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Banking system liquidity

Source: The Indian Express

News: Banking system turns cash deficit or liquid deficit for the first time since May 2019. On September 20, 2022, the banking system liquidity situation turned into a deficit mode of Rs 21,873.4 crore.

Concept of Banking system liquidity:

- It is easy availability of cash to meet short-term business and financial needs of banks.
- RBI injects or absorbs liquidity into or from the banking system through Liquidity Adjustment Facility (LAF).
- Liquidity deficit in Banking system happens when the banking system is a net borrower from the RBI under Liquidity Adjustment Facility (LAF).
- Surplus system liquidity happens if the banking system is a net lender to the RBI.

Factors responsible for deficit in banking system liquidity

- **Improvement in demand for bank credit:** According to recent RBI data, Bank credit growth accelerated to 14.2% in the quarter ended June 2022 from 6% in the same period of the previous year.

- **Advance tax payments by corporations** squeezed cash out of the banking system.
- **Intervention of the RBI into the forex market** to arrest the fall in the rupee against the US dollar.
- **Incremental deposit growth not keeping pace with credit demand:** According to the latest RBI data, the outstanding bank credit has increased by 4.77% in August 2022 compared to March 2022. However, deposit growth was just 3.21% during the same period.

Impact of tight liquidity condition on consumers:

- **Rise in the government securities** (a tradeable instrument issued by the Central Government or the State Governments. It acknowledges the Government's debt obligation) yields.
- **Example:** On September 21, 2022, the 10-year government bond rate jumped to 7.23% from 7.18% on August 20, 2022.
- **Higher Interest rates for consumers:** A rise in the repo rate will lead to an increase in repo-linked lending rates and the marginal cost of funds-based lending rate (MCLR) of banks. Hence, higher cost of funds or loans to end consumers.

Possible way forward or Conclusion

- According to experts, RBI intervention should depend upon the nature of the liquidity situation.
- RBI might not have to act if the current liquidity deficit situation is temporary in nature as the funds will eventually come back into the system.
- But, the RBI might have to take measures to improve the liquidity situation in the system if it is long-term in nature.

Article: Express Explained: What banking system liquidity going into 'deficit mode' means.

Sharad

Indian Education System & PM-SHRI Scheme

News: To bring harmony in the schooling system, the Union Cabinet has approved the PM SHRI schools scheme.

Source: The Indian Express

Current issues faced by schooling system:

- **Pandemic associated anxiety:** As children and teachers have to turn back to regular schooling after switching to online classes during the public health emergency.
- **Difficulty in addressing learning gaps** due to confusion among school managements and parents.
- **Large socio-economic gaps in the country** years of investment deficit in education.
- **Difficulty in breaking cycles of poor learning** due to lack of investment in high-quality teachers, training and resource materials.
- **Possibility of failure of National Education Policy (NEP)** due to inadequate teachers training as prescribed in the NEP.
- **Systemic deficits and leadership crisis in the teaching profession** due to poor status, low salaries and inadequate working conditions. Hence, leading to lack of motivation among young people to enter the teaching profession and work hard.

About PM-SHRI scheme:

- Under the PM SHRI Schools (PM Schools for Rising India) scheme as many as 14,500 schools across states and Union Territories will be redeveloped to reflect the key features of the National Education Policy (NEP), 2020.
- PM SHRI will act as National Education Policy labs or “NEP labs”.
- Existing schools run by the Centre, states, UTs and local bodies can be upgraded to PM SHRI schools. Hence, any school can be PM SHRI

schools either KVs, JNVs, state government schools or even those run by municipal corporations.

Impact of PM-SHRI schemes on the educational landscape of the country:

- PM SHRI schools will encompass all aspects of the National Education Policy (NEP).
- **Reduction in regional disparities:** As PM SHRI schools will be available in every region to handhold and mentor other schools in their vicinity.
- **Availability of appropriate resources and opportunities to students** through career guidance and monitoring by alumni and good physical infrastructure to ensure extensive learning experiences. pedagogies and assessment systems
- **Integration of PM SHRI school with other schemes** such as PM Poshan, Samagrah Shiksha and Ayushman Bharat to act as community centers.
- **PM-SHRI schools will ensure environment-friendly practices** as these will be energy-efficient natural farming patches and rainwater harvesting systems.
- **Creation of employment opportunities** to students due to introduction of vocational education as well as linkages of skill counsellors with local industry.

Way forward to make PM-SHRI a success:

- Separate budget allocation to PM SHRI schools by Central and state governments to upgrade their facilities.
- Focus on teacher training programme consistent with pedagogical practices proposed by the NEP. **For Example:** The government should include the “PM TRI” scheme i.e. Teachers for Rising India.

Article:

1. Express Explained: PM SHRI: Schools upgraded to ‘NEP labs’
2. A scheme for Teachers (Ameeta Mulla Wattal)

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