

Current Affairs - 28 December 2024

RBI SETS UP PANEL FOR ETHICAL AI USE

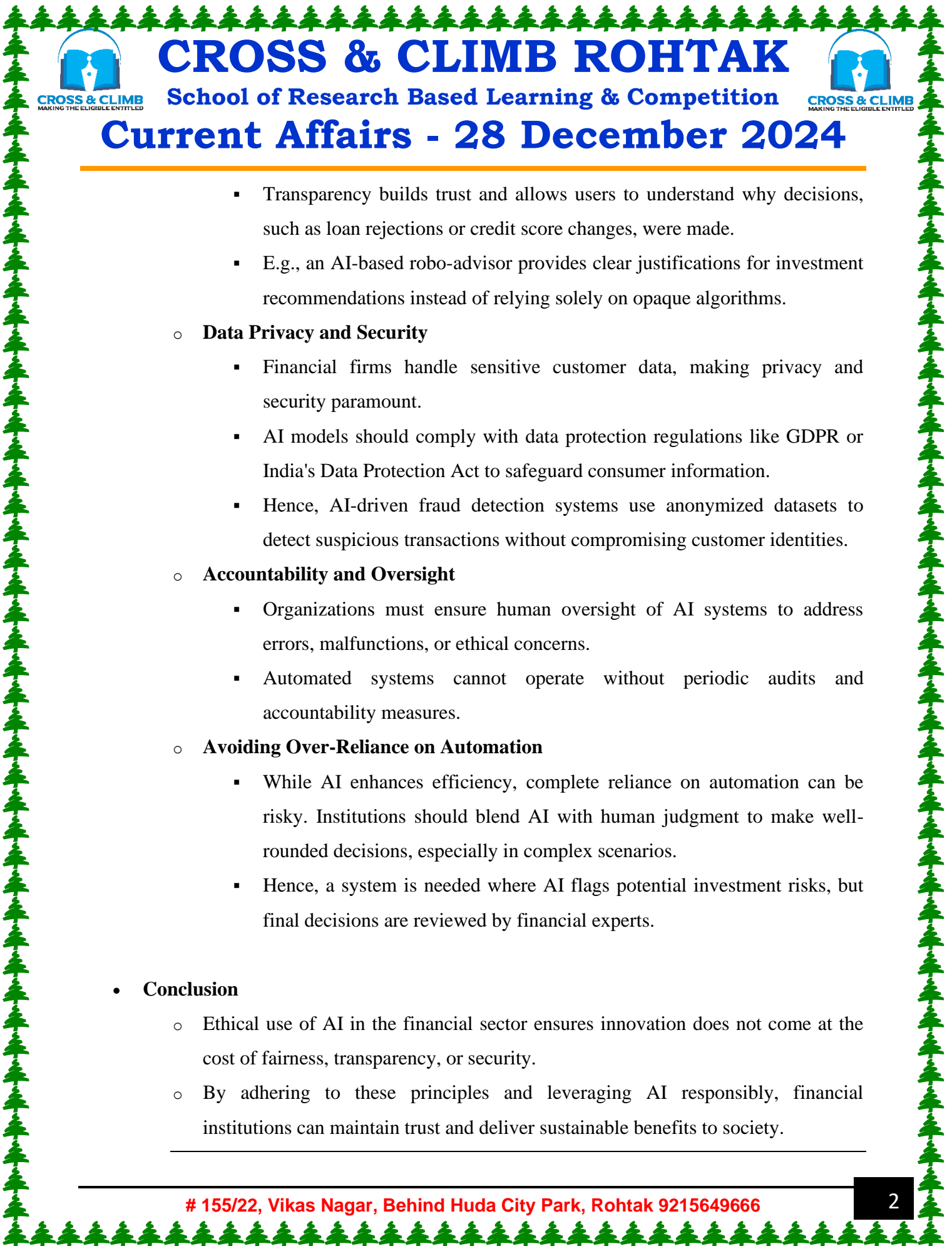
The Reserve Bank of India (RBI) has established an eight-member committee to create a **Framework for Responsible and Ethical Enablement of Artificial Intelligence (FREE-AI)** in the financial sector.

Headed by Pushpak Bhattacharyya (IIT Bombay), this panel will assess the adoption of AI in financial services globally and in India, review regulatory approaches, identify risks, and recommend governance and compliance frameworks for ethical AI adoption.

RBI's fintech department will support the committee, which is expected to submit its report within six months.

Ethical Use of AI in the Financial Sector

- The integration of AI in the financial sector has revolutionized how institutions operate, offering benefits such as improved efficiency, better decision-making, and enhanced customer experiences.
- However, the ethical use of AI is crucial to ensuring trust, fairness, and compliance with regulatory standards.
- **Need for ethical use of AI in the financial sector**
 - **Fairness and Non-Discrimination**
 - AI systems used for credit scoring, loan approvals, and fraud detection must avoid biases based on race, gender, or socioeconomic status.
 - For instance, a biased algorithm that unfairly denies loans to certain groups can lead to legal and reputational risks.
 - Hence, a bank using AI for loan approval must ensure that its training data is balanced and does not perpetuate historical biases.
 - **Transparency and Explainability**
 - Financial institutions must ensure AI systems are explainable to customers and regulators.



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- Transparency builds trust and allows users to understand why decisions, such as loan rejections or credit score changes, were made.
 - E.g., an AI-based robo-advisor provides clear justifications for investment recommendations instead of relying solely on opaque algorithms.
 - **Data Privacy and Security**
 - Financial firms handle sensitive customer data, making privacy and security paramount.
 - AI models should comply with data protection regulations like GDPR or India's Data Protection Act to safeguard consumer information.
 - Hence, AI-driven fraud detection systems use anonymized datasets to detect suspicious transactions without compromising customer identities.
 - **Accountability and Oversight**
 - Organizations must ensure human oversight of AI systems to address errors, malfunctions, or ethical concerns.
 - Automated systems cannot operate without periodic audits and accountability measures.
 - **Avoiding Over-Reliance on Automation**
 - While AI enhances efficiency, complete reliance on automation can be risky. Institutions should blend AI with human judgment to make well-rounded decisions, especially in complex scenarios.
 - Hence, a system is needed where AI flags potential investment risks, but final decisions are reviewed by financial experts.
 - **Conclusion**
 - Ethical use of AI in the financial sector ensures innovation does not come at the cost of fairness, transparency, or security.
 - By adhering to these principles and leveraging AI responsibly, financial institutions can maintain trust and deliver sustainable benefits to society.
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MANMOHANOMICS, IN HIS OWN WORDS

- Manmohan Singh, a renowned economist and the former Prime Minister of India, significantly shaped India's economic policies and reforms.
- His work reflected a deep understanding of India's economic challenges and opportunities, making him one of the most influential figures in modern Indian economic history.

Early Life and Academic Achievements:

- Obtained a **Triplos in Economics** from Cambridge (1957) and a **DPhil from Oxford** (1962).
- Taught at the Delhi School of Economics (1969–1971).
- Held prominent policymaking roles, including **Governor of the RBI** and **Deputy Chairman of the Planning Commission**.

Transition to Economic Liberalization:

- **As Finance Minister (1991-96):**
 - Introduced economic reforms that shifted India from a **closed, centrally-planned economy** to an **open, liberalized market economy**.
 - Ended the **Licence-Permit Raj**, easing industrial licensing and promoting private enterprise.
- **As Prime Minister (2004-14):**
 - Oversaw India's **fastest economic growth phase** and significant **poverty reduction**.
 - His tenure was marred by allegations of corruption and "policy paralysis" in the later years.

Key Contributions to Economic Reforms:

- **Economic Liberalization (1991):**

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- Focused on fiscal discipline, reduced trade barriers, and encouraged foreign investments.
- Emphasized the role of private enterprise in driving economic growth.
- **Focus on Governance and Public Policy:**
 - Advocated for institutional reforms to reduce corruption and enhance efficiency in public administration.

Legacy and Challenges:

- **Achievements:**
 - Credited with transforming India into a global economic player.
 - His reforms paved the way for sustained economic growth and structural changes.
- **Criticism:**
 - Later years as Prime Minister saw allegations of corruption, weakening his legacy.
 - Accused of being too accommodating to coalition pressures, leading to policy inertia.

Broader Impact:

- Singh's policies laid the foundation for India's modern economic framework, emphasizing:
 - A balance between **state intervention** and **market liberalization**.
 - The importance of **inclusive growth**.
 - The need for long-term institutional reforms.

Conclusion:

- Manmohan Singh's economic vision, rooted in pragmatism and foresight, reshaped India's economic landscape.
 - His leadership during the liberalization era and his focus on reforms across governance, trade, and social sectors remain a cornerstone of India's economic transformation.
 - Despite challenges, his legacy endures as a testament to the power of thoughtful, informed policymaking.
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HOUSEHOLD CONSUMPTION EXPENDITURE SURVEY



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).

- It is designed to collect information on consumption and expenditure of the **households on goods and services**.
- It 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**.
- The **Monthly Per Capita Consumption Expenditure (MPCE)** compiled from HCES is the primary indicator used for most analytical purposes.
- As in HCES 2022-23, in HCES 2023-24 also, two sets of estimates of MPCE have been generated:
 - **Without considering** imputed values of items received **free of cost** by the households through **various social welfare programmes**, and
 - **Considering imputed** values of items received free of cost by the households through various social welfare programmes.
- 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 (without imputation) in 2023-24** increases by about 9% in rural areas and 8% in urban areas from the level of 2022-23.



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- 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.
- When ranked by MPCE, the **increase in the average MPCE in 2023-24** from the level of 2022-23 has been the **maximum for the bottom 5 to 10 % of India's population**, for both rural and urban areas.
- Consistent with the trend observed in HCES:2022-23, **non-food items remain the major** contributor to the household's average monthly expenditure in 2023-24
- Beverages, refreshments and **processed food continues to have the major expenditure** share in 2023-24 in the food items basket of the rural and urban households.
- Conveyance, clothing, bedding & footwear, miscellaneous goods & entertainment and durable goods have major expenditure share in non-food expenditure of the households in both rural and urban areas.
- **Consumption inequality**, both in rural and urban areas has **declined** from the level of 2022-23. The Gini coefficient has declined to 0.237 in 2023-24 from 0.266 in 2022-23 for rural areas and to 0.284 in 2023-24 from 0.314 in 2022-23 for urban areas.

JIGYASA PROGRAM



- It was launched in 2017 by **Council of Scientific & Industrial Research (CSIR)**. It is also known as **CSIR Jigyasa program**.
- It aims to promote curiosity and scientific temperament as part of **Scientific Social Responsibility (SSR)**.
- **CSIR Jigyasa Virtual Lab (CJVL)** is an extension of CSIR Jigyasa program.
- The **objective** of Jigyasa is to **extend the classroom learning** by focusing on well-planned **research laboratory-based learning** for school students.
- To bring in quality with value added research knowledge, CSIR laboratories collaborate with Kendriya Vidyalayas (KVS), Navodaya Vidyalayas (NVS), Karnataka State S&T

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Academy (KSTA), Atal Innovation Mission (AIM), Niti Aayog, Indian Institute of Technology Bombay, etc.

- Under this programme the target audience for the Virtual Lab platform is **students of the standard VI to XII** (11-18 years) who would like to explore science using different activities, experienced researchers and faculties on the subjects of Science, Mathematics, Biology and IT.

NATIONAL RAINFED AREA AUTHORITY

The National Rainfed Area Authority (NRAA), in collaboration with the Revitalising Rainfed Agriculture Network (RRAN) and Watershed Support Services & Activities Network (WASSAN), had organized this Multi-Stakeholder Convention in New Delhi.



राष्ट्रीय वर्षा सिंचित क्षेत्र प्राधिकरण
National Rainfed Area Authority

कृषि एवं किसान कल्याण विभाग | Department of Agriculture & Farmers Welfare



- It is an expert body to provide the much-needed knowledge inputs **regarding systematic up-gradation and management** of country's **dry land and rainfed agriculture**.
- It was established in the year
- The NRAA has a two tier structure.
- **Governing Board:** It provides necessary leadership and appropriate coordination in implementation of programmes.
- The Governing Board is chaired by **Union Minister of Agriculture** and co-chaired by **Union Minister of Rural Development**.
- **Executive Committee:** It consists of technical experts and representatives from stakeholder Ministries.
- The Executive Committee is headed by a full time **Chief Executive Officer** who should be a recognized expert on the subject.
- The CEO will be supported by five full-time technical experts. The Authority is serviced by the Ministry of Agriculture and is located at Delhi.



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Mandate:

- Water conservation and covers all aspects of sustainable and holistic development of rainfed areas, including appropriate farming and livelihood system approaches.
- Issues pertaining to **landless and marginal farmers**, who constitute the large majority of inhabitants of rainfed areas, are to be addressed by the Authority.
- **Nodal Ministry:** Ministry of Agriculture & Farmers Welfare

UPPER SIANG HYDROPOWER PROJECT



Under the shadow of China's plan to build the world's largest dam, India pushes for a counter project in Arunachal Pradesh.

- It is a proposed **11,000 MW hydropower plant** located on the **Siang River** (Brahmaputra in Arunachal Pradesh) in the **Upper Siang district** of Arunachal Pradesh.
- The **Siang River** is the upper course of the **Brahmaputra River**, revered as **Aane Siang** (Mother Siang) by locals.
- This project is envisioned as a **strategic countermeasure** to China's proposed **60,000 MW super dam** on the **Yarlung Tsangpo** (Brahmaputra in Tibet) in Tibet's Medog County.

Key Details of the Project:

- **Developers:** Jointly undertaken by the **National Hydroelectric Power Corporation (NHPC)** and the **North Eastern Electric Power Corporation (NEEPCO)**.
- **Pre-Feasibility Report** (submitted in December 2022):
 - **Installed Capacity:** 11,000 MW.
 - **Reservoir Storage:** 9 billion cubic meters (BCM).
 - **Estimated Cost:** ₹1,13,000 crore.



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- The area is primarily inhabited by the **Adi Tribe**, an indigenous community with a strong connection to the **Siang River**.
- Residents rely on **pani kheti** (settled agriculture along riverbanks) for sustenance, as the hilly terrain offers limited farming opportunities.

The Adi Tribe:

- The **Adi Tribe** speaks **Tibeto-Burman languages** and traces its origins to southern China in the **16th century**.
 - They are skilled artisans, especially in crafting items from **cane and bamboo**.
 - Major festivals include:
 - **Solung**: Harvest festival involving animal sacrifices.
 - **Aran**: Hunting festival.
 - **Unique Practices**: The **Motor or Pator system**, a ritual involving self-restriction through village lockdowns to locate wild herbs during epidemics.
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