

## Today's Prelims Topics

### RBI's has slashed Risk Weights on Bank Loans to NBFCs

#### Context

The Reserve Bank of India (RBI) has announced a **25 percentage point reduction in risk weights** on bank loans to **non-banking financial companies (NBFCs)**.

#### What are Risk Weights?

- Risk weights are a regulatory measure used by banks to assess the capital required to cover the risk of their loan exposures.
- The **higher the risk weight**, the **more capital** a bank needs to set aside, making lending more expensive.
- The **lower the risk weight**, the **less capital** a bank needs to hold, making loans cheaper and increasing credit flow.
- **Risk Weights on NBFC Loans:**
  - **RBI has reduced the risk weights on bank loans to NBFCs by 25 percentage points**, depending on their credit ratings.
    - This move is expected to **boost credit flow to NBFCs**, enabling them to lend more to retail borrowers and small businesses.

#### What Are NBFCs (Non Banking Financial Companies)?

- NBFCs are **financial institutions** that provide **bank-like services** but **do not hold a banking license**.
- They **do not accept demand deposits** (like savings accounts) but offer **loans, asset financing, and investment services**.
- **Types of NBFCs:**
  - **Based on Asset-Liability Structures:** Deposit-taking NBFCs (NBFCs-D) and non-deposit-taking NBFCs (NBFCs-ND).
  - **Based on Systemic Importance:** Among non-deposit taking NBFCs, those with asset size of **Rs 500 crore or more** are classified as **non-deposit taking systemically important NBFCs (NBFCs-ND-SI)**.

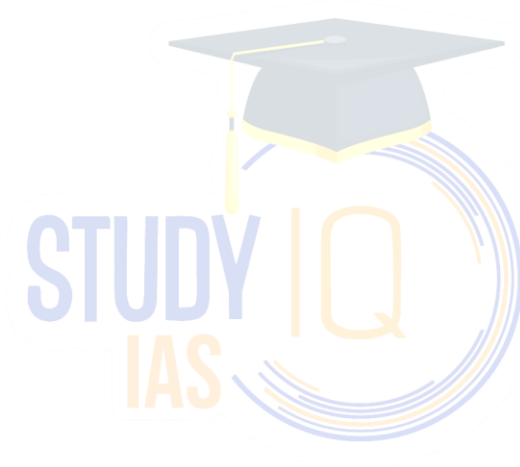
#### Difference between Banks & NBFCs

Aspect	Bank	NBFC
<b>Deposits</b>	Accepts all types of deposits	Cannot accept demand deposits
<b>Deposit insurance of DICGC</b>	Applicable ( <b>up to Rs. 5 lakh</b> )	Non-Applicable
<b>Payment and Settlement system of the RBI</b>	Supports RTGS, NEFT etc.	Not supported. <b>Cannot issue cheques.</b>
<b>Foreign investment (FDI)</b>	Up to 74%	Up to 100% ( <b>Under Automatic Route</b> )
<b>Cash Reserve Requirement (CRR)</b>	Applicable	Not Applicable

<b>Capital Adequacy Norms</b>	Applicable	Applicable only to Deposit-taking NBFCs and <b>Systematically Important NBFCs (CRAR - 15%)</b>
<b>Statutory Liquidity Ratio (SLR)</b>	Applicable	Applicable only to Deposit-taking NBFCs (SLR - 15%)
<b>Established under</b>	Banking Regulation Act, 1949	Established under <b>Companies Act</b> and regulated by various bodies depending on category.

Source:

- [Indian Express - NBFC](#)



## Black Plastic

### Context

A recent study on black plastic revealed the presence of toxic flame retardants, sparking concerns about food contamination and potential health risks.

### What is Black Plastic?

- Black plastic is often **made from recycled electronic waste** such as **computers, TVs, and appliances**.
- Electronic waste contains harmful substances, including:
  - **Flame retardants** like **bromine**
  - **Heavy metals** such as **lead, cadmium and mercury**.
- These substances are banned in many countries due to their toxicity.
- Black Plastic is commonly used in kitchen utensils, takeout containers, packaging and toys.
- **Harmful Effects of Black Plastic:**
  - **Health Risks:** Contains neurotoxic heavy metals and carcinogenic compounds.
  - **Food Contamination:** Heat exposure may cause chemical leaching into food.
  - **Environmental Hazard:** Difficult to recycle, leading to increased plastic pollution.

### UPSC PYQ

**Q.** Why is there a great concern about the 'microbeads' that are released into the environment? (2019)

- (a) They are considered harmful to marine ecosystems.
- (b) They are considered to cause skin cancer in children.
- (c) They are small enough to be absorbed by crop plants in irrigated fields.
- (d) They are often found to be used as food adulterants.

**Answer: A**

**Source:**

- [Indian Express - Black Plastic](#)

## Kaziranga National Park

### Context

India's External Affairs Minister, along with Heads of Missions from 61 countries, recently visited Kaziranga National Park.

### About Kaziranga National Park (KNP)

- **Location:** Golaghat and Nagoan districts of Assam, between the Brahmaputra River and the Karbi (Mikir) Hills.
- It is a **National Park, Tiger Reserve, Important Bird Area (IBA), and UNESCO World Heritage Site (1985)**.
- It has the **Largest population of Indian one-horned rhinoceros (2,613 as per 2022 census)**.
- It is located at the **junction of the Australasia and Indo-Asian flyway**.
- It is the largest **undisturbed area** in the Brahmaputra Valley floodplain.
- **Flora:** It is famous for elephant grasses, rattan cane and aquatic plants like water hyacinths.
- **Fauna:** Greater one-horned rhinoceros, Hoolock Gibbon, Tiger, Leopard, Indian Elephant, Sloth Bear, Wild water buffalo, swamp deer.

7 National Parks in Assam



### Source:

- [The Hindu - Kaziranga National Park](#)

## Iraq's Northern Region is Sinking Due to Plate Tectonics

### Context

A recent geological study has found that the **northern region of Iraq** is **slowly sinking**.

### Plate Tectonics and the Sinking Oceanic Slab

- The sinking is caused by the **Neotethys oceanic slab**, a remnant of an ancient ocean floor that existed over **66 million years ago**.
- This slab is located in a **region between the Arabian and Eurasian continental plates** and is now **splitting apart** from **southeast Turkey to northwest Iran**.
- Neotethys slab is actively sinking and is dragging the **Zagros region** of Iraq downward.
  - Zagros Mountain range was formed due to **tectonic collisions** between the **Arabian and Eurasian plates**.
- The sinking is occurring **extremely slowly**—over **millions of years**—and is **not visible in human timescales**.

### Zagros Mountain

- It is a major mountain range in **Central Asia. (Turkey, Iraq & Iran)**
- **Geographical Extent:** Covers around 1,500 kilometers in a northwest to southeast direction from border areas between eastern Turkey and northern Iraq to Strait of Hormuz (Iran).
- It is rich in **Oil and Natural Gas**.
  - **Zagros Fold Belt** contains some of the largest oil fields in the world.

### Source:

- [Indian Express - Why Iraq is slowly sinking](#)

## Six Years of PM-KISAN Scheme

### Context

Recently the PM-KISAN scheme completed six years of its launch.

### About Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)

- It was launched in **2019** by the Union Ministry of Agriculture & Farmers Welfare.
- **Aim:** Provide **direct income support** to farmers for agricultural investment and livelihood security.
- It is a **Central Sector scheme (100% funding from Government of India)**.
- **Financial Assistance:** Eligible farmers receive **₹6,000 per year**, divided into **three installments of ₹2,000** each.
- **Direct Transfer:** Money is transferred **directly into farmers' bank accounts** via **DBT**.
- **Beneficiaries:** All landholding farmer families, excluding institutional landholders, higher-income taxpayers etc.
  - **Total Disbursement:** So far, the government has transferred **₹3.5 lakh crore to over 11 crore** farmers.

### Impact of PM-KISAN

- Helps **reduce financial burden** on farmers.
- Provides **stability for crop production**.
- Supports **rural economy and agricultural investments**.
- Strengthens **food security and self-sufficiency** in agriculture.

### Source:

- [DD News - PM-KISAN](#)



## News in Shorts

### Madras High Court Ruling on Arresting Women at Night

- Recently the Madras High Court has ruled that the legal provision restricting the arrest of women after sunset and before sunrise is **directory and not mandatory**.

#### Legal Safeguards for Arresting Women at Night

- **Section 43(5) of BNSS, 2023** (formerly Section 46(4) of CrPC) provides two main safeguards:
  - **No arrest of a woman** shall take place after sunset and before sunrise, except in exceptional circumstances.
  - **In exceptional cases**, prior permission from the **jurisdictional magistrate** must be obtained by a woman police officer through a **written report**.
- The provision does **not define what constitutes an "exceptional circumstance"**.
- **Proviso to Section 46(1)** states that a male police officer **should not touch a woman while arresting her**, unless circumstances demand it or a **woman police officer** is present.

Source:

- [The Hindu - Arresting women at night](#)

### Soliga Tribe

- Recently during Mann Ki Baat, the Prime Minister appreciated the Soliga tribal community for their significant role in tiger conservation at the **BRT Tiger Reserve**.

#### About Soligas

- They live in **Biligiri Rangana Hills (BRT Tiger Reserve) and Male Mahadeshwara Hills, Karnataka**.
- Soligas are one of the earliest forest-dwelling tribes in Southern India.
- Their name 'Soliga' is derived from 'Shola,' meaning forest in Kannada.
- They **worship tigers**, calling them "**Dodda Nayi**" (Big Dog) and believe in **protecting all animals**.
- They also have a **temple dedicated to tigers** as part of their traditions.
- **Soligas were the first tribal community in India to get their forest rights recognized inside a tiger reserve.**

Source:

- [The Hindu - Soligas](#)

### Spinal Muscular Atrophy (SMA)

- Recently a two-and-a-half-year-old girl has become the **first person in the world** to be treated for **Spinal Muscular Atrophy** while still in the **womb**.

#### About SMA

- It is a **genetic disorder** that causes **weak muscles** because the nerves that control them stop working properly.

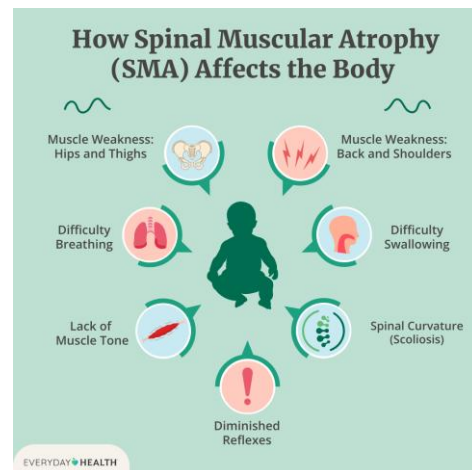
- These nerves, called **motor neurons**, are found in the spinal cord and help send signals from the brain to the muscles for movement.

#### What Causes SMA?

- SMA happens because of a problem (mutation) in a gene called **SMN1**, which produces an important protein for keeping motor neurons healthy.
- When the body doesn't make enough of this protein, motor neurons die and muscles become weaker over time.
- It's **inherited** from both parents. If both parents are carriers of the faulty gene, there's a 25% chance their child will have SMA.

#### Source:

- [Indian express - SMA](#)





## Editorial Summary

### Human Smuggling: A Growing Menace in India

#### Context

- Every year, thousands of young Indians attempt “irregular migration.”
- This is facilitated by **organized human smuggling networks**, commonly known as **kabootarbazi** (pigeon smuggling).
- These illegal operators are concentrated in **Punjab, Haryana, Himachal Pradesh, Jammu & Kashmir, Kerala, and Gujarat**.

#### Reasons Behind Human Smuggling

- Criminals treat human smuggling as a **low-risk, high-reward business**, making it an attractive illegal enterprise.
- Requires **no technical skill or educational qualification**.
- **No financial investment**.
- Operates with impunity, facing **little legal action or criminal repercussions**.

#### Challenges Faced by Victims

- Migrants fall prey to **false promises** of a better life but end up facing **horror and misery**.
- Victims of human smugglers are subjected to **grave dangers**:
  - Suffocated in containers.
  - Dying in deserts or drowning at sea.
  - Forced into slave labor camps under inhumane conditions.
- Survivors describe **harrowing experiences**, including:
  - Sitting in **piles of human waste**.
  - **Deprivation of food and water**.
  - Witnessing **deaths of fellow migrants** whose bodies are dumped **at sea or on roadsides**.

#### Legal Gaps and Need for Stringent Laws

##### The Emigration Act, 1983: A Weak Framework

- The **Emigration Act, 1983**, regulates Indian citizens' movement abroad but **does not define human smuggling**.
- It lacks provisions to **combat organized human smuggling networks**.
- A **comprehensive national law** is required to address this **serious issue**.

##### State-Level Efforts: Punjab’s Travel Professionals Regulation Act, 2012

- Punjab is the **only Indian state** to enact a law addressing **illegal travel agents and human smuggling**.
- **Key Features of the Punjab Act**:
  - **Regulates travel agents** who arrange or manage foreign travel.
  - Defines **human smuggling** as any **illegal transportation of persons abroad in exchange for money**.
  - **Introduces licensing and penal provisions** to curb fraudulent activities.
- **However, implementation remains weak**.

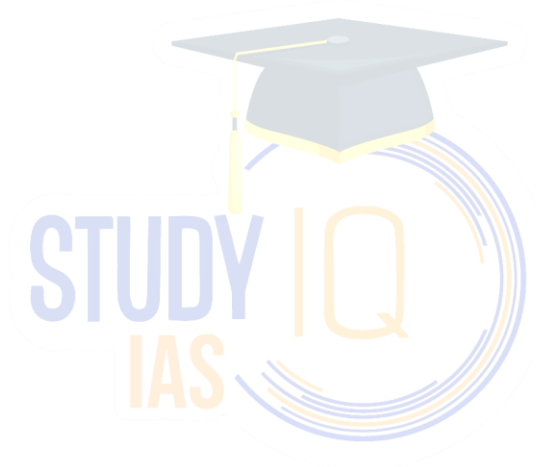
##### Comparison of Emigration Act (1983) and Punjab’s Act (2012)

- **Both laws regulate recruitment and travel agencies but operate separately**.
- They are **complementary**, not contradictory.
- **Punjab’s law is a pioneering step**, but a **strong national law is urgently needed**.

### The Need for a Central Law

- **Legislative Gaps:** Current laws, such as the Emigration Act, 1983, do not adequately address human smuggling, necessitating new legislation to combat this issue effectively.
- **State vs. Central Legislation:** While some states like Punjab have enacted local laws, a comprehensive central law **must be enacted** to:
  - Strictly regulate borders.
  - Target human smuggling networks.
  - Punish offenders with stringent penalties.
- **Protection of Citizens:** Enacting a robust national law would help protect Indian citizens from exploitation and ensure their safety and dignity

Source: [The Hindu: Human smuggling must engage Parliament's attention](#)



## Tax cut in Budget will have Multiplier Effects

### Context

In the Union Budget for fiscal year 2025-26, Finance Minister Nirmala Sitharaman introduced significant reforms to the personal income tax (PIT) structure.

### Key Changes in Personal Income Tax

- **Increased Tax-Free Income Threshold:** The tax exemption limit under Section 87A has been raised from ₹7 lakh to ₹12 lakh, effectively exempting individuals earning up to ₹12 lakh annually from paying income tax.

### How Tax Cuts in Budget Will Have Multiplier Effects

- **Increase in Disposable Income:** The increase in tax exemption limits and reduction in tax rates will put more money in the hands of around 3.1 crore taxpayers.
  - The increase in disposable income due to tax cuts is expected to enhance consumer spending.
  - However, the actual impact depends on the **marginal propensity to consume (MPC)**, which is estimated to be **around 0.5% for higher-income groups** due to their **higher savings propensity and consumption of imported goods**.
- **GDP Growth:** With a more realistic MPC, the rise in disposable income is projected to increase national income by about Rs 2 lakh crore, leading to a GDP growth of approximately 0.6%.
- **Boost to Private Investment:** Higher consumption can encourage businesses to expand production and invest in capacity-building.
  - Improved demand outlook may also attract new investments.
- **Challenges to the Multiplier Effect**
  - **Savings vs. Spending:** Higher-income groups tend to save rather than spend, reducing the overall consumption impact.
  - **Import Leakages:** Increased spending on imported goods reduces the benefits to the domestic economy.
  - **Debt Repayment:** Some of the additional disposable income may be used to repay debts, lowering its direct impact on consumption.
- **Public Capex Trade-off:** The tax cuts result in a revenue loss of ₹1 lakh crore.
  - This could either lead to **lower public capital expenditure (Capex)** or **higher government borrowing**, affecting fiscal stability.
- **Inflationary Risks:** If private investment does not keep pace with rising consumption, demand-supply imbalances may push inflation upwards.

### Key Recommendations

- **Catalyzing Private Investment:** To maximize the benefits of tax cuts, it is crucial to improve the investment climate. This can be achieved by reducing regulatory and compliance burdens for private investors.
- **High-Level Committee:** Establishing a high-level committee, chaired by the finance minister and including state finance ministers, to identify and eliminate regulatory hurdles can significantly boost investor confidence and stimulate private investment.
- **Addressing Rent-Seeking and Uncertainty:** Measures to reduce petty corruption, investor harassment, and uncertainty are essential for fostering an environment conducive to rapid and sustained economic growth.
- **Maintaining Fiscal Discipline:** While tax cuts can stimulate growth, it is important to manage the resulting revenue loss by either maintaining public capital expenditure or ensuring that increased government borrowing does not jeopardize fiscal deficit targets.

Source: [Indian Express: Overestimating the Bonanza](#)