

Swadeshi Movement and Self -Reliant India



For Prelims: Swadeshi Movement , National Handloom Day , Partition of Bengal, Atmanirbhar Bharat Abhiyan , Make in India

For Mains: Significance and impact of the Swadeshi Movement in India's freedom struggle, Relevance of Swadeshi ideals in India's economic policies, **Make in India**

Source: PIB

Why in News?

Every year on **7th August**, India celebrates **National Handloom Day** , which marks the launch of the **Swadeshi Movement** on this day in 1905.

- The movement promoted indigenous industries, with a special focus on handloom weaving, as a means of economic resistance to British colonial rule.

National Handloom Day

- The day was officially declared by the Government of India in **2015** to honour the handloom community and their contribution.
- It highlights handlooms as a pillar of rural economy, women's empowerment, and sustainable, eco-friendly production.
- **National Handloom Day Theme 2025: "Weaving Innovation into Tradition."**

What was the Swadeshi Movement?

- **Origins of the Swadeshi Movement:**

- **Partition of Bengal** : The **Partition of Bengal (1905)** into Muslim-majority East Bengal and Hindu-majority West Bengal was seen as a British tactic to create religious and political divisions, weakening nationalist unity.
- **Lord Curzon's Policies** : **Lord Curzon's** repressive policies, like reforms in Calcutta Corporation and the **Indian Universities Act (1904)** , fueled middle-class anger and discontent.
- **Calcutta Townhall meeting** : The August **1905 Calcutta Townhall** meeting formally launched the

Swadeshi Movement , urging people to boycott British goods especially the '**Manchester -made-cloth**' and the. '**Liverpool-salt**', and support Indian-made products.

- **Key Methods of the Swadeshi Movement:**

- **Boycott of British Goods:** Encouraged the Indian masses to boycott British goods and promote **Swadeshi (domestic) products** to promote economic self-reliance by supporting local industries and crafts.
- **National Education** : The boycott of British schools led to the founding of national schools focused on Indian values.
 - The **1905 Carlyle Circular** threatened to withdraw scholarships from protesting students, causing many to leave British institutions.
 - In 1906, the **National Council of Education** was formed, resulting in the later establishment of the **Bengal National College and the Bengal Technical Institute**.
- **Formation of Samitis** : Various volunteer organizations, known as samitis, were formed to propagate the Swadeshi message.
 - The **Swadesh Bandhab Samiti, led by Ashwini Kumar Dutta** in Barisal, became a powerful tool for mass mobilization.
- **Use Traditional Popular Festivals and Melas:** Festivals like Ganapati and Shivaji were used to spread Swadeshi messages across India, including Bengal.
 - **Rabindranath Tagore** used **Raksha Bandhan** as a symbol of unity to oppose the 1905 Bengal partition.
- **Emphasis on Self-Reliance:** The movement promoted '**Atma Shakti**' (**self-strength**) , linking national dignity with social reforms like fighting caste oppression, early marriage, dowry, and alcohol abuse.

- **Phases of Swadeshi Movement:**

- **Moderate Phase** :The movement began with moderates using petitions and meetings but shifted to radical methods after these efforts failed.
 - Leaders like **Surendranath Banerjee** supported the movement as a means to promote self-reliance.
- **Radical Phase:** Leaders like **Bipin Chandra Pal, Lala Lajpat Rai, and Bal Gangadhar Tilak** , part of the **Lal-Bal-Pal triumvirate** , pushed for direct confrontation with the British.
 - They expanded the movement into a call for **Swaraj (self-rule)** advocating boycott of British goods, institutions, and services, and supported both passive resistance and armed struggle.

- **Impact:**

- **Indian National Congress (INC):** It condemned Bengal's partition and supported the **Swadeshi Movement**. In the **1906 Calcutta session** , under Dadabhai Naoroji, INC declared **Swaraj as its goal**.
 - The Moderate-Extremist dispute over the movement's pace and methods led to a **party split at the 1907 Surat session**.
- **Social:** Rabindranath Tagore wrote '**Amar Sonar Bangla**' , which later became Bangladesh's national anthem and united Bengalis against Bengal's partition.
 - Artists like **Abanindranath Tagore and Nandalal Bose** enriched Indian art and cultural pride.
 - The movement aimed for **Swaraj through boycott and passive resistance** , needing mass awakening and participation. Support came mainly from the **educated middle class, aristocrats, and merchants** , while many peasants and workers remained less involved.
 - **Women played a vital role** by boycotting British goods and promoting local crafts.

- **Impact on British rule:** India witnessed a significant decline in foreign imports from 1905 to 1908. It pressured the British to introduce **Morley-Minto Reforms (1909)** which aimed to address growing Indian demands for greater representation.
 - The Swadeshi Movement boosted Indian industries like handloom and textiles, leading to new enterprises such as Bengal Chemicals and Lakshmi Cotton Mills.
 - Politically, it shifted focus from **petitions to demanding Swaraj**, fueling revolutionary activism.
 - It also strengthened nationalism by promoting pride, unity, and self-reliance against colonial rule.
- **Annulment of Partition of Bengal:** In 1911 **Lord Hardinge** annulled the Partition of Bengal primarily to stop the rising tide of **revolutionary terrorism and unrest in the region**.

What is the Contemporary Relevance of the Swadeshi Movement in India?

- **Atmanirbhar Bharat:** The Swadeshi Movement's ideals are revived through the **Self-reliant India (Atmanirbhar Bharat Abhiyan) mission** which aims to promote **Indian goods globally and achieve self-reliance**.
 - Launched during the pandemic with a Rs 20 lakh crore stimulus (~10% of GDP), it focuses on themes like **'local for global' and 'vocal for local.'**
 - Key goals include making India a global supply chain hub, boosting private sector trust, supporting Indian manufacturers, and expanding exports in agriculture, textiles, clothing, jewelry, pharma and defence.
- **Make in India Initiative:** It promotes India as a **global manufacturing hub**, encouraging local and foreign companies to **produce domestically**, echoing the Swadeshi Movement's focus on self-sufficiency and local industry.
 - **Make in India** improved ease of doing business, boosting FDI from USD 45 billion in 2015 to USD 81.04 billion in FY 2024-25.
 - **Exports hit USD 437 billion in 2024**, with pharmaceuticals supplying 60% of the world's vaccines.
 - Defense exports grew, and India rose to **39 th in the 2024 Global Innovation Index**.
 - 'Made in Bihar' boots have been incorporated into the Russian Army's equipment.
 - The **Production Linked Incentive (PLI)** schemes aim to enhance domestic manufacturing and boost exports by covering 14 key sectors.
- **Revival of Khadi and Cottage Industries:** Khadi movement, a **socio-cultural narrative**, was launched by **Gandhiji** promoted the use of **Swadeshi products and urged boycotting foreign goods**, remains relevant today, with **KVIC (Khadi and Village Industries Commission)** achieving significant growth in turnover.
 - Over the past 11 years (2013-2025), KVIC production rose by 347% and sales by 447%. Employment grew by 49.23%, providing jobs to 1.94 crore individuals.
- **Economic Nationalism and Protectionism :** Rooted in the Swadeshi Movement, prioritizes domestic industries through **import substitution, trade tariffs, and incentives for Indian companies**.
 - These policies aim to reduce dependency on global supply chains, especially in critical sectors like defense, healthcare, and energy.

Role of Handloom Sector in India's Economy

- **Economic Significance** : The handloom sector is the largest **cottage industry** in India, employing over **35 lakh** workers, many of whom are women.
 - **72%** of handloom weavers are women, providing them with **economic independence** .
- **Sustainable Living** : Handloom products are **eco-friendly, support rural livelihoods, and empower women**, all while preserving India's cultural heritage.
- **Export** : India is the **world's largest producer** of handwoven fabric, accounting for **95%** of global handloom output.
 - India's major handloom exports include **mats, carpets, rugs, bedsheets, cushion covers, and silk scarves**.
 - India exported handloom cotton yarn, fabrics, and made-ups worth about USD **10.94 billion in FY23**. In FY24, exports went to over 20 countries, with the **US as the largest importer**, followed by the UAE, Spain, the UK, France, and Italy.

India's Initiatives Related to Handloom

- **National Handloom Development Programme (NHDP)**: Promotes sustainable growth by providing raw materials, design support, technology upgrades, marketing assistance, and infrastructure like Urban Haats.
- **Raw Material Supply Scheme (RMSS)**: Ensures quality yarn at subsidized rates, reimburses freight charges, and offers a 15% yarn subsidy to help handloom weavers compete with power-looms.
- **Pradhan Mantri MUDRA Yojana (PMMY)** : Offers low-interest loans to weavers.
- **Workshed Scheme**: Provides dedicated workspace near the weaver's home for the entire family. Each unit costs Rs 1.2 lakh. Marginalized weavers get 100% financial aid and others receive 75%.
- **Protecting Traditional Designs**: Under the **Geographical Indication (GI) Act, 1999**, a total of 104 handloom products have been registered for GI.
- **GeM**: Around 1.8 lakh weavers onboarded on **Government e-Marketplace (GeM)**.
- **Welfare Measures** : Social security is provided via **Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJY)**, **Pradhan Mantri Suraksha Bima Yojana (PMSBY)** and converged **Mahatma Gandhi Bunkar Bima Yojana (MGBBY)**

Drishti Mains Question:

What is the contemporary relevance of the Swadeshi Movement's ideas in India's current economic strategies?

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q. Consider the following statements : (2023)

Statement-I: 7th August is declared as the National Handloom Day.

Statement-II: It was in 1905 that the Swadeshi Movement was launched on the same day.

Which one of the following is correct in respect of the above statements?

- (a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I.
- (b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I.
- (c) Statement-I is correct but Statement-II is incorrect.
- (d) Statement-I is incorrect but Statement-II is correct.

Ans: (a)

Q. With reference to the Swadeshi Movement, consider the following statements: (2019)

1. It contributed to the revival of the indigenous artisan crafts and industries.
2. The National Council of Education was established as a part of the Swadeshi Movement.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Ans: (c)

Mains

Q. Evaluate the policies of Lord Curzon and their long term implications on the national movement. (2020)

World War II & Shift in Global Power Dynamics



For Prelims : World War I , World War II , Treaty of Versailles, Operation Barbarossa, Policy of Appeasement, Hiroshima and Nagasaki, Marshall Plan

For Mains: Causes and consequences of World War II, India's role in World War II, Global impacts of World War II

Source: IE

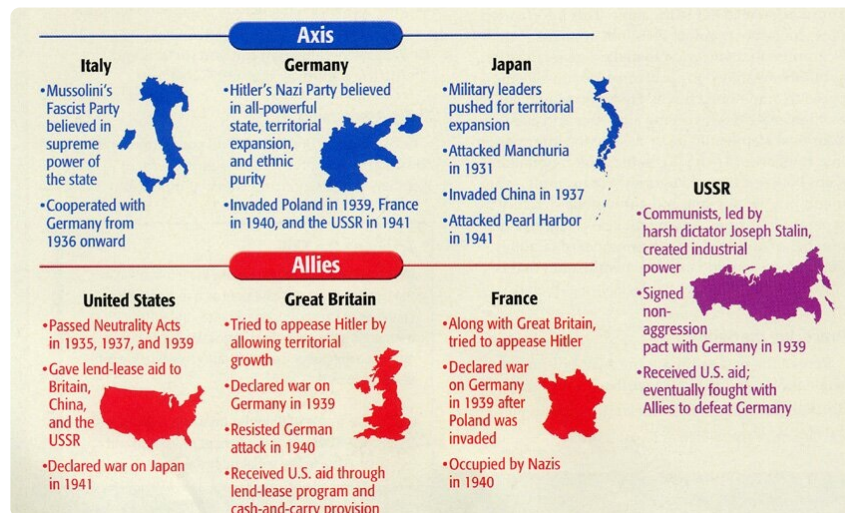
Why in News?

On **6 th August 2025** , the world marked **80 years** since the **US atomic bombing of Hiroshima** , observed annually as **Hiroshima Day** .

- On **6 th and 9 th August 1945** , the US dropped **“Little Boy”** on **Hiroshima** and **“Fat Man”** on **Nagasaki** , **killing thousands instantly** , causing **massive destruction** and **long-term radiation effects** , and leading to **Japan’s surrender** in **World War (WW)-II**.

What was World War (WW)-II?

- About: World War II (1939–1945)** was the deadliest **global conflict** , fought between the **Axis Powers (Germany, Italy, Japan)** and **Allied Powers (France, Great Britain, the US, Soviet Union, China)** .
 - Nearly **100 million** people were mobilized, with around **50 million deaths** , accounting for **3% of the world population** .



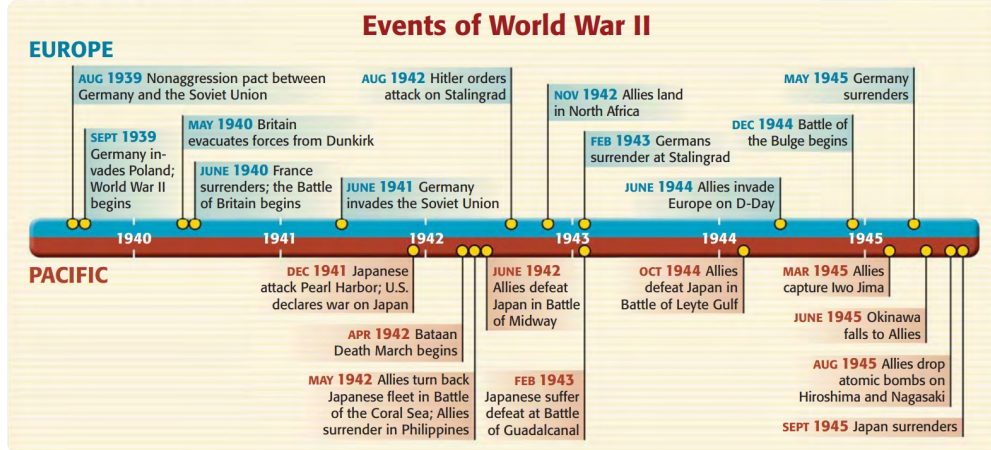
- Key Causes:**
 - Treaty of Versailles (1919):** The treaty imposed **harsh terms on Germany after WWI**, including **war guilt, heavy reparations** , territorial losses and **strict military restrictions** . These terms **humiliated Germany, fostered resentment, and fueled ultra-nationalism and revanchism**.
 - Failure of the League of Nations:** Established to maintain peace, the League lacked **universal membership (US never joined)** and had no **standing army** ; its failure to prevent **Japanese aggression in Manchuria (1931)** and **Italian invasion of Abyssinia (1935)** **emboldened fascist powers** .
 - Economic Crisis:** The **Great Depression (1929)** caused **worldwide unemployment, poverty,**

and **political instability** . In Germany, **hyperinflation and US loan withdrawal** worsened conditions, enabling **totalitarianism and militarization in Europe and Japan**.

- **Rise of Fascism and Nazism: Fascism** , led by **Mussolini** in Italy, promoted **order** , **nationalism** , and **anti-communism** .
 - **Nazism** under **Hitler** combined fascism with **racial ideology** , aiming to overturn the **Treaty of Versailles** , restore **German power** , and gain **Lebensraum** ("living space").
 - From 1933, Hitler's **dictatorship** pursued aggressive **expansion** and **racial extermination** policies.
- **Policy of Appeasement:** Britain and France allowed Hitler to violate the **Treaty of Versailles** by permitting the **Rhineland reoccupation (1936)** and **Sudetenland annexation (1938)** , underestimating his ambitions and delaying military readiness; they avoided action even after Germany invaded **Czechoslovakia (1939)** .
- **Invasion of Poland (September 1939):** Germany's invasion prompted Britain and France to declare war, marking the official start of **WWII** and exposing the failure of **appeasement** .
- **Japanese Expansion and Pearl Harbour (1941):** Japan's imperial ambitions led to the attack on **Pearl Harbour** , drawing the **US** into the war and expanding WWII into a **global conflict** .

What were the Key Events of World War II?

- **Start of WWII & Nazi-Soviet Pact (1939):** Germany invaded Poland on **1 at September 1939** after making a secret agreement with the **Soviet Union** to divide the **country**, which led **Britain and France to declare war**, officially **starting World War II**.
- **Phoney War & Early Conflicts (1939-1940):** Western Europe saw **little fighting during the Phoney War**. Meanwhile, the **USSR fought Finland (Winter War)**, ending in March 1940, and Germany invaded Denmark (surrendered) and Norway (resisted until June).
- **Fall of France & Blitzkrieg (1940):** Germany's rapid Blitzkrieg tactics overwhelmed France, Belgium, and the Netherlands despite Allied numerical superiority, leading to France's defeat and establishment of the Vichy puppet regime.
- **Battle of Britain (July-September 1940):** The **Royal Airforce** successfully defended Britain against the German Luftwaffe's air assault, marking the **first major defeat of Nazi Germany** and halting plans for a German invasion.
- **Operation Barbarossa & US Entry (1941):** In June 1941, **Germany broke the Nazi-Soviet Pact** by invading the USSR, but progress stalled due to **harsh winter and Soviet counterattacks** . **Japan's attack on Pearl Harbor** led the US to join the war, followed by Germany declaring war on the US, globalizing the conflict.
- **Turning Tide: Midway, Stalingrad, and North Africa (1942-1943):** The **US decisively defeated Japan at the Battle of Midway (June 1942)** .
 - The **Soviet victory at Stalingrad (February 1943)** marked Germany's first major defeat. **Allied forces won in North Africa** and began **pushing Axis forces back in Europe**.



What were the Key Consequences of World War II?

• Global Impact:

- **Human Cost:** The war caused an estimated **70-85 million deaths** , including **military and civilian casualties** . The **Holocaust** resulted in the systematic murder of **six million Jews** by **Nazi Germany** .
- **Emergence of the Cold War:** Defeat of **Axis powers** led to the collapse of **Nazi Germany** and **Imperial Japan** . **Germany** was divided into **occupation zones** , while the **Soviet Union** expanded its influence over **Eastern Europe** . The **United States** emerged as a **superpower** , marking the beginning of the **Cold War** .
- **United Nations:** Established in **1945** , the **United Nations** was created to promote **international cooperation** and prevent **future conflicts** .
- **Economic Recovery:** The **Marshall Plan (1948)** by the **United States** provided economic aid for the **reconstruction** of **war-torn Western Europe** .
- **Nuclear Arms Race:** The **atomic bombings** of **Hiroshima** and **Nagasaki** introduced the **nuclear age** , leading to a prolonged **nuclear arms race** during the **Cold War** .
- **Decolonization:** The war weakened **European colonial empires** , sparking widespread **anti-colonial movements** in **Africa, Asia, and the Middle East** , leading to **decolonization** .

• Impact on India:

- **Economic Hardships:** WWII caused **economic hardship** , including **inflation** , **high taxes** , **corruption** , and catastrophic events like the **Bengal famine of 1943** , which caused millions of deaths.
- **Increased Nationalism:** The war intensified **nationalist sentiments** , especially after the **Indian National Army (INA)** formation by **Subhas Chandra Bose** , inspiring further resistance against British rule.
- **Post-War Independence Movement:** The war **weakened British control** , making **continued rule untenable** .
 - Returning soldiers' experiences of **limited civil liberties** compared to Europeans further fueled the **demand for independence** , culminating in **India's independence in 1947** .

What was India's Response to World War II?

- **Colonial Status & Unilateral War Declaration:** During WWII, India was a **British colony** and the British government, under **Viceroy Lord Linlithgow** , declared **India's involvement in the war without consulting Indian leaders** , leading to **widespread political discontent**.

- **Massive Military Contribution:** India contributed over **2.5 million soldiers** , forming the **largest volunteer army globally**. Indian troops fought across **major theatres**, including **Europe, Africa, the Middle East, and Southeast Asia**, playing crucial roles in battles such as the **Battle of Monte Cassino** in Italy, supporting the Allied war effort.
- **INA & Axis Collaboration: Indian National Army (INA)** was formed with Japanese support & it **fought alongside Axis powers** in Southeast Asia, aiming to **overthrow British rule and secure India's independence**.
- **Opposition by INC:** The **Indian National Congress (INC)** strongly opposed **British unilateralism** by **resigning from provincial governments in 1939**.
 - They demanded that India's political future be **decided by Indians after the war and saw WWII as an opportunity to press for independence**.
- **Full & Conditional Support:** While some groups, including the **Muslim League** and **Hindu Mahasabha** , offered **conditional support to the British war effort** , hoping India's contribution would lead to **leniency and eventual self-rule**.
 - While leaders like **Mahatma Gandhi** actively used the war's circumstances to **strengthen the independence movement**.

Drishti Mains Question:

What were the main causes that led to the outbreak of World War II, and what was its global impact? How did these events shape the political landscape of India?

[Watch Video on YouTube:

▶ https://www.youtube.com/embed/oSB_bA7xqEw]

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Mains:

Q. How far is it correct to say that the First World War was fought essentially for the preservation of balance of power? (2024)

Q. "There arose a serious challenge to the Democratic State System between the two World Wars." Evaluate the statement. (2021)

Q. To what extent can Germany be held responsible for causing the two World Wars? Discuss critically. (2015)

Money Laundering Issue in India



For Prelims: Supreme Court , Money Laundering , Prevention of Money Laundering Act, 2002 , Enforcement Directorate , Enforcement Case Information Report

For Mains: Legal and Regulatory framework in India to combat Money Laundering , Prevention of Money-Laundering Act (PMLA) , Supreme Court Judgement and its Implications

Source: TH

Why in News?

A report submitted by the **Finance Minister** in the **Rajya Sabha** reveals that the **Enforcement Directorate (ED)** has taken up **5,892 cases under Prevention of Money Laundering Act (PMLA), 2002** since 2015 but secured **only 15 convictions**.

- Also, in another development the **Supreme Court** held that **ED must follow the rule of law** , urged **fast-track courts** for PMLA cases, and called for **cryptocurrency regulation** to prevent misuse without banning it.

What is Money Laundering?

- About:** It is the process of **disguising illegal proceeds** from criminal activities (e.g., **drug trafficking, smuggling, arms trade, embezzlement**) to make them **appear legitimate, enabling criminals to enjoy profits without detection**.
 - It involves **changing the source, form, or location** of funds to avoid scrutiny.
- 3 Key Stages:** Money laundering involves **placement** (introducing illicit funds), **layering** (disguising their origin), and **integration** (making them appear legitimate).
- Key Methods:** Key methods include **structuring/ smurfing** (splitting large cash into smaller) , **trade-based laundering** , **shell companies** , and **real estate investments** .

What are the Key Reasons for Rising Money Laundering Cases in India?

- Legal and Enforcement Gaps:** Misuse of **Section 5 of PMLA** (property attachment without registered offence) and **delays in prosecution** reduce effectiveness.
- Complex Laundering Techniques:** Use of **digital currencies/ cryptocurrencies** , **fintech** , and **cross-border mechanisms** make detection difficult.
 - In the Rs 260 crore global cyber fraud case, the ED found that the funds were converted into cryptocurrencies like Bitcoin and USDT, which were then laundered through hawala operators and individuals in the UAE.
- Shadow Economy & Cash-Based Sectors:** High informal sector presence and lax regulation in **real estate** , **jewellery** , and **luxury goods** .
- Weak Global Cooperation:** Despite **Double Taxation Avoidance Agreements (DTAAs)** with **85+ countries** , **limited information sharing** hampers investigation.

What are the Key Consequences of Money

Laundering?

- **Fueling Organised Crime & Terrorism:** Laundered funds **sustain criminal network s**, **drug/human trafficking** and **terror financing** .
- **Erosion of Public Trust:** Encourages **corruption and weakens democratic institutions** .
- **Impact on Vulnerable Groups:** Diverts public funds meant for welfare, widening **socio-economic inequality** .
- **Economic Distortion:** Undermines monetary policy, creates **capital flow volatility** , inflates **real estate prices** , deters **FDI** , and causes **financial instability** .

Laundromat

- A “ **laundromat** ” refers to a complex web of **banking channels** , **shell firms** , and **offshore accounts** used to clean illicit funds. The term originated from US crime syndicates using laundromats as fronts for laundering.

What is the Prevention of Money Laundering Act (PMLA), 2002?

- **About: PMLA, 2002** (enforced in **2005**) was enacted to **prevent money laundering** and **provide for the confiscation of property** derived from such activities.
 - It targets laundering linked to crimes like **drug trafficking** , **smuggling**, and **terror financing** .
 - Enacted under **Article 253** of the Constitution to fulfill international commitments.
- **Key Provisions of PMLA:**
 - **Attachment, Seizure & Confiscation** : The Act empowers authorities to **attach, seize, and confiscate** property derived from crime.
 - These actions are overseen by an **Adjudicating Authority** and require the existence of a **scheduled offence** (offence against the state).
 - **Initiation of Proceedings & ECIR** : Proceedings can be initiated based on an **ECIR (Enforcement Case Information Report)** filed by the **ED** & **no FIR is required** .
 - The ECIR acts as the starting point for investigation under PMLA.
 - The **ED derives its powers under PMLA, 2002** from various **sections (3, 4, 5, 16, 17 etc)** to **investigate, attach, seize, and prosecute offenses related to money laundering**.
 - **Bail Conditions (Section 45):** The accused must prima facie prove innocence and assure the court of no likelihood of reoffending to secure bail.
 - **Institutional Mechanisms : Financial Intelligence Unit (FIU-IND) receives and analyses suspicious transaction report s** from banks and financial institutions.
 - The **Appellate Tribunal** hears appeals against orders passed by the Adjudicating Authority.
 - **Recent Amendments Related to PMLA: 2019** amendment to PMLA, introduced of **Rule 3A** , allowing **Special Courts** to notify claimants for **confiscated property** after charges are framed.
 - The **2023** amendment expanded **disclosure obligations** for **NGOs** and redefined **Politically Exposed Persons (PEPs)** to include prominent **foreign officials** , aligning with **FATF** standards.
 - **Global Cooperation:** India has signed **DTAAs** with over **85 countries** for:

- **Facilitating exchange of financial and tax-related information .**
- **Enabling tracing of offshore accounts and investments .**
- **Preventing tax evasion and illegal fund transfers .**

Key Judicial Cases Related ED

- In ***P. Chidambaram vs. ED, 2019, case*** Supreme Court (SC) held that **concealing the illegal source of money** impacts the **financial system** and threatens the **sovereignty and integrity** of the nation.
- In ***Vir Bhadra Singh vs. ED, 2017 case*** , SC reiterated that **FIR is not essential** as ECIR is enough to proceed.
- In ***Vijay Madanlal Chaudhury vs. Union of India, 2022*** case, SC held that **registration of a scheduled offence is mandatory for prosecution (Sec 3)** , but **not for property attachment (Sec 5)**
 - This provision is often **misused** against dissenting voices or political opponents.

What Measures Should be Taken to Tackle the Issue Money Laundering?

- **Strict Compliance with FATF Norms** : Authorities must align enforcement with **Financial Action Task Force (FATF) recommendations** , ensuring **transparency, accountability** , and **checks against misuse** .
- **Independent & Fair Investigations** : Enforcement agencies should act **independently** , free from **political bias** , ensuring **genuine cases are prioritized** and rights of individuals protected.
- **Strengthening Evidence Collection & Coordination** : Improve **financial intelligence** mechanisms, inter-agency coordination (ED, FIU, Income Tax Dept.), and use of **digital forensics** to increase **conviction rates** .
- **Effective Use of DTAA Mechanisms** : Enhance **data exchange protocols** and **real-time cooperation** with foreign counterparts to track **illicit financial flows** and plug **treaty loopholes** .
- **Judicial Oversight & Safeguards** : Ensure greater **judicial scrutiny** in attachment and prosecution processes under PMLA to **prevent arbitrary action** and uphold **due process of law** .

Conclusion

Money laundering is a **grave threat** to India's **financial stability** and **national security** . While the **PMLA** offers a strong legal framework, its **implementation** is marred by **delays** , **misuse** , and **low conviction rates** . Combating this menace requires **legal reforms** , enhanced **international cooperation** , and strengthened **institutional accountability** .

Drishti Mains Question:

Discuss India's institutional and legal measures to combat money laundering. What are the key challenges and the way forward?

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Mains

Q1. Discuss how emerging technologies and globalisation contribute to money laundering. Elaborate measures to tackle the problem of money laundering both at national and international levels. (2021)

Q2. Money laundering poses a serious threat to a country's economic sovereignty. What is its significance for India and what steps are required to be taken to control this menace? (2013)

Q3. India's proximity to the two of the world's biggest illicit opium-growing states has enhanced her internal security concerns. Explain the linkages between drug trafficking and other illicit activities such as gunrunning, money laundering and human trafficking. What counter-measures should be taken to prevent the same? (2018)

RBI's Recommendations on Liquidity Management Framework



Source: BS

Why in News?

The **Reserve Bank of India's (RBI) Internal Working Group (IWG)** has submitted its recommendations to improve the efficiency and predictability of the **Liquidity Management Framework (LMF)** , which has been in operation since February 2020.

What is RBI's Liquidity Management Framework (LMF)?

- **About:** The LMF is essentially the toolkit the RBI uses to manage the **amount of cash in the banking system** , helping steer short-term interest rates and ensuring smooth monetary policy transmission.
- **Core Mechanism:** At LMF core, it relies on the **Liquidity Adjustment Facility (LAF)** that is the **repo and reverse repo mechanism** through which RBI injects or absorbs liquidity as needed.
 - This framework typically operates with a "**corridor system**," where the policy **repo rate sits in the middle**. The **overnight Weighted Average Call Rate (WACR)** serves as the key operating target for monetary policy.

- **Other Tools in LMF:** The LMF also includes other tools like **Open Market Operations (OMO)**, **Cash Reserve Ratio (CRR)**, and **Statutory Liquidity Ratio (SLR)** for longer-term and structural liquidity adjustments.

Recommendations of RBI on Liquidity Management Framework (LMF)

- **WACR as the Operating Target:** IWG recommends continuing to use the **overnight WACR** as the operating target for monetary policy.
 - **Rationale :** **WACR** has shown a high correlation with other overnight collateralized money market rates, making it an effective tool for transmitting monetary policy signals.
 - It remains a reliable instrument for ensuring smooth transmission of rates across different segments of the money market.
- **Discontinue the 14-day VRR/VRRR Auctions :** **14-day Variable Rate Repo (VRR)** and **Variable Rate Reverse Repo (VRRR)** auctions should no longer be the primary operations for managing transient liquidity.
 - Instead, the RBI should manage transient liquidity primarily through **7-day repo/reverse repo operations** and other operations with tenors ranging from **overnight to 14 days** .
 - **Rationale :** **14-day VRR/VRRR auctions** have seen lower participation, with banks preferring shorter-term tools like the **Standing Deposit Facility (SDF)** .
 - Shorter-term operations are more effective in managing liquidity needs without causing dislocations in the market.
- **Advance Notice for Repo/Reverse Repo Operations:** The RBI should provide at least **one day's advance notice** for conducting **repo/reverse repo operations** .
 - IWG recommends, if required, the RBI may conduct same-day repo/reverse repo operations in response to evolving liquidity conditions.
 - **Rationale :** Advance notice reduces market uncertainty and helps smooth money market rates.
- **Minimum CRR Requirement:** The RBI should continue to enforce the 90% daily minimum requirement for maintaining the CRR.
 - **Rationale:** This requirement ensures that banks maintain sufficient reserves, thereby preventing liquidity shortfalls.

Key Terms Related to RBI's LMF

- **Weighted Average Call Rate (WACR):** It is the average interest rate at which **banks borrow and lend money to each other for one day (overnight)** in the **call money market**, weighted by the volume of transactions.
 - It's the RBI's main operating target for monetary policy to signal short-term interest rates.
- **Variable Rate Repo (VRR):** It is an RBI tool used to manage **short-term liquidity**. Unlike the **fixed repo, where the rate is pre-set**, VRR uses an auction mechanism to determine the lending rate based on market demand.
- **Variable Rate Reverse Repo (VRRR):** It is a monetary policy tool used by the RBI to **absorb excess liquidity through auctions**, where banks bid at **variable interest rates to place short-term deposits** with the RBI and earn interest in return.
 - Unlike the fixed reverse repo, VRRR rates are set via auctions, letting market forces decide and helping RBI absorb excess liquidity more effectively.

QUANTITATIVE INSTRUMENTS OF MONETARY POLICY

LIQUIDITY ADJUSTMENT FACILITY (LAF)

- **Repo Rate (RR):** The rate at which the RBI lends money to commercial banks. Here, RBI **purchases securities**.
- **Reverse Repo Rate:** The rate at which the RBI borrows money from commercial banks within the country. **Opposite of Repo.**
- If RBI wants to signal **tight monetary policy**, it will **increase the repo rate**; banks will **increase their lending rates**.

BANK RATE

- It is a **long-term rate (RR is short-term)** at which the central bank lends money to other banks.
- **Increase in Bank rate** will **increase the interest rates on the Loans / Deposits** and vice versa.

STATUTORY LIQUIDITY RATIO (SLR)

- SLR is the minimum percentage of deposits that a commercial bank has to **maintain in the form of liquid cash, gold or other securities**.
- If RBI wants to **tighten the monetary policy**, it will **raise the SLR**.

CASH RESERVE RATIO (CRR)

- Banks are required to hold a certain proportion of their deposits in the form of **cash with RBI**.
- With the **increase in CRR**, banks **increase the lending rates**.

OPEN MARKET OPERATIONS (OMOS)

- These include **purchase/sale of government securities** by the Central Bank for **injection/absorption of durable liquidity** in the banking system.



Drishiti IAS

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q. If the RBI decides to adopt an expansionist monetary policy, which of the following would it not do? (2020)

1. Cut and optimize the Statutory Liquidity Ratio
2. Increase the Marginal Standing Facility Rate
3. Cut the Bank Rate and Repo Rate

Select the correct answer using the code given below:

- (a) 1 and 2 only
- (b) 2 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Ans: (b)

Q. Which of the following statements is/are correct regarding the Monetary Policy Committee (MPC)? (2017)

1. It decides the RBI's benchmark interest rates.
2. It is a 12-member body including the Governor of RBI and is reconstituted every year.
3. It functions under the chairmanship of the Union Finance Minister.

Select the correct answer using the code given below:

- (a) 1 only
- (b) 1 and 2 only
- (c) 3 only
- (d) 2 and 3 only

Ans: (a)

India-UAE 13th JDCC



Source: PIB

India and the United Arab Emirates (UAE) reaffirmed their commitment to **deepening defence ties** during the **13 th Joint Defence Cooperation Committee (JDCC)** meeting held in **New Delhi** .

Key Outcomes of 13 th JDCC Meet:

- India-UAE **enhanced military training** and signed an **MoU between Indian Coast Guard and UAE National Guard** for **maritime security, including SAR, anti-piracy, pollution response, and real-time info sharing** in the **Indian Ocean Region (IOR)** .
- **Advanced joint defence manufacturing** through the **ICOMM-CARACAL small arms partnership** and explored **co-development of AI and shipbuilding technologies** , including **refits and maintenance of shared platforms**.
- Held **inter-service (Army, Navy & Air Force) talks** to **boost joint exercises, training, Subject Matter Expert (SME) exchange, inter-service coordination** , and **tri-service interoperability**.

Significance of India- UAE Relations:

- The UAE is India's **3rd-largest trading partner** and **2nd-largest export destination** , while India is UAE's **2 nd -largest trading partner** .
 - India- UAE share a **Comprehensive Strategic Partnership** , with deepened political, defence, and strategic ties.
 - It includes **petroleum, gems, agriculture, textiles, chemicals, and engineering goods**.
- The UAE is a vital **oil supplier** and contributor to India's **Strategic Petroleum Reserves (SPR)** , crucial for India's energy security and Gulf stability.
- India and the UAE have signed an MoU to establish a **Local Currency Settlement System** and integrated payment systems, facilitating **smoother cross-border transactions**.
- UAE's role in strategic platforms like **I2U2, IMEC** and the **Abraham Accords** strengthens India's **connectivity** , **economic influence** , and **energy security**.
- The UAE hosts **3.5 million Indians** , and the construction of a **Hindu temple in Abu Dhabi** reflects strong cultural and economic ties.

Read More:

- [**Challenges in India-UAE Relations**](#)
- [**Measures India Can Adopt to Enhance its Relations with UAE**](#)

Diabetes in India



Source: IE

A **Lancet Global Health** study based on the **Longitudinal Aging Study in India (LASI)** found that at least one in five Indians aged 45 and above had diabetes in 2019.

- Around 40% of people with diabetes were unaware they had the disease, revealing gaps in diagnosis and awareness.
- **Diabetes:** It is a chronic **non-communicable disease** where the **pancreas stops producing insulin** or the body can't use it properly. Insulin is a hormone that controls blood sugar, when insulin doesn't work properly, blood sugar rises, causing **hyperglycaemia** .
 - Conversely, too much insulin can cause **hypoglycaemia** (low blood sugar).
- **Types of Diabetes**
 - **Type 1:** Autoimmune destruction of insulin-producing cells, requiring daily insulin; mostly affects children and young adults.
 - **Type 2:** Body resists insulin or doesn't produce enough; linked to **overweight, inactivity, and genetics** ; accounts for over 95% of diabetes cases; can be prevented with lifestyle changes.
 - **Gestational Diabetes:** High blood sugar during pregnancy; increases risks for mother and child and raises chance of developing Type 2 later.
- **India's Initiatives:** Encourages healthy lifestyles through **Fit India Movement** .
 - Population-based screenings for diabetes at **Ayushman Arogya Mandirs** .
 - The Central Board of Secondary Education mandates '**sugar boards**' in schools to educate children on sugar content in foods and health risks.

Note: Type 5 diabetes is a newly recognized form affecting lean teens and young adults with a body-mass index (BMI) below 18.5 kg/m².

- Unlike Type 1 (autoimmune) or Type 2 (insulin resistance), Type 5 is caused by **malnutrition damaging pancreatic beta cells** , leading to insulin deficiency.

Read more: [World Diabetes Day 2024](#)

MANAS Helpline



Source: PIB

The **MANAS Helpline** , launched in **July 2024** , has completed **one year** and received over **70,000 citizen reports** on **drug-related issues**.

MANAS

- **About:** Madak-Padarth Nished Asoochna Kendra (MANAS) is a **secure, anonymous platform** for citizens to **report drug-related crimes under the NDPS Act** and **seek support for prevention, treatment, and rehabilitation** of drug abuse .
- **Launched by :** It is an initiative of the **Narcotics Control Bureau (NCB)** under the **Ministry of Home Affairs** .

India's Framework to Fight Against Drug Menace

- **Article 47 of the Indian Constitution:** Directs the State to impose prohibition on the consumption of **intoxicating drinks** and **harmful drugs** , except for **medicinal purposes** .
- **International Conventions:** India is a signatory to the **Single Convention on Narcotic Drugs, 1961** (amended by the **1972 Protocol**), the **Convention on Psychotropic Substances 1971** and the **UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances 1988** .
- **Legislation:** **Drugs and Cosmetics Act, 1940** , **Narcotic Drugs and Psychotropic Substances (NDPS) Act, 1985** , and **Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988** .
- **Other Initiatives:** **NIDAAN Portal, Nasha Mukh Bharat Abhiyan** etc.

Read More: [Rising Drug Abuse Among Youth](#)