

7th Aug, 2024

1. Guidelines for Organ Transport in India

GS 2 (Governance)

- **Why in News:** The Union Health Ministry for the first time has come out with Standard Operating Procedures (SOPs) for transporting organs through various modes of travel such as air, road, railways and waterways.

- **About Guidelines for Organ Transport in India:**

- Organ transportation is required when the organ donor and recipient are in different hospitals or cities.
- As per the new SOPs, in the case of air transportation, airlines carrying the organs can request the Air Traffic Control for the aircraft's **priority takeoff and landing** and arrange front-row seats.
- They can also **request priority reservations** and provisions for late check-in for medical personnel transporting organs.
- The source airport will notify the destination airport to facilitate the arrival process.
- The flight captain may announce in flight that human organs are being transported.
- Arrangements for carrying the **organ box on trolleys** from the aircraft to the ambulance post-arrival can also be made by the airport and airline staff.
- Additionally, when the **ambulance is only permitted up to the runway**, the airline crew can guide and assist the accompanying medical personnel in carrying the organ box directly from the aircraft via the staircase to the waiting ambulance on the runway.
- **Green corridor at airports:**
 - The SOPs specify that airport officials should establish a **"green corridor"** and provide a trolley for transporting the organ box from the ambulance to the aircraft at the departure airport and vice versa at the destination airport.
 - They also say that the green corridor may be provided at the request of specific authorities or agencies.
- **Sensitizing traffic police:**
 - The SOPs also emphasize the importance of **sensitizing state traffic police** across various states about organ donation and transplant.
 - They highlight the crucial role of traffic police in expediting organ transport through the creation of green corridors.
- **Organ transportation via Metro:**
 - Metro Traffic Control must give **priority transit** for the metro carrying the live human organs.
 - The metro security staff should escort the clinical team carrying the organ box up to their boarding at the metro station.
 - Additionally, a metro official should accompany the clinical team on the metro and secure the necessary area for the organ box.
 - They add that the **Security Hold Area (SHA)** should be notified by metro security regarding the transport of live human organs to avoid any delay during security checks.
 - Additionally, the relevant metro personnel at the destination should be informed to ensure proper arrangements for carrying the organs.
- The organ box should be kept in the correct position and orientation i.e. upright straight vertically at 90 degrees to the surface during transport and the label of "handle with care" can be put on the organ box.
- The organ box **should be secured with a seat belt** for greater safety.

Centre issues norms for organ transport in India

S. Vijay Kumar
CHENNAI

In a first, the Union Ministry of Health & Family Welfare has issued a set of guidelines for the transportation of live human organs. The transport protocols aim to ensure the expeditious movement of life-saving organs from the point of harvest to their destination through effective use of available infrastructure.

The Transplantation of Human Organs and Tissues Act, 1994, allows harvesting of organs from living donors or brain-dead patients with the consent of family members. Such organs are transported from one hospital to another, sometimes far away, by air or road depending on the location of eligible recipients registered with their respective authorities. The Standard Operating Procedure (SOP) issued on

Monday will serve as a guiding document for healthcare institutions in States/Union Territories to transport organs by various modes of transport, including metro trains and over water. The instructions made it clear that human organs for transplant would be transported only within the territory of India and no organ shall be transported outside the country. While transporting the

organs by air (commercial/non-commercial aircraft/helicopter/air ambulance etc., except drones), the Ministry recommended that the box containing the organ should be screened without opening it but passengers carrying it shall not be exempted from security checks. Staff carrying/accompanying the organ box should be given priority in de-boarding for which an in-flight announcement could

be made by the Pilot-in-Command. Seating in front row seats, priority reservation, and provision for late check-ins for organ transport may be facilitated by the airline concerned. It would be the responsibility of the officials to define a green path (free from obstruction) and a trolley for the organ box from the ambulance to the aircraft at the point of origin and from the aircraft to an ambulance at the destination.

2. Auroville

Recent events of importance

- **Why in News:** The Union Government has referred a range of complaints in Auroville to the appropriate bodies and agencies, the Minister of State for Education has said in Parliament recently.
- **About Auroville:**
 - It was founded by **Mirra Alfassa**, known as the 'Mother', the spiritual **collaborator of Sri Aurobindo** on the 28th of February, 1968, as an international cultural township.
 - It is the largest and oldest surviving international intentional community in the world.
 - **Location:** It is located on the outskirts of **Puducherry** in the Villupuram District of **Tamil Nadu**.
 - 3300 people from 58 nations, including India, live together as one community and engage themselves in cultural, educational, scientific, and other pursuits aimed at human unity.
 - It has flourished from a barren desert to a 3,000-acre township and bioregion in which more than 3 million trees have been planted, home to rich biodiversity, 9 schools, multiple social enterprises, etc.
 - **UNESCO** endorsed the project of Auroville through **four resolutions** in 1966, 1968, 1970, and 1983.
 - The township has been under the **administrative control of the Ministry of Education** since 1980 and is administered as per the provisions of the **Auroville Foundation Act, 1988**, passed by the Parliament of India.
 - According to the provisions of the Auroville Foundation Act, the **Government of India provides partial funding in the form of grants** to the Foundation for meeting its expenditure on the establishment, maintenance, and development of Auroville.

Range of complaints regarding Auroville township referred to agencies, says MoS

The Hindu Bureau
PUDUCHERRY

The Union government has referred a range of complaints, including dubious land exchanges, encroachment, cybercrime and money laundering in Auroville, to the appropriate bodies/agencies, Minister of State for Education Sankar Majumdar has said in Parliament.

Replying to a set of questions pertaining to the universal township, which is under the oversight of the Ministry of Education, raised by D. Ravi Kumar in the Lok Sabha, Mr. Majumdar said representations and complaints have been received from several quarters, including community



Representations and complaints dealing with land exchanges have been forwarded to Auroville Foundation. FILE PHOTO: S.S. KUMAR

residents, on various matters related to activities in Auroville.

Alleged offences

These inter-alia include alleged offences such as land encroachment, drug abuse and peddling, cybercrimes including data theft and

data leak through servers based outside India, violation of immigration laws, circulation of black money, money laundering, raising of donations without registration under Foreign Contribution Regulation Act (FCRA) and many more economic offences, besides irregularities in land exchanges.

Complaints dealing with alleged offences under the Information Technology Act (for cybercrimes) and Indian Penal Code (IPC) have been referred to competent agencies for investigation, the Minister told Parliament.

Land exchanges

Representations and complaints dealing with land exchanges have been forwarded to Auroville Foundation to examine the merit of the allegations and place them before the Governing Board (GB), it being the competent authority, to recommend suitable course of action, the Minister said.

3. The debate over GST on health insurance

GS 3 (Economy)

- **Why in News:**
 - Insurance premiums for health and life policies have increased this year, and with an 18% Goods and Services Tax (GST) added, many people in India are finding insurance less affordable.
 - Opposition leaders protested at Parliament, demanding the removal of GST on these premiums. Recently, Union Minister Nitin Gadkari wrote to Finance Minister, arguing that GST on insurance premiums taxes life's uncertainties and hampers industry growth.
- **Life and health insurance market in India**
 - In fiscal 2023-24, the general insurance industry collected Rs 1,09,000 crore in health premiums, while life insurance companies collected Rs 3,77,960 crore, with LIC alone contributing Rs 2,22,522 crore.
 - Five states—Maharashtra, Karnataka, Tamil Nadu, Gujarat, and Delhi—accounted for 64% of the total health insurance premium in 2022-23, with the rest of the states contributing 36%.
 - A Swiss Re Sigma report noted a **decrease in insurance penetration in India's life insurance sector from 3.2% in 2021-22 to 3% in 2022-23, while non-life insurance penetration remained at 1%.**
 - Overall, India's insurance penetration dropped to 4% in 2022-23 from 4.2% in the previous year.

GST on health insurance

The opposition, and sections of govt, want 18% tax removed. Insurers have hiked premiums up to 50-60% this year. Along with medical inflation, the GST burden is making health insurance unaffordable for many

GEORGE MATHEW
MUMBAI, AUGUST 6

INSURANCE COMPANIES have jacked up premiums on health and life insurance policies this year, which, together with the 18% Goods and Services Tax (GST) levied on the industry's policies, has made them more expensive for many people.

Opposition leaders, including leaders of Opposition in Lok Sabha, Rajiv Gandhi, demanded the withdrawal of GST on health insurance and life insurance premiums, and the government to exempt the industry from the tax.

Earlier on July 26, Union Minister of Health and Family Welfare, Nitya Ramesh, said that the government is considering the issue of GST on health insurance.

What is the GST on health and life insurance premium?
GST is levied on the premium amount. The rate of GST on health insurance is 18% and on life insurance is 0%.

Since GST is levied on the premium amount, it increases the cost of insurance for the policyholder. This is why many people are finding insurance less affordable.

The government is considering the issue of GST on health insurance. It is possible that the government will exempt the industry from the tax.

What is the rationale for justification for GST on health insurance?
The government is considering the issue of GST on health insurance. It is possible that the government will exempt the industry from the tax.



Rajiv Gandhi and Shant Prasad with other opposition MPs demand removal of GST on health insurance outside Parliament on Tuesday. PTI

GST: HEALTH INSURANCE

Year	Insurance Premium	GST
2021-22	1,09,000	19,620
2022-23	1,09,000	19,620
2023-24	1,09,000	19,620

(In Rupees Crore, Source: Life Insurance Corporation, August 5, 2024)

Impact of GST

GST rates and exemptions on all services, including GST on health insurance premiums, are provided on the recommendation of the GST Council, which is a constitutional body comprising representatives of the central government, state governments, and union territories.

What is the rationale for justification for GST on health insurance?
The government is considering the issue of GST on health insurance. It is possible that the government will exempt the industry from the tax.

What is the rationale for justification for GST on health insurance?
The government is considering the issue of GST on health insurance. It is possible that the government will exempt the industry from the tax.

The GST on health insurance is 18%. This is a significant burden on the industry, particularly for small and medium-sized insurers.

The GST on health insurance is 18%. This is a significant burden on the industry, particularly for small and medium-sized insurers.

The GST on health insurance is 18%. This is a significant burden on the industry, particularly for small and medium-sized insurers.

The GST on health insurance is 18%. This is a significant burden on the industry, particularly for small and medium-sized insurers.

The GST on health insurance is 18%. This is a significant burden on the industry, particularly for small and medium-sized insurers.

The GST on health insurance is 18%. This is a significant burden on the industry, particularly for small and medium-sized insurers.

The GST on health insurance is 18%. This is a significant burden on the industry, particularly for small and medium-sized insurers.

The GST on health insurance is 18%. This is a significant burden on the industry, particularly for small and medium-sized insurers.

The GST on health insurance is 18%. This is a significant burden on the industry, particularly for small and medium-sized insurers.

The GST on health insurance is 18%. This is a significant burden on the industry, particularly for small and medium-sized insurers.

The GST on health insurance is 18%. This is a significant burden on the industry, particularly for small and medium-sized insurers.

The GST on health insurance is 18%. This is a significant burden on the industry, particularly for small and medium-sized insurers.

- **GST on health and life insurance premiums**

- GST, introduced on July 1, 2017, replaced all indirect taxes, including service tax and cess.
- Currently, **GST on health and life insurance policies is fixed at 18%.**
 - Prior to GST, life insurance premiums were subject to 15% service taxes, comprising Basic Service Tax, Swachh Bharat cess, and Krishi Kalyan cess.
- Since GST encapsulates service tax, which applies to the insurance industry, its introduction has resulted in an increase in premium amounts.
- This rise, combined with high medical inflation estimated at 14% last year, has made medical and term insurance less affordable for many.
- The government acknowledged in Parliament that it received requests for an exemption or reduction in GST rates on life and health insurance.

- **Rationale behind imposing the GST on health and life insurance premiums**

- **Role of GST Council**
 - The GST rates and exemptions on services, including health insurance premiums, are set by the GST Council, which includes the Union Finance Minister and state/UT ministers.
- **Revenue earning segment for the government**
 - GST is applicable to all insurance policies since insurance is a service, and policyholders pay tax on their insurance premium.
 - This segment fetched Rs 21,256 crore in GST during the last three financial years, and another Rs 3,274 crore from the reissuance of health policies.
- **Certain deductions allowed while computing income tax**
 - Insurance premiums are eligible for tax deductions under Sections 80C and 80D of the Income Tax Act, 1961, with deductions up to Rs 1.5 lakh, including GST, and additional deductions for medical riders.
- **Need for withdrawing the GST on the premium**
 - **Large increases in premium on health insurance policies**
 - The main issue is the large increases in premium on health insurance policies this year — a leading public sector insurer has hiked the premium by 50%.
 - **GST on insurance in India is the highest in the world**
 - Many experts have pointed out that the GST on insurance in India is the highest in the world.
 - This step might create challenges for IRDAI's goal of "Insurance for All by 2047".
 - **Report by Standing Committee on Finance**
 - The Standing Committee on Finance in its 66th report, submitted to Parliament in February 2024, recommended rationalisation of the GST rate on insurance products, especially health and term insurance.
 - It said that the high rate of GST results in a high premium burden, which acts as a deterrent to getting insurance policies.

Judicious use of sucralose as sugar substitute helps diabetics: study

Ramya Kannan
CHENNAI

A recent study from India examining the effects of replacing sucrose or table sugar with an artificial sweetener, sucralose, in coffee and tea, found no adverse impact on glucose or HbA1c levels, and in fact indicated a slight improvement in body weight, waist circumference and body mass index (BMI).

The article, "Effect of replacing sucrose in beverages with non-nutritive sweetener sucralose on cardiometabolic risk factors among Asian Indian adults with Type 2 Diabetes: a 12-week randomised controlled trial", was published in *Diabetes Therapy* late July. Notably, the study comes shortly after the WHO cautioned non-diabetics against using non-nutritive sweeteners



Non-nutritive sweeteners can help cut down calories and sugar intake and increase dietary compliance, says a study. ISTOCKPHOTO

(NNS) to control body weight. Senior diabetologist Dr. V. Mohan, chairman of the Madras Diabetes Research Foundation, who led the study, said: "We started this study even before the WHO's report on sugar substitutes. We wanted to assess if there are any changes, because in India, sweeteners are used only sparingly instead of sugar, in tea and coffee, compared with the West. The study shows that there is no harm in taking sweeteners. In fact, there was a marginal improvement in body weight, BMI and waist circumference with no impact on glucose or HbA1c levels. This is a very important point to bring out to the public, since there is so much of negative publicity against sweeteners, which I feel is totally unfounded."

This 12-week, parallel arm randomised controlled trial included 28 participants with T2D, as signed to the intervention group, where sugar/sucrose in coffee or tea was substituted with sucralose or the control group where sugar/sucrose was continued. The primary outcome was change in HbA1c. At the end of the study, researchers found no significant change in HbA1c levels between the intervention and control groups. However, favourable changes were noted in the BMI, waist circumference and mean body weight, the paper said. Dr. Mohan said the judicious use of NNS can help in cutting down calories sugar intake and increase dietary compliance. More studies are underway on the safety and efficacy of sucralose, he said.

4. Sucralose

GS 3 (Science and Tech)

- **Why in News:** A recent study from India examining the effects of replacing sucrose or table sugar with an artificial sweetener, sucralose, found no adverse impact on glucose or HbA1c levels and indicated a slight improvement in body mass index (BMI).
- **About Sucralose:**
 - Sucralose is a **no-calorie sweetener** that can be **used to lower** one's **intake of added sugars** while still providing satisfaction from enjoying the taste of something sweet.

- While some types of sweeteners in this category are considered low-calorie (e.g., aspartame) and others are no-calorie (e.g., sucralose, monk fruit sweeteners, and stevia sweeteners). Collectively, they are often referred to as **sugar substitutes**, high-intensity sweeteners, nonnutritive sweeteners, or low-calorie sweeteners.
- Like other no-calorie sweeteners, sucralose is **intensely sweet**. It is about **600 times sweeter than sugar**.
- It can be used as an ingredient in any type of **food or beverage**.
- Sucralose is exceptionally stable, so foods and beverages sweetened with sucralose stay sweet under a wide range of conditions.
- Production:**
 - Sucralose is made from a process that begins with regular table sugar (sucrose); however, **sucralose is not sugar**.
 - Three select hydroxyl groups on the sucrose molecule are replaced with three chlorine atoms.
 - Sucralose's **structure prevents enzymes** in the digestive tract from **breaking it down**, which is an inherent part of its safety.
- After Consumption:**
 - Most (about 85 per cent) of consumed sucralose is not absorbed by the body and is excreted, unchanged, in the feces.
 - Of the small amount that is absorbed (about 15 per cent), **none is broken down for energy**—therefore, sucralose **does not provide any calories**.
 - All absorbed sucralose is excreted quickly in the urine.

Government spent 14% of funds under Ayushman Bharat on those over 70 years

ANONNA DUTT
NEW DELHI, AUGUST 6

BENEFICIARIES AGED 70 years and more made up over 12 per cent of all admissions under the government's flagship Ayushman Bharat health insurance scheme, with their treatment costs accounting for nearly 14% of the total expenditure till January, according to data presented in Parliament by the Union Ministry of Health and Family Welfare.

The data shows that of the nearly 6.2 crore approved hospital admissions till January 2024, as many as 57.5 lakh were senior citizens aged 70 years and more. The government's expenditure for treatments under the scheme reached a staggering Rs 75,000 crore over the last six years till January 2024, of which Rs 9,875.3 crore was allocated to treat those who are 70 years and over.

TOP 5 STATES, FOR THE ELDERLY

State	Admissions in 70-plus age group	Proportion of total admissions	Proportion of total cost
Maharashtra	2.5 lakh	20.49%	27.40%
Kerala	10.2 lakh	18.75%	19.9%
Haryana	1.9 lakh	18.13%	19.8%
Bihar	1.3 lakh	16.6%	16.8%
Himachal Pradesh	0.38 lakh	15.4%	16.98%

The costs and number of admissions frames the challenge for the BJP-led government with one of the party's key poll agenda being an ambitious expansion of Ayushman Bharat to include all individuals over 70, irrespective of their economic status. This move is set to add nearly 4 crore new beneficiaries to the program. At present, only the poor, who figure in the SECC data, are among those with access to the annual Rs 5 lakh coverage under the scheme.

Experts estimate the cost of expanding the coverage to all persons over 70 years would be higher than that for covering the poorest 40 per cent across all age groups. "The cost to the exchequer is likely to increase when older people of means are also covered. First, health-seeking behaviour—accessing hospitals for care—is more in older people who are relatively affluent, meaning the number of people who utilise the policy is likely to

be much higher. Second, the premiums too are likely to be higher for older individuals as they are more likely to need healthcare for chronic conditions and their complications," said Dr Indrani Mukhopadhyay, health economist and professor at the School of Government and Public Policy at O.P.J.S. University.

While the Ayushman Bharat insurance scheme was extended for the ASHA and Anganwadi workers during the government's interim budget in February, no mention of any further expansion was made while the full budget was presented in July. The allocation for the insurance scheme was also flat; it increased by only Rs 100 crore to Rs 7,300 crore.

With an ageing population with inadequate health coverage, the expansion of the scheme for those over 70 years across all income groups is expected to have a significant impact. India's population over the age of 60

years is estimated to increase from 8.6 per cent in 2011 to 19.5 per cent by 2050, according to the Longitudinal Ageing Study in India (LASI). In terms of absolute numbers it means that the population over the age of 60 years is set to triple from 101 million in 2011 to 319 million in 2050.

Big spenders
The proportion of hospital admissions for older individuals exceeded 10 per cent—their projected share in the country's total population—in several states. Maharashtra led with 20.49 per cent, followed by Kerala (18.75 per cent), Haryana (18.13 per cent), Bihar (16.56 per cent), Himachal Pradesh (16.97 per cent), Uttarakhand (15.23 per cent), Telangana (11.51 per cent), Uttar Pradesh (10.98 per cent), Karnataka (10.52 per cent), Jharkhand (10.35 per cent), and Punjab (10.14 per cent).
FULL REPORT ON www.indianexpress.com

5. Performance of Ayushman Bharat Scheme

GS 2 (Governance)

- Why in News:** Beneficiaries aged 70 years and above made up over 12 per cent of all admissions under the government's flagship Ayushman Bharat health insurance scheme, according to data presented in Parliament by the Union Ministry of Health and Family Welfare.
- About Ayushman Bharat Scheme:**
 - Ayushman Bharat, a flagship scheme of Government of India, was launched in 2018 as recommended by the **National Health Policy 2017**.
 - Objective:** To achieve the vision of Universal Health Coverage.
 - This initiative has been designed to meet **Sustainable Development Goal number 3** and its underlining commitment, which is to "leave no one behind."
 - Ayushman Bharat adopts a continuum of care approach, comprising of two inter-related components, which are:
 - Pradhan Mantri Jan Arogya Yojana (PM-JAY)**
 - It provides **health insurance cover of Rs. 5 lakhs per year** to over 10 crore poor and vulnerable families for seeking secondary and tertiary care.
 - Health and Wellness Centres (HWCs)**
- About Ayushman Bharat Health and Wellness Centres (HWCs):**

- In February 2018, the Government of India announced the **creation of 1,50,000 Health and Wellness Centres (HWCs) by transforming the existing Sub Centres and Primary Health Centres.**
 - The goal is **to ensure access to quality healthcare closer to the community**, thereby improving health outcomes and reducing out-of-pocket healthcare expenditures for individuals and families.
 - These centres provide free essential medicines and diagnostic services, teleconsultation, and health promotion including wellness activities like Yoga.
 - The **HWCs also offer annual screening for those 30 years or older for Non Communicable Diseases** such as:
 - Hypertension, Diabetes, and three of the most common Cancers in India — oral, breast and cervical.
- **Progress/Achievements under Ayushman Bharat Scheme:**
 - The scheme crossed the milestone of **30 crore Ayushman cards** in January 2024.
 - In order to reach out to the last mile, NHA has launched 'Ayushman App' for Ayushman Card creation.
 - With 4.83 crore Ayushman Cards, Uttar Pradesh tops the list of States with the highest number of Ayushman Cards crated. Madhya Pradesh and Maharashtra stand at number two and three positions with 3.78 crore and 2.39 crore Ayushman cards respectively.
 - 48% of treatment provided under the scheme has been availed by the female; thus, gender equity is part of core design of the scheme.
 - Further, **Ayushman Bharat has successfully catered to 6.2 crore hospital admissions worth more than Rs. 79,000 crores.**
- **Performance of Ayushman Bharat Scheme:**
 - The Ayushman Bharat health insurance scheme data presented in Parliament reveals that **beneficiaries aged 70 years and above constituted over 12% of all admissions and nearly 14% of the total expenditure till January 2024.**
 - Of the nearly 6.2 crore approved hospital admissions till January 2024, 57.5 lakh were for senior citizens aged 70 years and above, with treatment costs amounting to more than Rs 9,800 crore out of the **total Rs 79,200 crore spent over the last six years.**
 - The government's plan to expand Ayushman Bharat to include all individuals over 70, irrespective of economic status, is set to add nearly 4 crore new beneficiaries.
 - Expanding coverage to older people of means will likely increase the policy's utilization and costs.
 - The interim budget in February **extended the scheme to ASHA and Anganwadi workers, but no further expansion was mentioned in the July budget, with a slight increase in allocation to Rs 7,300 crore.**
 - **India's ageing population is projected to rise from 8.6% in 2011 to 19.5% by 2050**, tripling in absolute numbers from 103 million in 2011 to 319 million in 2050.
 - Hospital admissions for older individuals exceeded their population share in several states, with Maharashtra leading at 20.49%.
 - In contrast, Tamil Nadu recorded the lowest proportion of admissions (3.12%) but had higher treatment costs for the elderly.
 - States like Maharashtra, Kerala, Haryana, Himachal Pradesh, Bihar, and others had the highest proportions of spending on elderly care.
 - Treatments for the elderly are costlier due to longer healing times, higher likelihood of secondary infections, need for ICU care, and multiple comorbidities.



6. Yen carry trade

GS 3 (Economy)

- **Why in News:** Recently, major stock markets across the world experienced their sharpest decline in decades and the yen carry trade was one reason behind this decline.
- **About Yen carry trade:**
 - It is a trading strategy that involves **borrowing at a low interest rate** and **investing** in an asset that provides a **higher rate of return**.
 - It is typically based on borrowing in a low-interest rate currency and converting the borrowed amount into another currency.
 - Generally, the proceeds would be deposited in the second currency if it offers a higher interest rate.
 - The proceeds also could be **deployed into assets such as stocks, commodities, bonds, or real estate** that are denominated in the second currency.
- **Yen Carry trade**
 - The Japanese yen is considered one of the most widely used currencies for this purpose.
 - In yen carry trade, investors, including retail Japanese investors borrow at a low interest rate at home and purchase assets in another country with higher returns, **such as overseas equities and bonds**.
 - The yen has been popular for carrying trades because Japan has maintained a zero-interest rate policy for over two decades.
 - The idea behind low interest rates is to **stimulate economic activity**.
 - For instance, such low interest rates incentivise investors to borrow cheaply in yen and invest in other countries (such as Brazil, Mexico, India and even the US) in a bid to earn better returns. Such carry trades are **called yen carry trades**.

YEN CARRY TRADE

Investors borrow in low-interest currencies like the yen and use the cash to invest in high-interest assets

UDIT MISRA
NEW DELHI, AUGUST 6

ON MONDAY, major global stock markets experienced sharp declines. The reasons for jittery investor sentiment ranged from the US economy facing increasing odds of a recession to geopolitical tensions in West Asia. There was also a new global trigger: the unwinding of the yen carry trade.

What is the yen carry trade?

Global investors always look for opportunities to make money. One way to do this is to borrow money in a country with low interest rates and invest that money (after converting the currency) in a country with much higher interest rates. This is called carry trade.

Such opportunities can exist because central banks of different countries try to set interest rates based on their specific economic conditions. So, the Bank of Japan kept interest rates at 0% between 2011 and 2016, and even below zero (-0.10%) since 2016 to stimulate economic activity.

But such a "cheap money" monetary policy has global ramifications, especially since Japan is the third-largest economy and its currency is trusted. Investors are incentivised to borrow cheaply in yen and invest in other countries (such as Brazil, India and the US) to earn better returns. Such carry trades are called yen carry trades.

The Bank of Japan kept interest rates low for long — even when central banks elsewhere rapidly raised interest rates in the wake of the Russia-Ukraine war — and incentivised billions of dollars of yen carry trades. These borrowings fuelled investments in several countries.

So, what changed?

Between mid-March and July-end this year, the Bank of Japan raised interest rates by 35 basis points, so the interest rate now is 0.25% instead of -0.1%. On the face of it,



Monitors display the Japanese yen exchange rate against the US dollar in Tokyo on Monday. Kyodo via Reuters

and especially as Indian lending rates are upwards of 6.5%, this may not look like a massive increase but in Japan's context, it was nothing short of a monetary earthquake. It is expected that the central bank may raise interest rates further.

This sharp reversal — a 25 basis point increase announced on July 31st — led to the "unwinding" of the yen carry trade. In other words, it led to investors who had borrowed in yen and invested, say in the Indian rupee, selling their assets in international markets.

But why did investors sell?

Higher interest rates in Japan led to the yen gaining strength against the dollar and most other emerging economy currencies. Over the past week, the yen's exchange rate — how many dollars or rupees one gets for a yen — strengthened against currencies like the dollar, rupee, peso etc. Assets held in these currencies were worth relatively less if converted back into yen.

Not to mention the higher opportunity cost of yen carry trade because investing in yen now pays higher returns. This narrowing of returns (or yields) differential, and the likelihood of a further move in this direction, triggered the slide and led to investors selling off those assets bought using cheap yen.

MCQ Current Affairs**7th Aug, 2024****1. Consider the following statements regarding the Standardised Precipitation Index:**

- A. It is calculated based on the long-term precipitation record for a particular location and long-term period.
- B. It measures both the wet and dry conditions of an area.

Which of the statements given above is/are correct?

- a) A only
- b) B only
- c) A and B
- d) Neither of two

2. Four-ringed butterfly, recently seen in the news was discovered in:

- a) Manas Tiger Reserve
- b) Namdapha National Park
- c) Bandipur National Park
- d) Pench Tiger Reserve

3. The Maritime Partnership Exercise, recently seen in the news was held between India and:

- a) Japan
- b) France
- c) Indonesia
- d) Russia

4. Which one of the following best describes the term "Genetic Screening"?

- a) A method used to analyze dietary habits and nutrition levels.
- b) A test to determine an individual's suitability for specific job roles based on their genetic makeup.
- c) A tool used to identify individuals at higher risk of developing certain disorders.
- d) A procedure to alter genetic material to enhance physical traits.

5. The WHO Global Traditional Medicine Centre (WHO GTCM) is located in which one of the following states?

- a) Telangana
- b) Rajasthan
- c) Madhya Pradesh
- d) Gujarat

MCQ Current Affairs
7th Aug, 2024

1. c
2. b
3. d
4. c
5. d

