UPSC CURRENT AFFAIRS NOTES 15-01-2024

Mahanadi River Basin

Overview:

The state-owned Oil and Natural Gas Corporation (ONGC) recently discovered two significant natural gas reserves in the Mahanadi basin block in the Bay of Bengal.

About Mahanadi River Basin

- It is the 8th largest river basin in the country, with a total catchment area of 139681.51 sq. km, which is nearly 4.28% of the total geographical area of the country.
- The catchment area of the basin extends over major parts of Chhattisgarh and Odisha and comparatively smaller portions of Jharkhand, Maharashtra, and Madhya Pradesh.
- The basin has a maximum length and width of 587 km and 400 km, respectively.
- It is bounded by the Central India hills on the north, by the Eastern Ghats on the south and east, and by the **Maikala range on the west**.
- Physiographically, the basin can be divided into four regions, namely, the northern plateau, the Eastern Ghats, the coastal plain, and the erosional plains of central table land.

The first two are hilly regions.

The coastal plain is the delta area, which is highly fertile.

The central tableland is the central interior region of the basin, traversed by the river and its tributaries.

- The basin receives about 90% of its rainfall during the monsoon season.
- The major part of the basin is covered with agricultural land, accounting for 54.27% of the total area, and 4.45% of the basin is covered by water bodies.
- The main soil types found in the basin are red and yellow soils.

Key Facts about Mahanadi River

- It is one of the major east-flowing peninsular rivers in India.

- Origin: The river originates from the **Sihawa range of hills** in the **Dhamtari district of Chhattisgarh state.**
- It ranks second to the Godavari River among the peninsular rivers in respect of water potential.
- The total length of the river form origin to its outfall into Bay of Bengal is 851 km of which 357 km lies in Chhattisgarh and 494 km in Odisha.
- Tributaries: The Seonath, the Hasdeo, the Mand, and the Ib join Mahanadi from left, whereas the Ong, the Tel, and the Jonk join it from right.
- Hirakud Dam: The Hirakud Dam, the world's longest earthen dam (26km), is constructed across the Mahanadi River, about 15 km from Sambalpur in Odisha.
- Chilika Lake: Chilika, named wetland of international importance under the Ramsar Convention, gets 61% of its inland flow from the Mahanadi River system, mainly from its distributaries, Daya and Bhargabi.

Punganur Cow

The Prime Minister was recently seen feeding several Punganur cows with fodder with his own hands at his residence in New Delhi.

About Punganur Cow

- Standing at just around 70-90 cm tall and weighing less than 200 kg, it is among the world's most dwarf cattle breeds.
- It is native to Punganur village in the Chittoor district of Andhra Pradesh.
- It has high resilience to drought and can adapt to low-quality feed.
- It is also prized for its milk, which boasts a higher fat content, making it ideal for producing ghee.
  - A Punganur cow can give around 1 to 3 litres a day, and the milk fat content is 8 percent as compared to 3 to 4 percent in other native breeds.
  - The milk is also rich in nutrients such as Omega fatty acids, calcium, potassium, and magnesium.
- Body colour: It is white, grey, or light brown to dark brown or red in colour. Sometimes, animals with white colour mixed with red, brown, or black patches are also seen.
- It has a broad forehead and short horns. The horns are crescent-shaped and often lose curving backward and forward in males and lateral and forward in females.
- Punganur cows are considered eco-friendly, requiring less water, feed, and space compared to hybrid breeds.
- Cultural Significance: Even today, many temples in Andhra Pradesh, including the famous Tirupati Thirumala Temple, use the milk of a Punganur cow for Ksheeraabhishekam (milk offering to the deity).

Kachchhi Kharek

Kachchhi Kharek, the indigenous variety of dates of Kutch, has become the second fruit of Gujarat to get a geographical indication (GI) tag from the Controller General of Patents, Designs and Trade Marks (CGPDT) of India.

About Kachchhi Kharek

- The presence of dates in Kachchh (Kutch) is believed to be around 400-500 years old.
- It is believed that date palm groves along the north-western border of India have developed from the seeds thrown by the settlers, who used to visit Middle-East countries for Haj.
- It is also probable that the Arab gardeners working in the palaces of the former rulers of Kachchh might also have contributed to the import of the date seeds and offshoots from Arab countries.

Features

Dates grown in Kutch are harvested at the khalal stage, the stage when fruits have matured, accumulated sucrose, and have turned red or yellow but are still crisp.

- The Kutch date season typically commences on June 15 each year, and the trees are known for their tolerance to salinity and adaptability to extreme drought and heat conditions.
- In other countries, they are allowed to ripen further till they become soft and dark brown or black in colour.
- **Kachchh is the only place around the globe where fresh dates are economically cultivated, marketed, and consumed.**
- There are around two million date palms in Kutch today and around 1.7 million of them are seedling-origin palms of deshi (indigenous) varieties.

- They are seedling propagated palms, each of them is a unique palm in itself, representing a vast range of diversity in characteristics.
- The area accounts for more than 85 % of total date palm cultivation in India.

FPI IN INDIA

Luxembourg has surpassed Mauritius to become India's third-largest region for Foreign Portfolio Investors (FPIs), with a 30% growth in assets under custody (AUC) to ₹4.85-lakh crore.

Details

Luxembourg Overtaking Mauritius

- Luxembourg has surpassed Mauritius to become the region with the third-largest assets under custody (AUC) in India.
- Luxembourg's AUC grew by 30% to ₹ 4.85 lakh crore, making it a significant player in the Indian investment landscape.
- The shift is attributed to factors such as evolving regulations for foreign investments in India and Luxembourg being perceived as better regulated compared to tax havens.

Mauritius Decline

- Investments from Mauritius experienced a decline of 9% to ₹3.9-lakh crore. This decline is attributed, at least in part, to greater regulatory oversight in Mauritius.

- The renegotiation of the tax treaty between India and Mauritius in the past, which made capital gains on the sale of shares fully taxable after April 1, 2019, might have contributed to this decline.

Rise of Luxembourg's Salience Since 2020

- Luxembourg's importance has been increasing since 2020, following virtual meetings between European and Indian leaders. These meetings resulted in three financial agreements aimed at strengthening trade relations.
- Luxembourg has seen a surge in Foreign Portfolio Investor (FPI) accounts, with over 1,400 originating from the country.

France's Entry into the Top 10

- France has entered the top 10 club of countries investing in India after more than a year. The country's AUC has grown over 74% to ₹ 1.88 lakh crore.
- The growth is attributed to changes in the geopolitical environment, including events like Brexit, and beneficial tax treatment on investments, particularly for those investing under the FPI route.

Other Changes in Rankings

- Ireland and Norway have both moved up one position in the rankings, now ranking fifth and seventh, respectively, among the jurisdictions.
- Canada slipped one place, even though its AUC grew by 19% year-on-year.
- The impact of the diplomatic row between India and Canada on investments remains unclear.

Reasons for Changes

- The changes in rankings are attributed to various factors, including evolving regulations, geopolitical events, and beneficial tax treatments.
- Investors may be seeking new fund locations beyond traditional ones due to increased scrutiny of tax havens.

FPI in India

- Foreign Portfolio Investment (FPI) is a **type of cross-border investment that involves the buying and selling of securities** such as stocks, bonds, mutual funds, exchange-traded funds, etc. by foreign investors in the domestic market of another country.

- FPI is different from Foreign Direct Investment (FDI), which involves acquiring a controlling stake or a long-term interest in a business entity in another country. **FPI is considered a source of capital inflow, liquidity, and diversification for the host country,** as well as a means of earning returns and diversifying risk for foreign investors. FPI can also have an impact on the exchange rate, interest rate, inflation, and economic growth of the host country.

FPI is regulation in India

- **In India, FPI is regulated by the Securities and Exchange Board of India (SEBI)**, which is the market regulator for the securities market in India.
- **SEBI regulations have simplified and harmonized the rules and procedures for various categories of foreign investors,** such as Foreign Institutional Investors (FIIs), Sub Accounts, and Qualified Foreign Investors (QFIs), by merging them into a new investor class called Foreign Portfolio Investors (FPIs).

According to the SEBI regulations, **FPIs are classified into three categories based on their risk profile and the source of their funds.**
- Category I FPIs **include government and government-related entities such as central banks, sovereign wealth funds,** multilateral organizations, etc.
- Category II FPIs **include regulated entities such as banks, asset management companies,** pension funds, insurance companies, etc.
- Category III FPIs **include all other investors not eligible under Category I or II,** such as individuals, family offices, hedge funds, etc.

- The SEBI regulations **prescribe the eligibility criteria, registration process, investment limits, disclosure requirements, taxation norms, and other guidelines for FPIs.**
- FPIs can **invest in various securities in India, such as equity shares, debt securities, hybrid securities,** derivatives, units of mutual funds, real estate investment trusts (REITs), infrastructure investment trusts (InvITs), etc., subject to certain conditions and restrictions.

Significance

- FPI **provides an additional source of capital inflow for India,** which can help finance its current account deficit and augment its foreign exchange reserves.
- FPI enhances the liquidity and efficiency of the Indian securities market by increasing the trading volume and reducing transaction costs.
- FPI diversifies the investor base and reduces the dependence on domestic savings for investment.
- FPI fosters competition and innovation in the Indian securities market by bringing in global best practices and standards.
- FPI enables Indian companies to access global capital markets and raise funds at lower costs.

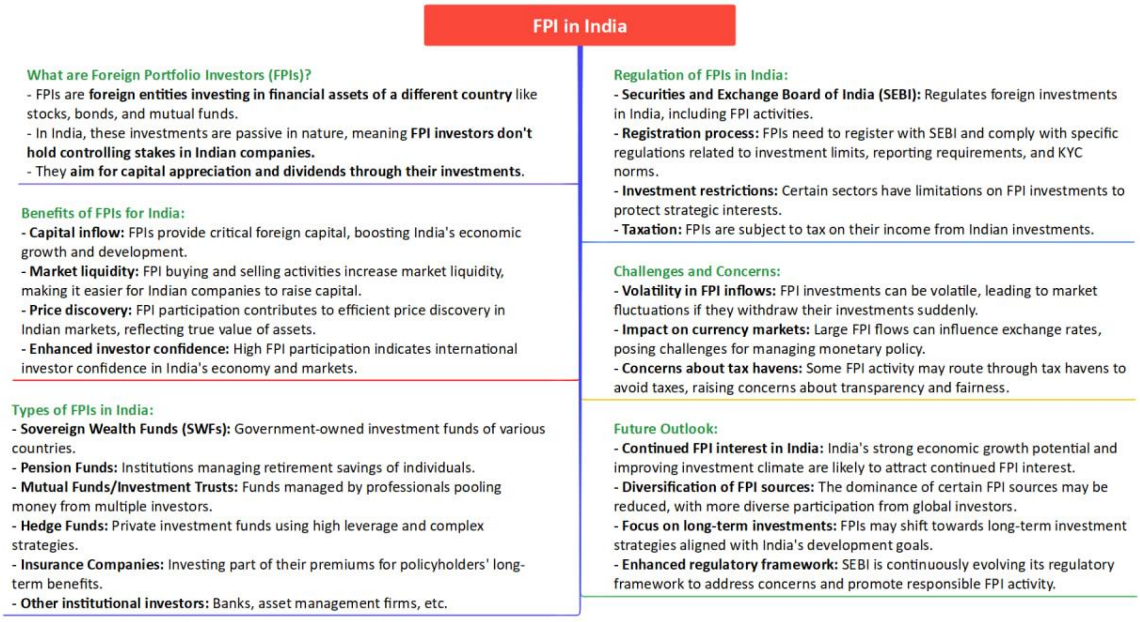
- FPI allows foreign investors to participate in the growth potential of the Indian economy and diversify their portfolio risk.

Challenges

- **FPI can create volatility and instability in the Indian securities market** due to its short-term and speculative nature.
- FPI can exert pressure on the exchange rate of the Indian rupee due to its sensitivity to global and domestic factors.
- **FPI can increase the vulnerability of the Indian economy to external shocks** and contagion effects due to its exposure to global financial markets.
- FPI can create regulatory arbitrage and compliance issues due to differences in laws and regulations across countries.
- FPI can pose tax evasion and money laundering risks due to a lack of transparency and information disclosure by some investors.

Way Forward

- Simplifying and rationalizing the regulatory framework for FPI by introducing a single-window registration system, reducing documentation requirements, easing KYC norms, etc.
- Increasing the investment limits for FPI in various sectors such as corporate bonds, government securities, REITs, InvITs, etc.
- **Providing tax incentives for FPI** such as lower withholding tax rates on interest income from certain bonds, exemption from capital gains tax on the sale of certain securities, etc.
- **Strengthening the market infrastructure and surveillance mechanisms** for FPI by enhancing the role of custodians, intermediaries, and depositories, improving the reporting and disclosure standards, etc.
- Enhancing the coordination and cooperation among various regulators and authorities for FPI such as SEBI, RBI, CBDT, ED, etc.



VOLUNTARY FREEZING OF TRADING ACCOUNTS

Context: SEBI's new norms for the voluntary freezing or blocking of trading accounts aim to safeguard investors from potential fraud and suspicious activities.

Key points and implications

<u>SEBI's Proposal</u>

- SEBI has mandated that a framework for voluntary freezing or blocking of trading accounts should be laid down by April 1, 2024.
- The new facility is set to be implemented from July 1, 2024.

- The Brokers' Industry Standards Forum (ISF), under the guidance of stock exchanges and in consultation with SEBI, will formulate the guidelines.

Rationale Behind the Proposal

- **Shift to Online Trading:** With the stock broking industry moving predominantly online, investors conduct transactions through their trading accounts using login credentials provided by trading members.
- **Addressing Suspicious Activities:** SEBI observed that investors sometimes encounter suspicious activities in their trading accounts. However, the majority of trading members lack the facility to freeze or block accounts.
- **Comparable to Other Financial Instruments:** The move is seen as addressing the need for a mechanism similar to the one available for blocking ATM cards and credit cards.

What is a Trading Account?

- A trading account is an **investment account that allows retail investors to buy or sell securities in the stock market.**
- It serves as a link between the demat account (where securities are held electronically) and the bank account.
- Opened with stock broking firms, trading accounts provide access to the trading platform of stock exchanges, enabling the execution of trades on behalf of the account holder.