

# DAILY PT POINTERS

22<sup>nd</sup> February, 2024



# HEADLINES OF THE DAY



## The Hindu: IR (GSII)-Page 1

### Let's proceed with IMEC despite Gaza war, says Greek PM Kyrios Mitsotakis

Mr. Mitsotakis inaugurates the annual Raisina Dialogue; Greece and India agree to build trade, strengthen defence, migration ties

February 21, 2024 03:06 pm | Updated February 22, 2024 12:40 am IST - New Delhi

SUHASINI HAIDAR

COMMENTS SHARE

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- The Raisina Dialogue is India's flagship conference on geopolitics and geo-economics, committed to addressing the most challenging issues facing the international community.
- 2. The 9th edition of the Raisina Dialogue will be held from 21-23 February, 2024.
- The conference is hosted by the Observer Research Foundation in partnership with the Ministry of External Affairs, Government of India.
- The theme of this edition is "Chaturanga: Conflict, Contest, Cooperate, Create".
- The three-day Dialogue is witnessing participation of representatives from over 100 countries including Ministers, former Heads of State and Heads of Government, Military Commanders, Captains of Industry, Technology Leaders, Academics, Journalists, and Scholars on Strategic Affairs.

The Hindu:Economy (GSIII)-Page 1

## Govt. approves 100% FDI in space sector

**The Hindu Bureau**  
NEW DELHI

Prime Minister Narendra Modi-led Union Cabinet on Wednesday took a series of key decisions, which included the approval for amendments to the existing Foreign Direct Investment (FDI) policy on space sector. “Under the amended policy, 100% FDI is allowed in space sector. The liberalised entry routes...

are aimed to attract potential investors to invest in Indian companies in space,” said Union Minister Anurag Thakur.

The amended policy extends the facility of up to 74% FDI under the automatic route for satellite manufacturing and operation, satellite data products and ground/user segment.

**CONTINUED ON**  
» PAGE 12

- The Union Cabinet chaired by Prime Minister Shri Narendra Modi approved the amendment in Foreign Direct Investment (FDI) policy on space sector.
- Now, the satellites sub-sector has been divided into three different activities with defined limits for foreign investment in each such sector.
- Under the amended FDI policy, 100% FDI is allowed in space sector. The liberalised entry routes under the amended policy are aimed to attract potential investors to invest in Indian companies in space

The amended policy extends the facility of up to 74% FDI under the automatic route for satellite manufacturing and operation, satellite data products and ground/user segment. Beyond 74%, these activities are under government route. Up to 49% FDI under the automatic route will be allowed for launch vehicles and associated systems or subsystems, and creation of spaceports for launching and receiving spacecraft. Beyond 49%, these activities will be under government route. Mr. Thakur said up to 100% FDI under the automatic route would be permitted for manufacturing of components and systems/sub-systems for satellites, ground segment and user segment.

# HEADLINES OF THE DAY

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## ISRO key test over, CE20 cryogenic engine is now human-rated for Gaganyaan missions



- ISRO has accomplished a major milestone in the human rating of its CE20 cryogenic engine that powers the cryogenic stage of the human-rated LVM3 launch vehicle for Gaganyaan missions, with the completion of the final round of ground qualification tests.
  - Human-rating refers to rating a system that is capable of safely transporting humans
- ISRO has also successfully completed the acceptance tests of the flight engine identified for the first unmanned Gaganyaan (G1) mission, tentatively scheduled for Q2 of 2024.
  - The Gaganyaan project envisages demonstration of human spaceflight capability by launching crew of three members to an orbit of 400 km for a 3-day mission, and bring them back safely to earth, by landing in Indian sea waters.

# HEADLINES OF THE DAY

## The Hindu: Polity and Governance (GSII) / Economy (GSIII) -Page 10

### On financial devolution among States

What is the role of the Finance Commission? What is the basis for allocation of tax revenue to various States? Has the divisible pool of taxes been reducing for southern States? What are the potential solutions?

**EXPLAINABLE**

**Background**  
The story so far  
Recently various opposition-led States, especially from south India, have claimed that they have not been receiving their fair share as per the provisions of the divisible pool of taxes. They have raised issues about their less than proportional share of receipt in tax revenue when compared to their contribution towards tax collection.

**What is divisible pool of taxes?**  
Article 268 of the Constitution provides for the scheme of distribution of net tax proceeds collected by the Union government between the Centre and the States. The taxes that are shared between the Centre and the States include corporation tax, personal income tax, cess on GST, the Finance tax on the output of the regulated goods and services Tax (RGST) etc. This division is based on the recommendation of the Finance Commission (FC) that is constituted every five years as per the terms of Article 280. Apart from the share of taxes, States are also provided grants-in-aid as per the recommendation of the FC. The divisible pool, however, does not include cess and surcharge that are levied by the Centre.

**How is the Finance Commission constituted?**  
The FC is constituted every five years and is a body that is exclusively constituted by the President. It consists of a Chairman and four other members who are appointed by the President. The Finance Commission (Composition, Appointment, etc., 2023) has specified the qualifications for Chairman and other members of the commission. The Chairman must be a citizen of India and must have been a member of the Council of States or the Lok Sabha for at least five years immediately before his appointment.

**Table 1: Share of tax revenue between the Centre and the States**

Year	Centre (%)	States (%)	Centre (%)	States (%)	Centre (%)	States (%)
2014-15	52.1	47.9	52.1	47.9	52.1	47.9
2015-16	52.1	47.9	52.1	47.9	52.1	47.9
2016-17	52.1	47.9	52.1	47.9	52.1	47.9
2017-18	52.1	47.9	52.1	47.9	52.1	47.9
2018-19	52.1	47.9	52.1	47.9	52.1	47.9
2019-20	52.1	47.9	52.1	47.9	52.1	47.9
2020-21	52.1	47.9	52.1	47.9	52.1	47.9
2021-22	52.1	47.9	52.1	47.9	52.1	47.9
2022-23	52.1	47.9	52.1	47.9	52.1	47.9
2023-24	52.1	47.9	52.1	47.9	52.1	47.9
2024-25	52.1	47.9	52.1	47.9	52.1	47.9
2025-26	52.1	47.9	52.1	47.9	52.1	47.9
2026-27	52.1	47.9	52.1	47.9	52.1	47.9
2027-28	52.1	47.9	52.1	47.9	52.1	47.9
2028-29	52.1	47.9	52.1	47.9	52.1	47.9
2029-30	52.1	47.9	52.1	47.9	52.1	47.9
2030-31	52.1	47.9	52.1	47.9	52.1	47.9
2031-32	52.1	47.9	52.1	47.9	52.1	47.9

**Chart 1: Decrease in share of taxes for every State they contribute to Centre since 2014-15**

**THE GIST**

- States especially from south India have not been receiving their fair share as per the provisions of Finance Commission.
- Article 280 of the Constitution provides for the scheme of distribution of net tax proceeds collected by the Union government between the Centre and the States.
- The Commission, which has also recommended cess and surcharge on GST collection among various States.
- That, the percentage share in the divisible pool of taxes has been reducing for southern States over the last six FCs as can be seen in Chart 1. This is attributed to the higher weightage being given to equity (income gap and needs) population, area and forest cover efficiency (consumption preferences and so on).
- Finally, grants-in-aid as per the recommendation of the FC, which are given to States, as per the 15th FC, have an average deficit, sector-specific and State-specific grants given to various States as well as grants to local bodies that are given based on population and area of States.
- What can be the way forward?  
It must be noted that States generate around 47% of the revenue and bear around 52% of the expenditure. The FC and its recommendations are meant to ensure this balance and promote the welfare of the States. It is...

- Article 270 of the Constitution provides for the scheme of distribution of net tax proceeds collected by the Union government between the Centre and the States.
- The taxes that are shared between the Centre and the States include corporation tax, personal income tax, Central GST, the Centre's share of the Integrated Goods and Services Tax (IGST) etc.
- This division is based on the recommendation of the Finance Commission (FC) that is constituted every five years as per the terms of Article 280.
- Apart from the share of taxes, States are also provided grants-in-aid as per the recommendation of the FC. The divisible pool, however, does not include cess and surcharge that are levied by the Centre.

**Do you know ?** The FC is constituted every five years and is a body that is exclusively constituted by the Union Government. It consists of a chairman and four other members who are appointed by the President.. The Union government has notified the constitution of the 16th Finance Commission under the chairmanship of Dr. Arvind Panagariya for making its recommendations for the period of 2026-31.

# HEADLINES OF THE DAY

The Hindu:Economy (GSIII)-Page 12

## Centre increases FRP of sugarcane; will be in force from Oct. 1

**The Hindu Bureau**  
NEW DELHI

The Cabinet Committee on Economic Affairs (CCEA), which met here on Wednesday, approved ₹340/quintal as the Fair and Remunerative Price (FRP) of sugarcane for sugar season 2024-25 at sugar recovery rate of 10.25%. This is about 8% higher than FRP of sugarcane for the current season 2023-24. The revised FRP will be applicable from October 1, 2024.

Briefing reporters about the decision, Union Infor-

mation and Broadcasting Minister Anurag Thakur said the Union government always gave importance to the issues of farmers and sugarcane farmers in India get the highest price for their produce compared to other countries.

“At 107% higher than A2+FL cost of sugarcane, the new FRP will ensure prosperity of sugarcane farmers,” he said. When asked about the ongoing protests for guaranteed MSP, he said many crops in the country were procured at the best prices globally.

- The Centre decided to hike the Fair and Remunerative Price (FRP) of **sugarcane** to Rs 340 per quintal for Sugar Season 2024-25 (October-September) from the existing Rs 315 per quintal.
- Fair and Remunerative Price (FRP) is the minimum price that mills have to pay to sugarcane growers
- It is decided on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP) in consultation with the State Governments and after taking feedback from associations of sugar industry

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## Illegal lending apps on FSDC radar

Regulators discuss fresh measures to curb the further spread of harmful unauthorised lending through online apps; they reiterate need for uniform KYC norms so that KYC records can provide customers 'inter-usability' across the financial sector

The Hindu Bureau  
NEW DELHI

Fresh measures to curb unauthorised online lending apps' operations could be on the anvil, following deliberations on the issue at the Financial Stability and Development Council (FSDC) chaired by Finance Minister Nirmala Sitharaman on Wednesday.

The FSDC, which has all financial sector regulators on board including the Reserve Bank of India (RBI), also discussed issues related to macro financial stability and the country's

### Tougher rules

Regulators under the FSDC decide to strengthen inter-regulatory coordination to develop the financial sector

- FSDC also discusses issues related to macro financial stability and preparedness to deal with challenges

- The Council has all financial sector regulators in the country on board including the Reserve Bank of India



- The meet also included a member from the IT ministry, which is critical to the process of delisting lending apps

preparedness to deal with any challenges that may come up.

It emphasised the need for "constant vigil and proactive efforts" to detect

emerging financial stability risks in the current domestic and global macro-financial situation.

Apart from taking necessary measures to main-

tain the resilience of the financial sector, the FSDC members also decided to strengthen inter-regulatory coordination to further develop the financial sector so that it continues to provide the requisite financial resources for inclusive economic growth.

### 'Curb further spread'

Arresting "the harmful effects of unauthorised lending through online apps and measures to curb their further spread" figured prominently in the discussions of the FSDC.

The Council also made a reiteration of the push for

regulators to simplify and digitise the KYC (Know Your Customer) process and adopt uniform KYC norms so that those KYC records can provide customers 'inter-usability' across the financial sector.

Importantly, apart from the chiefs of various financial sector regulators and top finance ministry officials, the FSDC meeting was also attended by the Secretary to the Ministry of Electronics and Information Technology S. Krishnan. The Ministry is critical to the process of delisting lending apps that are not authorised by the RBI.

- The Financial Stability and Development Council (FSDC) has been constituted vide GOI notification dated 30th December, 2010. The Council is chaired by the Union Finance Minister and its members are Governor, Reserve Bank of India

## Tougher rules

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# HEADLINES OF THE DAY



**Air:Defence(GSIII)**

Last Updated: Feb 22, 2024, 8:38AM

Defence Minister Rajnath Singh inaugurates MTEX-24, showcasing latest advancements in naval technology

- The Maritime Technical Exposition MTEX-24 stands as a special attraction in the MILAN 2024 taking place in Visakhapatnam. MTEX-24 showcases the latest advancements in naval technology.
- Defence Minister Rajnath Singh inaugurated MTEX-24, a three-day defence exposition as part of MILAN 2024 yesterday.
- MTEX-24 highlights India's push towards self-reliance in the defence sector.
- It showcases the latest advancements in naval technology like shipbuilding, communication systems, cybersecurity, and sustainable energy solutions developed by the Indian industry.