



NEWS ANALYSIS

23 JULY 2024

Today's Prelims Practice Question

The Minorities stated Under Indian Constitution Article 30 include:

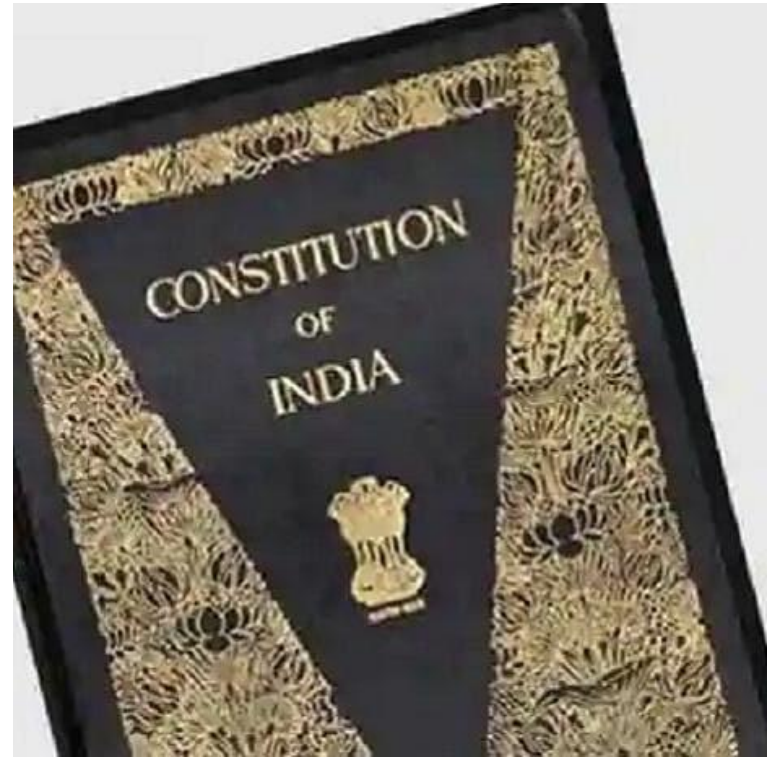
Select the correct code

- A. Linguistic minorities only**
- B. Religious Minorities only**
- C. Both linguistic and Religious minorities**
- D. Ethnic minorities**

Explanation

WHAT IS MINORITY?

- The Constitution uses the term 'minority' without defining it
- Article 30(1) uses the terms 'linguistic' or 'religious' minorities.
- The word 'or' means that a minority may either be linguistic or religious and that it does not have to be both.
- It is sufficient to be one of them.



Prelims Practice Question for Today

Nowruz, which marks the beginning of the New Year is celebrated mainly by which of the following community in India?

- a) Jains**
- b) Sikhs**
- c) Parsis**
- d) Christians**

The MSME sector is a key driver of economic growth in India, but faces a significant credit gap. What are the challenges associated with lending to MSMEs, and how can innovative financial instruments be developed to cater to their unique needs? Discuss.

APPROCH OF THE ANSWER

1. Define MSMEs in Introduction
2. MSMEs are key driver of the Indian Economy
3. What are the challenges associated with MSMEs
4. Innovative financial instruments t be developed
5. Coclusion

MSMEs (Micro, Small and Medium Enterprises) are indeed a key driver of the Indian economy and are the largest employer in India, providing employment to over 110 million people. They are also a source of livelihood for many people in rural areas. However they face numerous challenges which needs to be catered .

MSMEs (Micro, Small and Medium Enterprises) are indeed a key driver of the Indian economy.

- ❑ **Employment Generation:** MSMEs are the largest employer in India, providing employment to over 110 million people. They are also a source of livelihood for many people in rural areas.
- ❑ **Contribution to GDP:** MSMEs contribute to around 30% of India's GDP. They play a crucial role in the growth of the manufacturing sector, as well as in the service sector.
- ❑ **Regional Development:** MSMEs are spread across the country, including in rural areas. They help in the development of these regions by providing employment and contributing to the local economy.
- ❑ **Export:** MSMEs account for a significant share of India's exports. They play an important role in promoting India's brand image globally.

What are challenges associated with msmes

- ❑ **Access to Finance:** Access to finance is one of the biggest challenges faced by MSMEs. These businesses often struggle to secure loans from formal financial institutions due to a lack of collateral, limited financial history, and high interest rates.
- ❑ **Infrastructure:** MSMEs often operate in areas with poor infrastructure, such as inadequate transportation, power, and water supply. This can make it difficult for them to operate efficiently and meet customer demand.
- ❑ **Skilled Workforce:** MSMEs require skilled workers to operate their businesses effectively. However, they often struggle to attract and retain skilled workers due to a lack of competitive compensation and benefits.
- ❑ **Technology Adoption:** Many MSMEs are slow to adopt new technologies, which can put them at a disadvantage compared to larger companies. This can make it difficult for them to compete in the market and keep up with changing customer demands.

Innovative financial instruments be developed to cater their unique needs

- ❑ **Collateral-Free Loans:** One way to address the challenge of collateral is to develop collateral-free loan products specifically for MSMEs. This can be done by using **alternative credit assessment methods**, such as cash flow analysis and credit history assessment.
- ❑ **Supply Chain Financing:** Many MSMEs operate within complex supply chains, and financing can be a challenge. Supply chain financing can help by providing financing to MSMEs based on their relationships with larger companies in the supply chain.
- ❑ **Digital Financial Services:** MSMEs often operate in remote areas, and may not have access to traditional banking services. Digital financial services, such as mobile banking, can help MSMEs access financial services more easily and at lower cost.

Conclusion

By addressing the challenges of collateral, supply chain financing, access to digital financial services, invoice financing, and credit guarantees, financial institutions can better serve the needs of MSMEs and support their growth and success.”

Heat stress is more than a degree of concern

Heat stress is more than a degree of concern

In recent periods, climate change and environmental degradation have significantly affected the safety and the health of workers worldwide. Heat stress is anticipated to affect labour efficiency and productivity, in turn reducing work hours and hindering the International Labour Organization's (ILO) objective of promoting fair and decent employment. Workers, who are particularly vulnerable to climate change hazards, sometimes cannot cease working despite hazardous conditions because of financial constraints.

The main health effects of heat stress on workers include heat stroke, heat cramps, cardiovascular disease, acute kidney injury, and physical injury. The Intergovernmental Panel on Climate Change (IPCC) states that to retain normal physiological activities, it is necessary to maintain a core body temperature of roughly 37°C. Temperature elevations over 38°C have a deleterious effect on one's cognitive and physical capabilities. During various life stages, women who are employed in heat-exposed sectors, such as subsistence agriculture, may be at risk for pregnancy-related complications, including hypertension, miscarriages, and premature births. An increase in temperature can diminish work productivity due to excessive heat that makes it difficult to work. Or, there is a need for personnel to operate at a slower pace.

ILO study findings

The ILO study (2019) estimated that "Heat stress is projected to reduce total working hours worldwide by 2.2 percent and global GDP by US\$2,400 billion in 2030... Agricultural and construction workers are expected to be the worst affected, accounting for 60 percent and 19 percent, respectively of working hours lost to heat stress in 2030". Agricultural workers face a significantly higher risk from heat than workers in other occupations, with farmworkers being 35 times more susceptible to heat-related fatalities. Recent ILO (2024) estimates that 2.41 billion workers worldwide are exposed to extreme heat. Further, exposure to extreme heat at work is directly associated with about 22.85 million injuries and 18,970 fatalities annually. The Asia and the Pacific regions experience the highest Gross Domestic Product (GDP) losses due to heat stress affecting labour productivity. In 1995, the region's GDP was estimated to have decreased by 1.4%, which is forecast to decrease by 2.3% in 2030 due to climate change. Projections indicate that Thailand, Cambodia, and India will experience significant declines in their national GDP in 2030, with a decrease of over 5%.

Asia and the Pacific exhibit exceptional diversity in terms of climate and the varying levels of economic development among various countries. The geographical distribution of heat stress impact is not uniform. It is projected that

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The Asia and Pacific regions

could experience significant economic losses due to heat stress affecting labour productivity

by 2030, there would be a decrease of almost 5% in working hours in southern Asia and western Africa, while the reduction in the European subregions will be only 0.1%.

Further, southern Asia and sub-Saharan Africa are most susceptible to experiencing declines in labour productivity due to heat stress; these regions are already vulnerable to climate change and home to most of the world's poor population, which counteracts efforts to reduce inequalities. The countries that are most susceptible to experiencing decreases in productivity are those having a significant proportion of their workforce employed in the agricultural and/or construction sectors, as well as those situated in the tropical and subtropical latitudes. The decline in available working hours and output among small-scale and subsistence farmers is expected to affect household food security. Heat stress significantly impacts labour hours and productivity, and the impact is not uniform across regions and genders. Heat stress poses concerns that have the potential to exacerbate gender disparities in the workforce, particularly by deteriorating working conditions for the numerous women engaged in subsistence agriculture. Excessive heat stress is expected to impact the achievement of various Sustainable Development Goals (SDGs).

Impact in India

India is undergoing a consistent increase in temperatures annually. By 2030, an estimated 160 million-200 million individuals around the nation may face the risk of experiencing deadly heat waves every year. Approximately 34 million people in India will experience job losses due to reduced productivity caused by heat stress. A study in West Bengal shows that as the temperature increases by 1°C, there is a corresponding decrease of approximately 2% in the productivity of female brickmaking workers. India is the country that experiences the most impact from heat stress; in 1995, it lost 4.3% of its working hours, which is anticipated to increase to 5.8% by 2030.

In addition, India is expected to experience a significant decline in full-time employment by 2030 as a result of heat stress, which can be attributed to its large population. Further, migrant workers often work in hazardous and physically demanding jobs, primarily in the informal economy. They are particularly vulnerable to the risks posed by climate change, as they usually lack occupational safety and health protections, essential services, and infrastructure.

Informal workers may continue working despite the risk to their health from extreme climate events due to financial constraints. Thus, there is a need to strengthen adaptation and mitigation measures at the global, national, and workplace levels to reduce the detrimental

impact of heat stress on workers.

There are national guidelines under the title, "Preparation of Action Plan - Prevention and Management of Heat Wave", by the National Disaster Management Authority in collaboration with the Ministry of Home Affairs. These guidelines are designed to protect the Indian workforce from the negative impacts of extreme heat. They are designed to help public officials create heatwave action plans for both urban and rural areas, with a focus on the general population.

The importance of the following factors is highlighted: providing education to workers; ensuring proper hydration; managing work schedules, and offering necessary medical facilities. The General Discussion Committee of the International Labour Conference, in June 2023, highlighted the urgent need to implement measures to ensure the safety and the health of workers impacted by climate-related risks and extreme weather events. This involves tackling the effects on their mental and physical well-being and the advocating of secure and conducive working environments.

In this regard, it is crucial for all stakeholders, including governments, employers, and workers, to collaborate in implementing measures that prioritise the protection of the most vulnerable individuals. These measures should include the development of sufficient infrastructure and enhanced early warning systems for extreme weather events.

Additionally, there should be a focus on improving the implementation of international labour standards that are related to occupational safety and health. This will ensure that those affected by heat stress are provided with suitable working conditions. Further, effective communication between workers and employers is essential to facilitate the adjustment of working hours, guarantee adequate rest breaks, provide access to drinking water, and offer training on the identification and management of heat stress. This can help alleviate the adverse effects of heat stress.

Think of green jobs

The government may implement adequate regulatory and legislative measures in occupations that are susceptible to heat waves in order to ensure the safety and well-being of workers. Additionally, infrastructure-related measures, such as implementing construction standards, should safeguard indoor workers. Considering the current climate change scenario, decent and green employment emerges as a promising solution for the future of work. Green jobs are employment opportunities that help protect or restore the environment while also supporting economic and social well-being.

The views expressed are personal

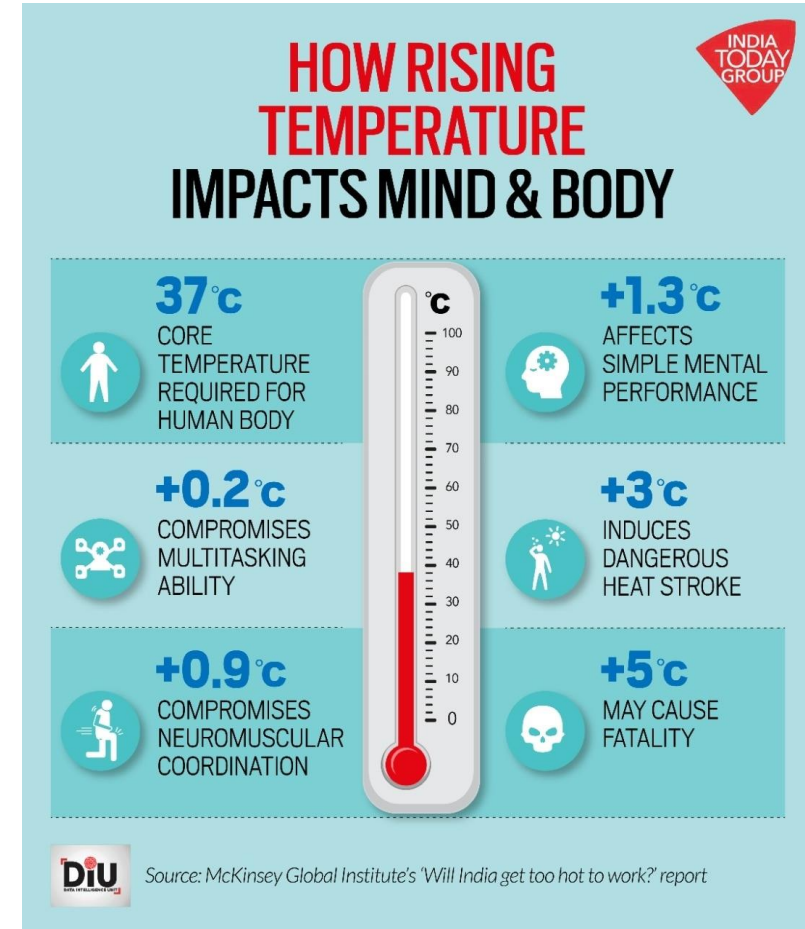
Context

- Climate change and environmental degradation have significantly affected the safety and the health of workers worldwide.
- Heat stress is anticipated to affect labour efficiency and productivity, in turn reducing work hours and hindering the International Labour Organization's (ILO) objective of promoting fair and decent employment.

- The main health effects of heat stress on workers include **heat stroke, heat cramps, cardiovascular disease, acute kidney injury, and physical injury.**
- The Intergovernmental Panel on Climate Change (IPCC) states that to retain normal physiological activities, it is necessary to maintain a core body temperature of roughly 37°C.

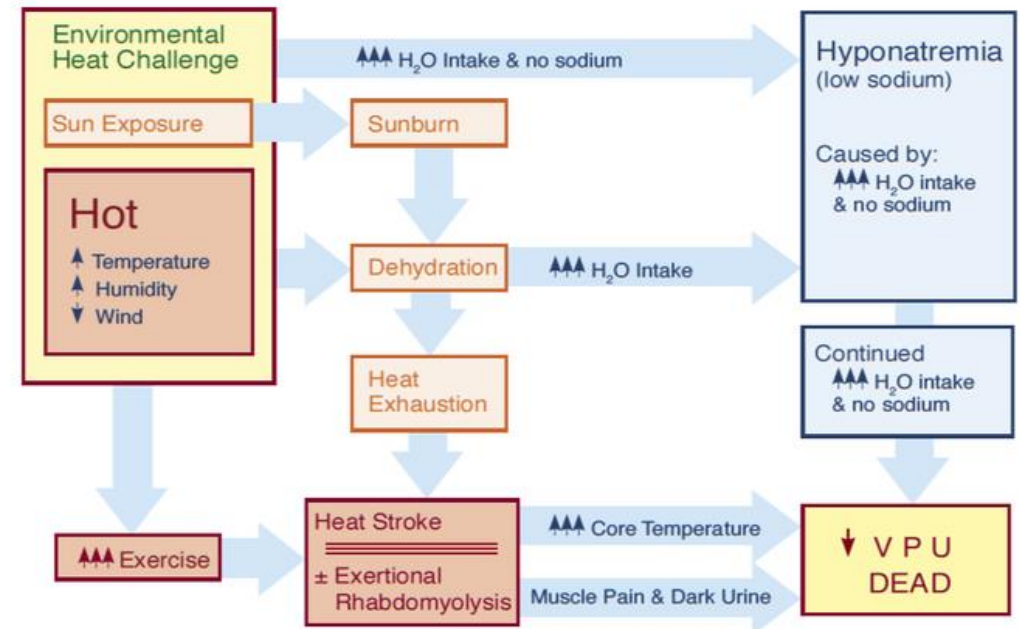
ILO study

- “Heat stress is projected to reduce total working hours worldwide by 2.2 percent and global GDP by **US\$2,400 billion in 2030.**
- **Agricultural and construction workers are expected to be the worst affected, accounting for 60 percent and 19 percent, respectively of working hours lost to heat stress in 2030”.**



- The countries that are most **susceptible to experiencing decreases in productivity** are those having a significant proportion of their workforce employed in the **agricultural and/or construction sectors**, as well as those situated in the tropical and subtropical latitudes.
- The decline in available working hours and output among small-scale and subsistence farmers is expected to **affect household food security**.
- Heat stress poses concerns that have the potential to **exacerbate gender disparities in the workforce**, particularly by deteriorating working conditions for the numerous women engaged in subsistence agriculture.
- Excessive heat stress is expected to impact the achievement of various **Sustainable Development Goals (SDGs)**.

Heat-related Problems



Impact in India

- India is undergoing a consistent increase in temperatures annually. By 2030, an estimated 160 million-200 million individuals around the nation may face the risk of experiencing deadly heat waves every year.
- **34 million people in India will experience job losses** due to reduced productivity caused by heat stress.
- India is expected to experience a significant decline in full-time employment by 2030.



National guidelines under the title, 'Preparation of Action Plan'

- Designed to protect the Indian workforce from the negative impacts of extreme heat.
- They are designed to help public officials create **heatwave action plans for both urban and rural areas**, with a focus on the general population.

Measures to be taken

- Providing education to workers; ensuring proper hydration; managing work schedules, and offering necessary medical facilities.
- Focus on improving the implementation of international labour standards that are related to occupational safety and health.



OSHA
osha.gov/heat

Prevent Heat Illness at Work

Ease into Work. Nearly 3 out of 4 fatalities from heat illness happen during the first week of work.

Build a tolerance to heat by increasing intensity by 20% each day.

Day	Intensity Increase
MON	20%
TUE	40%
WED	60%
THU	80%
FRI	100%

- Drink cool water even if you are not thirsty
- Rest for long enough to recover from the heat
- Take breaks in a shady or cool area
- Wear a hat and dress for the heat
- Watch out for each other
- Verbally check on workers wearing face coverings

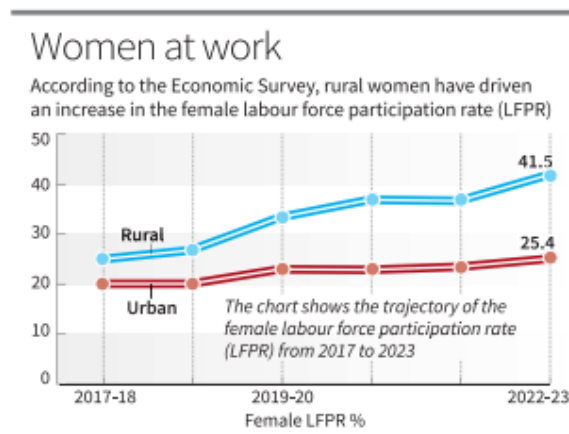
Female labour force participation rate rising

'India has shifted to women-led development; female labour force participation rate rising'

Sreeparna Chakrabarty
NEW DELHI

Observing that India is transitioning from women's development to women-led development, Chief Economic Adviser V. Anantha Nageswaran on Monday said there had been a 218.8% increase in budgetary allocation for schemes for the welfare and empowerment of women even as he acknowledged that women in India faced the "motherhood penalty" with a drop in female labour force participation rate around childbearing years.

"The share of the Gender Budget in the total Union Budget has increased to 6.5% in financial year 2025, the highest since the introduction of Gender Budgeting Scheme in fi-



financial year 2006," he said in the Economic Survey, which was tabled in Parliament. This shows that India is shifting from women's development to women-led development. He also underscored the government's commitment towards ensuring

employment opportunities for women in various fields.

The Survey said that skilling schemes had put a dedicated emphasis on covering women, and the number of women trained under the Pradhan Mantri Kaushal Vikas Yojana

(PMKVY) had increased from 42.7% in the financial year 2015-16 to 52.3% in the financial year 2023-24. Under the Jan Shikshan Sanshan (JSS) scheme, women constituted about 82% of the total beneficiaries and in institutes such as the ITIs and the National Skill Training Institutes, the participation of women had gone up from 9.8% to 13.3% during the period.

With rural India propelling the trend, the survey observed that the female labour force participation rate (LFPR) rose to 37% in 2022-23 from 23.3% in 2017-18. The Pradhan Mantri Jan Dhan Yojana had facilitated the opening of 52.3 crore bank accounts, of which 55.6% account holders were women, as of May 2024.

Delving into the crucial

aspect of care economy, the Survey estimated that direct public investment equivalent to 2% of the GDP had the potential to generate 11 million jobs in the sector, nearly 70% of which would go to women. It flagged models of Australia, Argentina, Brazil, and the U.S. in this sector.

"The economic value of developing a care sector is two-fold – increasing female labour force participation rate (FLFPR) and promoting a promising sector for output and job creation. According to International Labour Organisation (2018), the care sector is one of the fastest-growing sectors globally, and investments in the care services sector are estimated to generate 475 million jobs globally by 2030," it said.

context


- India is transitioning from **women's development to women-led development**, there had been a 218.8% increase in budgetary allocation for schemes for the welfare and empowerment of women.
- women in India faced the **"motherhood penalty"** with a drop in female labour force participation rate around childbearing years.

- “The share of the **Gender Budget** in the total Union Budget has increased to 6.5% in financial year 2025, the highest since the introduction of **Gender Budgeting Scheme** in financial year 2006.

Skilling schemes had put a dedicated emphasis on covering women

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Gender Diversity



PMKVY 4.0 to stress on inclusion of women, tribal communities

To help candidates who lost jobs during the pandemic

Scheme to be rolled out after Cabinet approval

Female workforce to be trained for EVs and solar panels

Greater emphasis on reskilling and upskilling

13.2 m candidates trained under PMKVY since 2015

BCCL

Rural India

- Female labour force participation rate (LFPR) rose to 37% in 2022-23 from 23.3% in 2017-18.
- The Pradhan Mantri Jan Dhan Yojana** had facilitated the opening of 52.3 crore bank accounts, of which 55.6% account holders were women.

Delving into the crucial aspect of care economy

- The direct public investment equivalent to 2% of the GDP had the potential to generate **11 million jobs in the sector**, nearly 70% of which would go to women.
- The care sector is one of the **fastest-growing sectors globally, and investments** in the care services sector are estimated to generate 475 million jobs globally by 2030.”



Proposed EU carbon border adjustment tax is protectionist

'Proposed EU Carbon Border Adjustment Tax is protectionist'

Jacob Koshy
NEW DELHI

Echoing the Centre's concerns on "protectionism", the Economic Survey has noted that the forthcoming Carbon Border Adjustment Tax (CBAT) mooted by the European Union "went against the spirit of the Paris Agreement".

The Carbon Border Adjustment Mechanism (CBAM), as it is called, are tariffs that will apply on energy-intensive goods imported into the European Union.

This is to ensure that local manufacturers of iron, steel and aluminium, which consume enormous fossil fuel, are not at a competitive disadvantage from similar goods produced in developing countries whose industries have more permissive fossil fuel emission norms.

"India not only has to deal with climate change and undertake energy transition but also deal with the protectionism of the developed countries. Europe is on course to implement its Carbon Border Adjustment Tax and both the United Kingdom and the United States are in different stages of imposing



India is among the top eight countries that will be adversely affected by the CBAM, say reports. SUSHIL KUMAR VERMA

their versions of it in due course. These taxes are in contravention to the spirit of the Paris Agreement that recognised "Common but Differentiated Responsibilities," the Survey says.

The CBAM is expected to come into force on January 1, 2026. India is among the top eight countries that will be adversely affected by CBAM, as per the Global Trade Research Initiative report. In 2022, 27% of India's exports of iron, steel and aluminium products worth \$8.2 billion went to the EU.

It is estimated that a few of its core sectors, such as steel, will be "greatly affected" by CBAM.

Context

- Echoing the Centre's concerns on **"protectionism"**, the Economic Survey has noted that the forthcoming **Carbon Border Adjustment Tax (CBAT)** mooted by the European Union "went against the spirit of the Paris Agreement".

Carbon border adjustment mechanism (CBAM) own resource

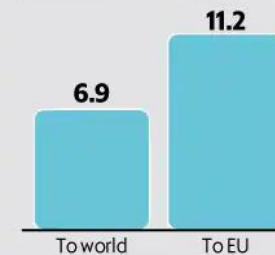


- The **Carbon Border Adjustment Mechanism (CBAM)**, as it is called, are tariffs that will apply on **energy-intensive goods imported** into the European Union.
- This is to ensure that local manufacturers of **iron, steel and aluminium, which consume enormous fossil fuel**, are not at a competitive disadvantage from similar goods produced in developing countries whose industries have more permissive fossil fuel emission norms.
- “India not only has to deal with climate change and undertake energy transition but also deal with the protectionism of the developed countries.
- Europe is on course to implement its **Carbon Border Adjustment Tax** and both the United Kingdom and the United States are in different stages of imposing their versions of it in due course.

RISING TENSION

The proposed tax has raised concerns among Indian metal producers, who fear it will create a new trade barrier for exports to Europe.

Share (%) of CBAM products in India's exports



India's total exports of CBAM products to EU:

\$8.22 bn

Impact on sectors covered under CBAM

mint

↑ **HIGH**

	Number of tariff lines affected	EU's share (%) in India's exports of CBAM products
Iron ore, concentrates	16	19.9
Steel products	163	20
Iron and steel	473	31.4
Aluminium and products	85	27.7

↓ **LOW**

Cement	14	6.1
Fertilizer	24	0.7
Hydrogen	1	0
Electrical energy	1	0

CBAM: Carbon Border Adjustment Mechanism

- These taxes are in contravention to the spirit of the Paris Agreement that recognised ‘**Common but Differentiated Responsibilities**’.”
- **The CBAM is expected to come into force on January 1, 2026.** India is among the top eight countries that will be adversely affected by CBAM, as per the **Global Trade Research Initiative report.**
- In 2022, 27% of India’s exports of iron, steel and aluminium products worth \$8.2 billion went to the EU.

Carbon Border Adjustment Mechanism

- The Carbon Border Adjustment Mechanism is a **carbon tariff on carbon intensive products**, such as steel, cement and some electricity, imported to the European Union. Legislated as part of the European Green Deal, it takes effect in 2026.



Mental health a key driver of individual and national development

'Mental health a key driver of individual, national development'

Bindu Shajan Perappadan
NEW DELHI

Acknowledging mental health as a principally impactful driver of individual and national development, the Economic Survey, for the first time, extensively highlights its significance and implications on policy recommendations.

The Survey mentions that at an aggregate economic level, mental health disorders are associated with significant productivity losses due to absenteeism, decreased productivity, disability, increased healthcare costs, and so on. There is also evidence of poverty exacerbating the risk of mental health due to stressful living conditions, financial instability, and lack of opportunities for upward mobility, which contribute to heightened psychological distress, it adds.

Alarming, the Survey states that according to the National Mental Health Survey (NMHS) 2015-16, 10.6% of adults in India suffer from mental disorders, while the treatment gap ranges between 70% and 92% for different disorders. Further, the prevalence of mental morbidity is higher in urban metropolitan regions (13.5%) than in rural areas (6.9%) and urban non-metro areas (4.3%).

Citing a study of mental health and well-being of school students by the National Council of Educational Research and Training, the Survey highlights an increasing prevalence of poor mental health among adolescents exacerbated by the COVID-19 pandemic. During the study, 11% of students reported feeling anxious, 14% ex-

Survey notes that mental disorders are associated with significant productivity losses

perience extreme emotion, and 43% mood swings.

Recognising mental health as a fundamental aspect of overall well-being, the Survey recommends proper implementation of healthcare programmes to accelerate improvements made in mental healthcare on the ground, and addressing gaps in existing programmes to maximise their effectiveness.

It lists out key initiatives and policies taken by the government, including the National Mental Health Programme, the National Tele Mental Health Programme, increasing the number of mental health personnel, the Rashtriya Kishor Swasthya Karyakram's adolescent-friendly health clinics and peer education programmes.

The initiatives include efforts to raise the number of psychiatrists from 0.75 per lakh population in 2021 to the World Health Organization norm of three per lakh population.

The Survey notes that the government is working on standardising guidelines for mental health services across the government and private sectors, and bringing effective pathways for integrating mental health interventions in schools, including developing an age appropriate mental health curriculum, encouraging early intervention and positive language in schools, promoting community-level interactions, and balancing the role of technology.

Context

- Acknowledging mental health as a principally impactful driver of individual and national development, the Economic Survey, for the first time, extensively highlights its significance and implications on policy recommendations.

National Mental Health Programme (NMHP)

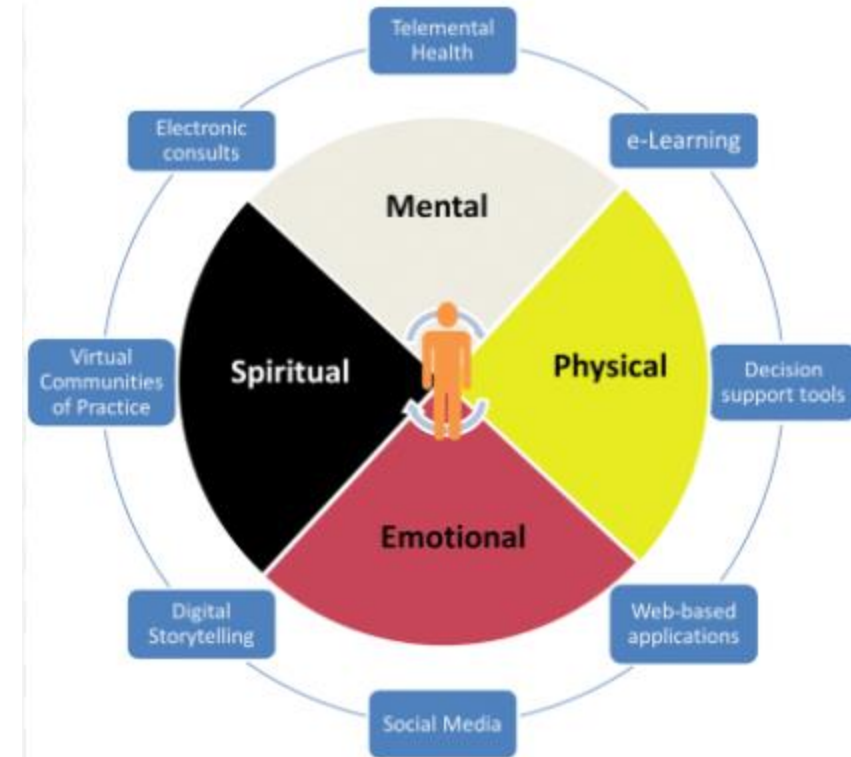
Objectives

- Encourage mental health knowledge and skills
- Promote community participation in mental health service development

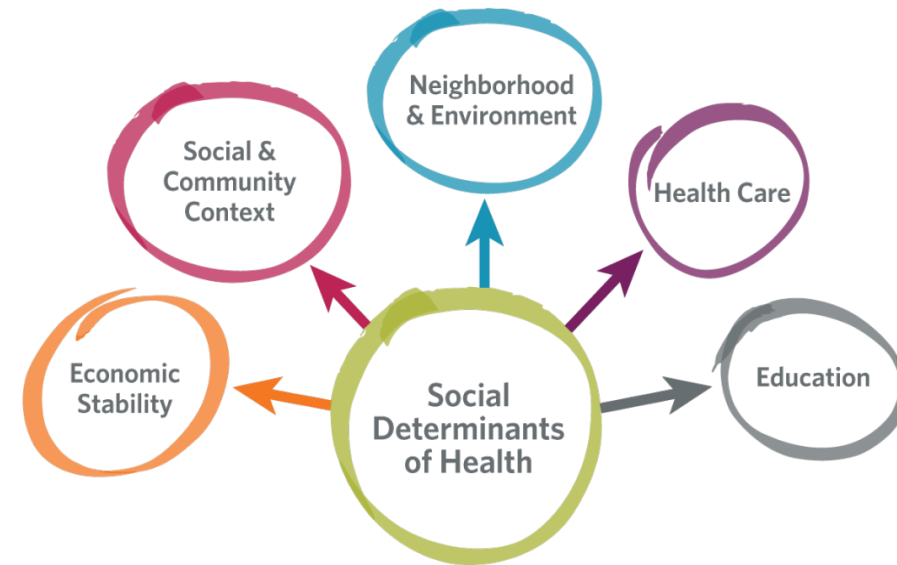


According to economic survey

- At an aggregate economic level, mental health disorders are associated with significant **productivity losses due to absenteeism, decreased productivity, disability, increased healthcare costs, and so on.**
- There is evidence of poverty exacerbating the risk of mental health due to **stressful living conditions, financial instability, and lack of opportunities for upward mobility**, which contribute to heightened psychological distress.
- According to the **National Mental Health Survey (NMHS) 2015-16**, 10.6% of adults in India suffer from mental disorders.
- The prevalence of mental morbidity is higher in urban metropolitan regions (13.5%) than in rural areas (6.9%).



- An increasing prevalence of poor mental health among adolescents exacerbated by the **COVID-19 pandemic**.
- Recognising mental health as a **fundamental aspect of overall well-being**, the Survey recommends proper implementation of healthcare programmes to accelerate improvements made in mental healthcare .
- The government is working on standardising guidelines for mental health services across the government and private sectors.
- Bringing effective pathways for integrating mental health interventions in schools, including developing an age appropriate mental health curriculum , encouraging early intervention





Thank you

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