



NEWS ANALYSIS

28 DECEMBER 2024

BAJIRAO IAS ACADEMY

Q) "The depreciation of the Indian Rupee has multiple implications for the Indian economy". Analyze the key factors contributing to the rupee's fall and its impact on the economy

Rupee Rattle: Currency hits fresh record low of 85.48/\$

At the interbank foreign exchange market, the rupee opened weak at 85.31 and plunged 53 paise to the lowest-ever intraday level of 85.80 amid record demand from importers, and FII outflows

Press Trust of India
MUMBAI

The rupee on Friday registered the steepest fall in almost two years to hit its lifetime intraday low of 85.80 before a suspected RBI's intervention helped recover some of its losses and settled 21 paise lower at a record low of 85.48 against the U.S. dollar on a strong greenback amid higher month-end demand from banks and importers. According to analysts,



Tight-fisted: The RBI's stance to hold on to dollar payments in short-term forward contracts added to greenback shortage. REUTERS

the Reserve Bank's stance to hold on to its dollar payments in short-term forward contracts added to

the shortage of greenback, with importers rushing to meet their month-end payment obligations.

Despite robust sentiment in domestic equity markets, the rupee was weighed down by sustained outflow of foreign funds and rising crude oil prices, they added. At the interbank foreign exchange, the rupee opened weak at 85.31 and plunged 53 paise to the lowest-ever intraday level of 85.80.

Rising U.S. bond yields that raised the dollar's attractiveness spurred the ₹ dip, said Ajit Mishra, senior vice president of research at Religare Broking.

Impact of Rupee Appreciation & Depreciation:

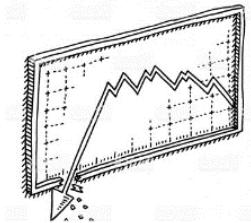


IMPACT ON INDUSTRY

Rupee Appreciation means imports turn cheaper and exports become expensive. Rupee depreciation means exports earn more.

IMPACT ON STOCK MARKET

Foreign investors (FIIs) stand to benefit from a rupee appreciation. Subsequently increased FII inflows could fuel a bull run in the stock market.



FUEL SHOCK

In the case of a Rupee depreciation, the biggest blow to the Indian economy would be the higher outflows due to fuel becoming expensive. This increased fuel costs would result in food inflation as transportation costs become higher..



The depreciation of the Indian Rupee has far-reaching consequences for India's economy, both in terms of **domestic inflation and external trade dynamics**. Recent global and **domestic developments have intensified the rupee's fall**, posing challenges and opportunities for various sectors.

Key factors contributing to the Rupee's fall

- 1. Global economic conditions:** The ongoing geopolitical tensions, rising inflation, and aggressive monetary tightening by major central banks have strengthened the US Dollar, leading to rupee depreciation.
- 2. Rising crude oil prices:** India's heavy reliance on oil imports, coupled with volatile global oil prices, creates a continuous demand for dollars, weakening the rupee.
- 3. Widening current account deficit (cad):** A persistent current account deficit due to increased imports and slow export growth leads to pressure on the rupee. E.g.: India's **CAD widened to 2.2% of GDP in FY 2023** due to higher imports of commodities like crude oil and gold.

4. Foreign portfolio investments (fpi) outflows: Global investors pulling out money from Indian markets, seeking higher returns elsewhere, puts downward pressure on the rupee.

Impact of Rupee depreciation on the Indian economy

- ❖ **Imported inflation:** A depreciating rupee increases the cost of imports, especially essential items like fuel, electronics, and machinery, exacerbating inflationary pressures.
- ❖ **Pressure on trade deficit:** While the depreciation may make Indian exports competitive, it also increases the import bill, particularly for oil and essential commodities.
- ❖ **Impact on external debt:** India's large external debt in foreign currencies becomes costlier to service as the rupee weakens.
- ❖ **Worsening of fiscal deficit:** Higher costs of importing goods such as energy and raw materials increase the government's subsidy burden, impacting the fiscal deficit.

Ways to address Rupee depreciation:

- **Strengthen Forex Reserves: Boost FDI and exports to increase foreign exchange reserves.**
- **Boost Exports: Enhance export incentives and diversify markets.**
- **Reduce Import Dependence: Promote domestic production in key sectors.**
- **Control Inflation: Maintain balanced monetary policy and fiscal discipline.**

Letter and spirit

The new detention policy seeks to address a real issue, but it fails

Among the key school education reforms instituted by the UPA government as part of the Right to Education were Continuous and Comprehensive Evaluation (CCE) and a 'no detention' policy up to Class 8. Both sought to create a benign environment in school so that there was no pressure of final examinations and "standards" on the child. The CCE was to be executed from Class 6, in discrete steps throughout the year, which meant no scary final test of just academic achievement based on a year-long curriculum. Whether those reforms contributed to the current situation or not, the reality is that a significant number of students passing out of primary school do not have foundational numeracy and literacy. And they do not seem to catch up by the time they leave middle school. Recognising the gap in achieving learning outcomes, the NDA government sought to do away with the no detention policy, in 2019, leaving it to the appropriate State governments. The CCE was given up too. But the COVID-19 pandemic intruded and made it impossible for schools to even consider detaining students. The recent notification of the Ministry of Education has removed the discretion given to State governments. It has mandated a final examination at the end of Class 5 and Class 8, which will assess a child's competence. If he or she is not found to be competent, the child will be re-examined after two months after additional instruction. If the child fails again, he or she will be detained. The rules say no child should be expelled before completing elementary education.

Practical necessity is driving this change in norms. Steps do need to be taken to address the gap in the learning outcomes achievement. An educated, capable and skilled population is needed to reap the demographic dividend. It takes an entire neighbourhood to educate a child, not just the school and parents. The dismal situation in learning outcomes is a collective failure of society that needs to be addressed. But it would take a lot more than this particular change in policy to trigger a turnaround. CBSE-affiliated and other private schools can easily implement the new policy. However, for some States, it will be a political hot potato. Private schools should not use this as an excuse to expel poor performing students – safeguards would be needed. A sad consequence of the policy is that it brings back a single final examination as an arbiter of a child's promotion or detention. While NEET or the JEE may be taken as special cases applying to extremely competitive professions, to bring back one final test at the school level is a regression. The National Education Policy 2020, for instance, wants to replace summative assessment with formative, and promote self and peer assessments. It promises a "holistic, 360-degree, multidimensional progress report card" detailing the "progress and the uniqueness of each student". The new detention policy does not reflect the NEP's spirit.

Letter and spirit

Context

- ❖ **The Ministry of Education** has introduced new norms for student assessment, mandating final examinations at the end of Class 5 and Class 8, and **reintroducing the detention policy** for underperforming students.
- ❖ This marks a reversal from earlier policies, including **Continuous and Comprehensive Evaluation (CCE)** and the **'no detention' policy**, which sought to reduce pressure on students.

Policy Reforms and Reversals

- ❖ Initially introduced under the **Right to Education Act**, CCE aimed to reduce the focus on high-stakes exams by evaluating students' performance throughout the academic year.
- ❖ This policy aimed to ensure that **students were not detained until the completion of Class 8**, focusing on a supportive learning environment rather than punitive measures.
- ❖ In 2019, the government decided to remove the **no detention policy and gave discretion to states**. The recent change mandates final exams for Class 5 and Class 8 students, with provisions for detention if students fail.

NEW EDUCATION POLICY: 2020

- Emphasises on transforming assessment for **optimizing learning and development of all students** with a focus on the following
- **Features of Assessment:**

Regular, formative and competency-based

Promoting learning and development of students

Focuses on 'assessment for learning'

Tests higher-order skills (analysis, critical thinking and conceptual clarity etc.)

Helps entire schooling system in revising continuously teaching-learning processes to optimize learning

Learning Outcomes and Practical Necessity

- ❖ Despite the reforms, many students still graduate from primary school **without foundational literacy and numeracy skills**, and the gap persists through middle school. This has raised concerns about the **effectiveness of earlier reforms**.
- ❖ The government's decision to reintroduce examinations and detention is a response to the need for **improving learning outcomes and preparing a skilled workforce** to benefit from the demographic dividend.
- ❖ The issue of **poor learning outcomes** is viewed as a societal failure, not just a school or family issue, and requires collective efforts for improvement, which the new policy aims to address.



Concerns and Criticisms of the New Policy

- While **private schools**, especially those affiliated with CBSE, **can easily implement the new policy**, it could be politically contentious for state-run schools, especially in **poorer areas where resources are limited**.
- Critics argue that bringing back a single final examination is a regression, as it undermines the spirit of the **National Education Policy (NEP) 2020**, which emphasizes **continuous, holistic, and formative assessments**.
- There are concerns that private schools might use the policy as a **justification to expel underperforming students, particularly those from disadvantaged backgrounds**. Safeguards will be necessary to prevent such practices.

'NO-FAIL POLICY AFFECTING LEARNING'

➤ Right to Education Act, 2009, introduces no-detention policy up to Class VIII

➤ In 2017, Union cabinet scraps policy after 24 states demand it

➤ On Aug 11, 2017, amendment introduced. Sent to standing committee on HRD

➤ On Feb 13, 2018, panel



backs proposal to abolish the policy

➤ On Jan 3, 2019, RS passes amendment, empowers states to detain students in the same class if they fail annual exams

Marginalised by caste, marginalised in education

Marginalised by caste, marginalised in education

A tul Kumar, the son of a daily wage worker and from the Scheduled Caste community, lost his seat at IIT Dhanbad after he was unable to pay the seat booking fee of ₹17,500 that was required to secure his admission. His case gained widespread attention on social media, prompting the Supreme Court of India to intervene by exercising its extraordinary powers under Article 142 to grant him admission. There are many and similar cases like Atul's, but which never draw media attention or receive justice, leaving many deserving students without opportunities due to financial constraints and systemic inequalities.

The rise in tuition fees

The struggles that Dalit students face echo the challenges of pre-Independence India when they were barred from enrolling in educational institutions because of their caste. While these historical restrictions were overt, the situation now is more insidious. Under the "Atmanirbhar Bharat Abhiyan", the Government of India has been pushing for self-reliance in institutions, leading to a significant increase in fees in many government colleges and universities such as the Indian Institutes of Technology (IIT), the Indian Institutes of Management, the central universities, and the National Law University. For instance, in 2016, the IIT council's standing committee agreed to increase the undergraduate tuition fees by 200%. This meant a fee increase from ₹90,000 to ₹3 lakh a year.

In response to the criticism regarding the fee increase, the committee set up by the government asserted that students from marginalised communities would benefit from the Vidyalakshmi scheme, which offers interest-free scholarships. However, while this initiative aims to provide support, it remains insufficient to fully address the financial challenges faced by these students, especially as fees continue to rise. The hike in fees that was implemented in seven IITs including increased tuition fees; IIM-Lucknow hiked it by nearly 30%, IIM-Ahmedabad and IIM-Shillong by 5%, IIM Lucknow by 29.6%, IIM-Calcutta by 17.3%, IIM-Kozhikode by 23.1%, IIM-Ranchi by 19% and IIT-Tiruchirappalli by 20%. IIT-Delhi increased tuition fees for full-time M.Tech students in the semester in 2022-23. The total academic fee is now ₹53,100, which does not include hostel fees. This is a 100% increase from last year's fee of ₹26,450.

The frequent hikes in fees have made it increasingly difficult for students from the marginalised communities to afford higher education or even pursue studies through loans.



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With rising costs in the Indian education system, many students from the marginalised communities are unable to even consider enrolling in prestigious institutions such as the IITs and the IIMs despite securing competitive ranks. As a result, while some students manage to cope with the financial burden, there are others who are overwhelmed by the stress and the inequality in academic institutions. This pressure, exacerbated by the high cost of education, has a human angle too. In 2021, data showed that over the past seven years, 122 students from the IITs and the IIMs had ended their lives, many due to the financial strain of rising fees and the anxiety of securing employment.

The issue of dropouts

Another harsh reality is that many students who manage to enrol themselves in prestigious institutions eventually drop out due to their inability to afford rising education fees. The Human Resources Development Ministry reported that 2,461 students dropped out of IITs in just two years (2017 and 2018). Last year, this issue was raised in the Lok Sabha, revealing that over the past five years, more than 13,500 students from the Scheduled Castes (SC), the Scheduled Tribes (ST), and Other Backward Classes (OBC) had dropped out of courses in the central universities, the IITs and the IIMs. Government data showed that in the central universities, 4,596 students from the Other Backward Classes, 2,424 SC students, and 2,622 ST students dropped out during this period. In the IITs, 2,066 OBC students, 1,068 SC students, and 408 ST students left. Similarly, the IIMs saw 163 OBC, 188 SC, and 91 ST students drop out over the past five years. These numbers highlight the significant challenges faced by marginalised communities in accessing and sustaining higher education in India.

One of the key reasons behind the poor economic conditions of the Dalit community is that their identity in India is still largely defined by caste. Dalits continue to be denied the opportunity to perform work that is on a par with others in society. This has not only left them economically marginalised but also socially vulnerable. Dalits in India are considered an oppressed and discriminated class, often labelled as "untouchable". Historically, this stigmatisation has meant that Dalits have been denied access to education. The term "untouchables" also refers to those who have been forced into the most undesirable and degrading jobs. A recent survey in 29 States on urban sewer and septic tank workers revealed that 92% of these workers belong to Scheduled Castes (SC), Scheduled

Tribes (ST), and Other Backward Classes (OBC). A 2019 report by former Education Minister Ramesh Pokhriyal revealed that 95% of faculty positions in IITs were held by individuals from upper caste backgrounds, with only 5% allocated to SC, ST, and OBC categories, despite these groups representing 70%-80% of India's population. An RTI filed by IIT-Bombay students further exposed the disparities, showing that 24 departments had no SC faculty, 15 lacked ST representation, and nine had no OBC faculty. These statistics highlight the deep-rooted caste-based inequalities that persist in both employment and education.

The barriers still exist

After Independence, with provisions in the Constitution and welfare mechanisms, Dalit school enrolment rates have improved over time. However, Dalit children continue to face significant barriers in education, including poverty, social discrimination, and caste-based prejudice. Dalit students are often judged based on their clothes, language, and other markers, making it difficult for them to integrate with their upper caste peers.

In many cases, caste-based remarks and discrimination wound these students, leading to social isolation. Some students succumb to the emotional toll of this prejudice – there are cases such as a woman postgraduate medical student in a medical college in Maharashtra and two students from IIT Bombay and IIT Delhi that are painful reminders of this reality. These incidents underscore the persistent shadow of casteism and harassment over the aspirations of many Dalit students. This troubling situation raises a critical question: how can these prestigious institutions effectively address this issue and foster a safe, inclusive environment for all students?

The unfortunate incidents of student suicides point to the immense pressure students face in the education system. Many students are burdened by their families' expectations that completing a degree will solve their economic problems. But unemployment in India is also high. An RTI filed in 2024 about IIT placements showed that approximately 8,000 students (38%) across 23 IIT campuses remained unplaced this year. For students from the marginalised communities, this struggle is even more pronounced, as their caste identity often doubles the challenges they face in securing jobs. These issues underscore the pressing need for systemic reforms in education and employment to alleviate the pressures on students and address caste-based disparities.

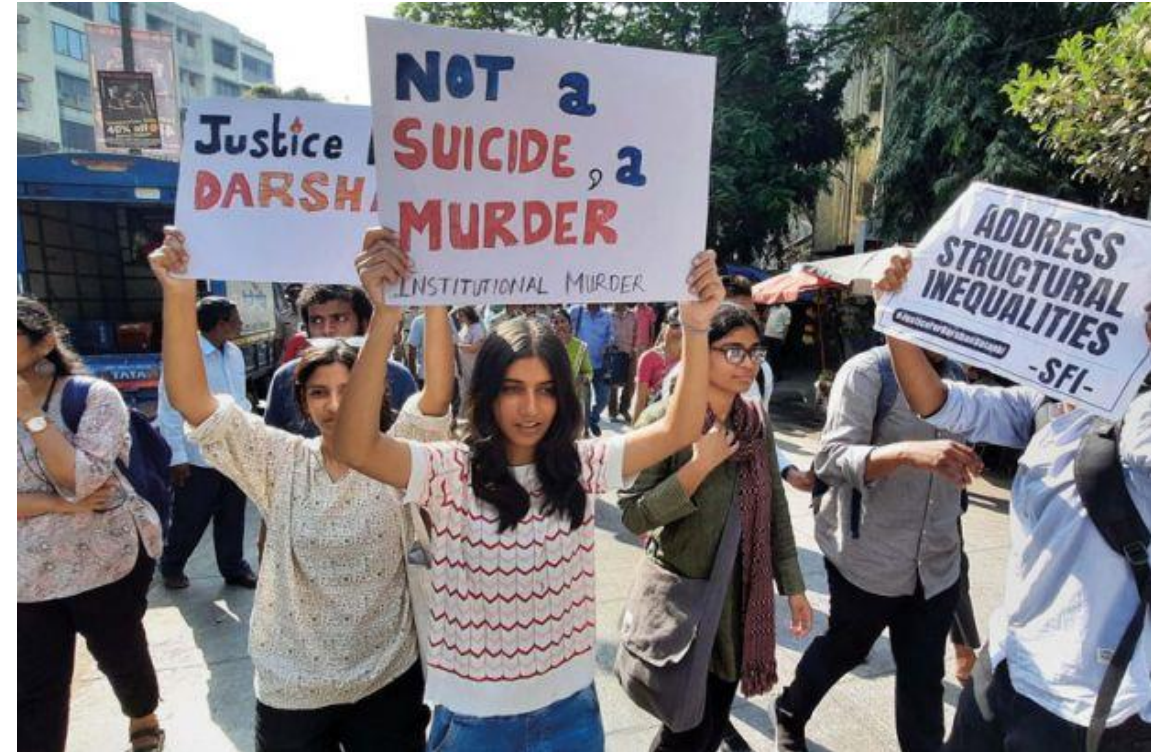
Context

- ❖ One Dalit student's plight gained significant attention on social media, leading the Supreme Court to intervene and grant him admission by exercising its extraordinary powers under Article 142, highlighting the systemic inequalities that often leave deserving students without opportunities.
- ❖ He had nearly lost his admission to IIT Dhanbad after missing the fee payment deadline due to financial constraints and technical issues

Rising costs in higher education are one of the many issues affecting Dalit students

Major challenges presently faced by Dalit students in the Indian Education system

- ❖ Under the *“Atmanirbhar Bharat Abhiyan,”* the Government of India has promoted **self-reliance in educational institutions**, resulting in significant tuition hikes at prestigious colleges such as the IITs and IIMs.
- ❖ In response to criticism over these fee increases, the government introduced the *Vidyalakshmi scheme*, which **offers interest-free scholarships for marginalized communities**.
- ❖ However, this initiative falls short of addressing the broader financial challenges faced by Dalit students as tuition continues to soar, despite their academic achievements.
- ❖ **The NCRB Data (2021)** revealed that over the past seven years, 122 students from IITs and IIMs took their own lives, with many citing financial stress and employment anxiety.



- ❖ Many students who manage to enroll themselves in prestigious institutions eventually **drop out due to their inability to afford rising education fees.**
- ❖ In 2023, this issue was raised in the Lok Sabha, revealing that over the past five years, **more than 13,500 students from the SC/ST/OBC had dropped out** of courses in the central universities.

Way Forward

- ❖ Establish robust mechanisms to monitor compliance with reservation policies and **hold institutions accountable** for non-compliance.
- ❖ **Enforce strict anti-discrimination policies** and training programs within educational institutions, ensuring that any caste-based harassment is addressed promptly.
- ❖ **Create peer mentoring programs** that connect Dalit students with mentors who can provide guidance and support.



Household consumption expenditure survey

CONSUMPTION EXPENDITURE SURVEY

Household spending on food rises in rural areas, shrinking gap with urban centres

Data show urban-rural gap dropped to 70% in 2023-24 from 84% in 2011-12

AANCHAL MAGAZINE
NEW DELHI, DECEMBER 27

REVERSING A declining trend from over a decade, the share of food in monthly expenditure of households in rural as well as urban areas went up in 2023-24, according to the Household Consumption Expenditure Survey (HCES) 2023-24 fact sheet released by the Ministry of Statistics and Programme Implementation (MoSPI) on Friday.

This probably reflects the impact of higher food prices; given that the figures are in nominal terms, the share of food in the consumption basket of rural households went up to 47.04 per cent in 2023-24 from 46.38 per cent in 2022-23, while that for urban households inched higher to 39.68 per cent in 2023-24

EXPLAINED E What the data shows

A CLOSER look at the data reveals that the top 5 per cent of the rural and urban population saw a decrease in consumption spending in 2023-24, even as all other segments of the population, including the bottom 5 per cent, registered an increase in spending.

from 39.17 per cent in the previous year.

The HCES data also showed that the difference in average monthly consumption

CONTINUED ON PAGE 2




National Sample Survey Office (NSSO)

i About: NSSO is part of NSO and **subordinate Office under the control of MoSPI.**
↳ National Statistics Office (NSO) consists of the Central Statistics Office (CSO) and NSSO.

🌀 Purpose: To conduct **large scale sample surveys** in diverse fields on All India basis.

⚙️ Functions & Responsibilities:
↳ It conducts **Periodic Labour Force Survey (PLFS), Annual Survey of Industries, and Urban Frame Survey** etc.
↳ NSSO **collects data on rural and urban prices** and plays a significant role in the improvement of **crop statistics.**
↳ It also **maintains a frame of urban area units for use in sample surveys** in urban areas.

- ❖ India's average household consumption spending on a per capita basis rose about 3.5% in real terms through August 2023 to July 2024 from a year ago, as per the **Household Consumption Expenditure Survey (HCES).**

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- ❖ It is designed to collect information on consumption and expenditure of the **households on goods and services**.
 - ❖ The survey provides data required to **assess trends in economic well-being** and to determine and update the basket of consumer goods and services and weights used for the calculation of the Consumer Price Index.
 - ❖ Data collected in HCES is also **used to measure poverty, inequality, and social exclusion**.
 - ❖ This survey is conducted by **National Sample Survey Office** (NSSO) under the Ministry of Statistics & Programme Implementation (MoSPI).

Important Findings of HCES: 2023-24

- ❖ In nominal prices, the average MPCE in 2023-24 increases by about 9% in rural areas and 8% in urban areas from the level of 2022-23.
- ❖ The **urban-rural gap in MPCE has declined** to 71% in 2022-23 from 84% in 2011-12. It has further come down to 70% in 2023-24 that confirms sustained momentum of consumption growth in rural areas.



Thank you

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