include the Bharatiya Nyaya Sanhita (BNS), the Bharatiya Nagarik Suraksha Sanhita (BNSS), and the Bharatiya Sakshya Act (BSA).
- These laws aim to completely overhaul the country's criminal justice system and will become effective from July 1.
- Justice Chandrachud stated that the new laws have transitioned India's legal framework on criminal justice into a new age, bringing much-needed improvements to protect victim interests and carry out efficient investigations and prosecutions.
- He highlighted measures prescribed by the Bharatiya Nagarik Suraksha Sanhita (BNSS), such as audiovisual recording of search and seizure operations and the presence of a forensic expert at the crime scene for offences punishable with more than seven years imprisonment.
- Justice Chandrachud emphasized the importance of audiovisual recording in safeguarding citizens' civil liberties and protecting against procedural impropriety during search and seizure operations, citing instances under the Income Tax Act.
- The Law Minister took a dig at the Opposition's allegation about the misuse of Enforcement Directorate (ED) and Central Bureau of Investigation (CBI) to "silence" them.

- He pointed out the presence of ED chief Rahul Navin and CBI director Pravin Sood in the audience, suggesting their presence as a response to the allegation in a lighthearted manner.

Privacy concerns

- The Chief Justice of India (CJI) asserted that the criminal justice system was due for a significant overhaul with the introduction of new laws.
- He emphasized the importance of effective implementation by those in charge to ensure the success of these laws.
- The CJI advocated for measures to prevent data leakage and protect privacy during the digitization of proceedings and the creation of digital evidence.
- It was highlighted that ensuring the privacy of both the accused and the victim is crucial in the context of digitization.

Why are sugary processed foods harmful? (21 April)

Food Safety and Standards Authority of India (FSSAI)

- **Establishment:** Created in 2008 under the Food Safety and Standards Act, 2006.
- **Function:** A statutory body under the Ministry of Health & Family Welfare, Government of India.
- **Mandate:** Ensures safe and wholesome food for human consumption in India through:
 - Setting food safety standards
 - Regulating and monitoring the manufacture, storage, distribution, sale, and import of food articles
 - Facilitating trade in safe food

Key Activities:

- **Developing and reviewing food safety standards** based on scientific evidence and international best practices.
- **Licensing and registration of food businesses** of various sizes based on their risk category
- **Laying down guidelines** for labelling and packaging of food products.
- **Facilitating capacity building** of stakeholders in the food sector through training programs.
- **Enforcement of food safety regulations** through inspections, testing, and penalties for violations.
- **Consumer empowerment** through promoting awareness about food safety and healthy eating habits.

Structure:

- Governed by a 22-member Board with a Chairperson.
- Functions through a network of central and state-level offices.

- Recently, there has been renewed attention on flavored malt-based milk powders and baby food.
- Government authorities are cautioning against labeling these products as "healthy."
- They have criticized the marketing tactics that allegedly mislead consumers by adding excessive sugar to these products.

- The concern is focused on the health implications of consuming products with high sugar content, especially for babies and young children.

Why is it problematic to label malt-based, sugary milk products as ‘health’ drinks?

- An analysis of products like Bournvita reveals high carbohydrate and sugar content.
- For every 100g of Bournvita, there are 86.7g of carbohydrates, with 49.8g being sugar.
- Of the total sugar, 37.4g is sucrose or added sugar.
- A 20g serving of Bournvita contains nearly 10g of total sugar.
- Malting, a process used in making malt-based beverages like Bournvita, converts starch into sugar.
- Maltose, a form of sugar, is produced during the malting process.
- Bournvita also contains maltodextrin, liquid glucose, and other sugars generated from the malting process of cereals.

What is FSSAI’s stand on sugar content?

- The Food Safety and Standards Authority of India (FSSAI) regulates the sugar content in food products.
- If a product contains less than 5 grams of total sugar per 100 grams, it can claim to be "low on sugar" according to FSSAI regulations.
- Products meeting this criterion can potentially be considered "healthy."
- However, products that exceed this sugar limit but market themselves as "health drinks" pose a problem.
- Consuming such products can lead to excessive sugar intake, especially for children.
- Exceeding the recommended sugar intake, as per the World Health Organization, can have adverse health effects.
- Indian households often add extra sugar to chocolate-powder drinks, further increasing sugar consumption.

What is the controversy over baby food?

- Wheat Apple Cherry baby cereal marketed by Nestlé’s Cerelac brand contains 24 grams of total sugars per 100 grams.
- Nestlé recommends feeding 100 grams of this baby food daily to children aged one to two years, resulting in a sugar intake of 24 grams per day.
- Experts argue that introducing extra sugar to a baby’s diet, beyond the natural sugars found in breast milk, can be harmful.
- Excess sugar intake may put pressure on the baby’s pancreas, leading to overproduction of insulin and increasing the risk of diabetes and obesity later in life.
- Ingredients like maltodextrin, added for flavor and texture enhancement, have a higher glycemic index (GI) than table sugar, causing a rapid increase in blood sugar levels.

- Excessive sugar consumption can lead to the production of triglycerides, a type of fat stored in the liver, contributing to fatty liver and insulin resistance, ultimately increasing the risk of diabetes.
- A study suggests that around 101.3 million people in India could be diabetic, highlighting the importance of monitoring sugar intake, especially in early childhood.

Will an FSSAI probe be enough to curb the practice of misleading labels?

- In September 2022, the FSSAI released a draft notification defining high fat, sugar, salt (HFSS) food as processed products with high levels of saturated fat, total sugar, or sodium.
- The notification aimed to guide labeling practices on food packets or beverage bottles to warn consumers about HFSS content.
- According to the draft, if a product derives over 10% of its total energy from sugar and/or saturated fat, it is considered high in fat and/or sugar.
- However, the FSSAI left the regulation open-ended regarding whether companies should declare fat, sugar, and salt content on the front of packaging.
- Instead of warning labels, the FSSAI advocated for 'health rating stars,' which some argue could be misleading for consumers.
- Dr. Arun Gupta, Convener of Nutrition Advocacy in Public Interest (NAPI), believes warning labels are more upfront and informative for consumers compared to health stars, which may require consumers to calculate HFSS content themselves.

What is the way forward?

- According to the Food Safety and Standards (Foods for Infant Nutrition) Regulations, 2019, sugar is allowed in milk cereal-based complementary food, but with certain restrictions.
- These regulations permit the use of lactose and glucose polymers as preferred carbohydrates, while sucrose and/or fructose should not be added unless necessary as a carbohydrate source, and the total sum of these sugars should not exceed 20% of the total carbohydrate content.
- Dr. Arun Gupta highlights the need to review these regulations, particularly regarding the allowance of sugar.
- He suggests the necessity of comprehensive regulations defining what constitutes 'healthy' and 'unhealthy' food and beverages, especially in terms of sugar content.
- Dr. Gupta mentions a draft notification on front-of-pack labeling and high fat, sugar, salt foods, which has received comments from stakeholders but has not seen further action.
- One underlying issue is the marketing of products labeled as 'health food' to unsuspecting consumers.
- An example cited is Hindustan Unilever Limited's partnership with the Zilla Parishad of Pune to distribute Horlicks, marketed as a 'health food drink,' to children in the midday meal program.
- Despite regulations under the Infant Milk Substitutes Act prohibiting the promotion of infant foods via advertisements, there are instances of rules being flouted, with social media influencers often promoting baby food.
- Dr. Gupta emphasizes the importance of taking strong action against illegal advertisements.

What is the outlook on the global economy? (21 April)

IMF

- **International Financial Institution:** Established in 1944, the IMF is a global organization working to foster economic stability and cooperation.
- **Membership:** 190 member countries contribute funding according to their economic size.
- **Headquarters:** Washington, D.C., United States.

Key Functions of the IMF

1. **Surveillance:**
 - Monitors global, regional, and country-level economic developments.
 - Provides policy advice and forecasts to member countries, aiming to prevent crises.
2. **Lending:**
 - Offers financial assistance to members facing balance of payments crises.
 - IMF loans come with conditions focused on economic reforms and stabilization measures.
3. **Capacity Development:**
 - Provides training and technical assistance to enhance economic institutions and policymaking capabilities in member countries.

Governance and Funding

- **Quotas:** Member countries contribute based on economic strength, determining voting power and access to financing.
- **Special Drawing Rights (SDRs):** The IMF's own reserve asset, which can supplement members' official reserves.

Recent Focus Areas

- **COVID-19 Pandemic Response:** Provided emergency financing and policy support to help countries address the economic impact of the pandemic.
- **Climate Change:** Increasing focus on helping countries build resilience and transition to low-carbon economies.
- **Debt Sustainability:** Assisting heavily indebted countries in finding sustainable solutions.
- **Digital Currencies:** Examining the implications of central bank digital currencies (CBDCs) and other new financial technologies.

- The International Monetary Fund (IMF) released a global financial stability report.
- The report highlights risks to the global financial system:
 1. Persistent high inflation poses a threat.
 2. There's a rise in lending in the unregulated credit market.
 3. Increasing cyber-attacks targeting financial institutions are concerning.
- These factors could potentially destabilize the global financial system.

What is the IMF's worry about inflation?

- The IMF has raised concerns about investors' growing optimism regarding the end of the battle against high inflation.

- Investors have been driving up financial asset prices, like stocks, anticipating central banks to lower interest rates as inflation subsides.
- Lowering interest rates typically involves injecting more money into the economy to stimulate growth.
- Despite central banks not yet lowering interest rates, investors are speculating on future rate cuts by purchasing financial assets now.
- The IMF cautions that this optimism might be premature, as inflation reduction has stalled in some major economies, with core inflation rising.
- Geopolitical risks, such as conflicts in West Asia and Ukraine, could disrupt the supply chain and push prices higher, potentially deterring central banks from cutting rates.
- If these risks persist, investors might reconsider their optimistic outlook, leading to a sharp decline in asset prices and significant losses for investors.

What does it mean for India?

- The IMF highlights strong fund flows into emerging markets due to optimism about central banks lowering interest rates.
- In 2023, India ranked as the second-largest recipient of foreign capital after the U.S.
- However, if western central banks indicate they will maintain high interest rates, investors may withdraw money from emerging markets like India.
- This could lead to increased pressure on emerging market currencies, such as the Indian rupee.
- Despite likely intervention by the Reserve Bank of India (RBI), the rupee has already depreciated, reaching a new low of 83.57 against the U.S. dollar.
- If western central banks do not lower interest rates and capital outflows intensify, the rupee could depreciate further, impacting India's financial system.
- In response, the RBI may defend the rupee by reducing liquidity and raising interest rates, which could slow down the economy.

What about the private credit market?

- The IMF expressed concern about the growing unregulated private credit market, where non-bank financial institutions lend to corporate borrowers.
- This market has expanded to \$2.1 trillion globally, with institutional investors like pension funds and insurance companies participating due to higher returns.
- Borrowers benefit from this market as they can access long-term funds that may not be available through traditional avenues.
- However, the IMF is worried that many borrowers in this market may not be financially sound, lacking earnings to cover interest costs.
- Since these loans are not traded frequently in liquid markets, it's challenging for investors to accurately assess the risks involved.
- Consequently, private credit assets may not experience significant markdowns in value during times of financial stress.
- In India, there's also been growth in the private credit market, facilitated by Alternative Investment Funds (AIFs).

- AIFs lend to high-risk borrowers not served by traditional banks and invest in distressed assets under the Insolvency and Bankruptcy Code.
- Investments through AIFs in India have tripled from ₹1.1 lakh crore in 2018-19 to ₹3.4 lakh crore in 2022-23.
- Financial regulators like the RBI and SEBI have increased scrutiny over these funds to address potential risks.

PatrioticIAS