ECONSCIENCE

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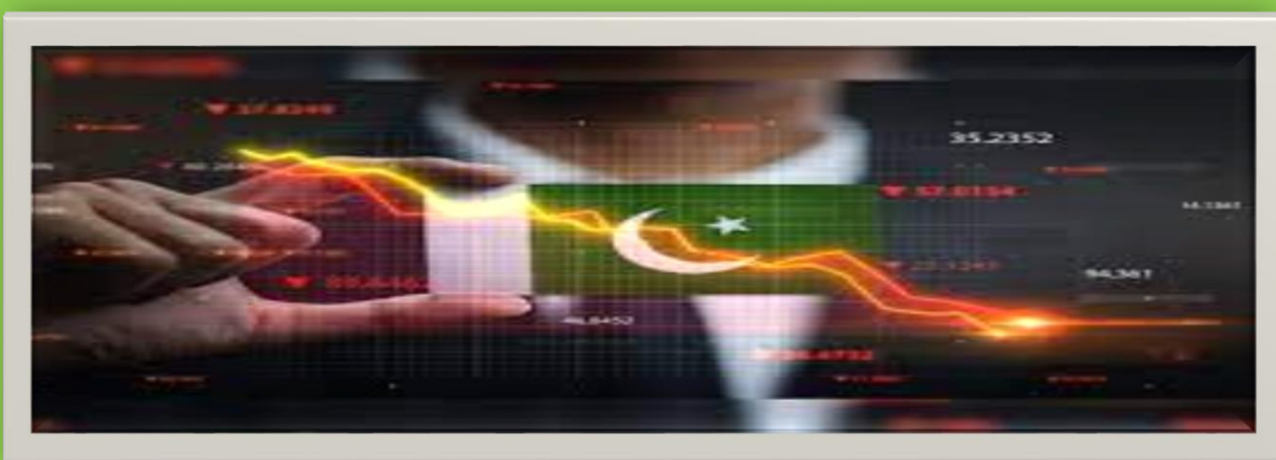
PAKISTAN ONCE AGAIN RECEIVED BAILOUT FROM IMF:

The ***International Monetary Fund's (IMF)*** approval of a $3 billion bailout program for cash-strapped Pakistan. The IMF board approved the aid program with the immediate disbursement of about $1.2 billion to stabilize Pakistan's ailing economy. Pakistan is facing an acute balance of



payments the bailout is expected to provide a lifeline to the country, which is on the brink of default. The funds will support Pakistan's economic stabilization program and address the fiscal and balance of payments deficits, rising inflation and eroded reserve buffers. The program will focus on fiscal adjustment, debt sustainability, a market-determined exchange rate, and structural reforms in sectors such as energy and state-owned enterprises. The bailout package will also unlock more financing from abroad and provide relief to investors in Pakistani equities, exchange rates and bonds. Prime Minister Shehbaz Sharif sees it as a major step forward in stabilizing the economy and achieving macroeconomic stability.

CARBON TRADING AND GLOBAL WARMING

Carbon trading is a market-based approach aimed at mitigating global warming by reducing greenhouse gas emissions. It operates on the principle of creating economic incentives for industries and countries to limit their carbon dioxide and other greenhouse gas emissions. The concept behind carbon trading is to set a cap on the total amount of emissions allowed within a specified time frame, creating a carbon emissions market where permits to emit a certain amount of carbon are bought and sold.

The idea behind carbon trading is that it provides a flexible and cost-effective way to achieve emission reduction targets. It allows for market-driven solutions to environmental challenges, encouraging innovation and investment in cleaner technologies. Additionally, carbon trading promotes international cooperation in tackling climate change, as countries and companies can work together to achieve emissions reductions in the most efficient manner.

Critics of carbon trading argue that it can be prone to market manipulation and may not result in significant emissions reductions if the caps set are too lenient. There are also concerns that carbon offset projects may not always deliver the promised emissions reductions or that they may displace emissions to other areas. Moreover, some critics believe that carbon trading can be seen as a way for wealthy countries or companies to avoid taking more aggressive and direct actions to reduce their emissions.

Despite its criticisms, carbon trading has been adopted by various countries and regions as a key tool in their efforts to combat global warming. The European Union Emissions Trading System (EU ETS) is one of the largest and most notable carbon trading schemes in the world. As the urgency to address climate change intensifies, the role of carbon trading in the broader portfolio of climate policy measures continues to be a subject of debate and refinement. Therefore, regulatory framework, the ambition of emission reduction targets, and the level of international cooperation in addressing this critical global challenge.

INDIA SHOWING TREMENDOUS GROWTH IN THE ECONOMY DESPITE WORLD RECESSION

According to data released on Wednesday, the Indian economy expanded at a rate of 6% in the last quarter of the previous fiscal year, likely raising the overall growth rate to 7% for FY23. The strong growth rate pleased analysts, but it also forewarned them of an unsteady future.

In spite of the fact that private consumption remained subdued, growth rates exceeded analyst expectations thanks to increases in government and private capital spending.

When compared to a year ago, the manufacturing sector's Gross Value Added (GVA) growth accelerated to 4.5% in the March quarter.

Private consumption, which makes up nearly 60% of the economy, increased by 2.8% year over year compared to a revised 2.2% in the prior quarter, while capital formation, a measure of investment, increased by 8.9% from a downwardly revised 8%.

The latest quarter saw a 2.3 percent year-over-year increase in federal government spending, which accounts for about 10% of GDP, compared to the previous quarter's revised 0.6 percent contraction.

Public sector banks are in danger

Public Sector Banks (PSBs) in India have been facing challenges that have put them in a precarious situation. The financial health of many PSBs has been a matter of concern due to rising non-performing assets (NPAs) or bad loans. These NPAs have accumulated over the years, leading to a deterioration of the banks' balance sheets and impacting their ability to lend and support economic growth.

One of the significant contributors to the NPA problem in PSBs has been the lending practices and credit risk management. In the past, there have been instances of lenient lending standards, weak due diligence, and inadequate monitoring of borrowers' repayment capabilities. As a result, many loans have turned into bad debts, causing stress on the banks' capital adequacy and profitability.

Moreover, some PSBs have also faced governance and management issues, which have affected their overall performance. Lack of autonomy in decision-making and political interference in the functioning of these banks have hampered their efficiency and effectiveness.

The financial stress in PSBs has raised concerns about their ability to meet regulatory capital requirements and maintain financial stability. To address the situation, the Indian government has initiated various reforms in the banking sector, including recapitalization of PSBs, mergers and consolidations to strengthen their financial position, and enhance corporate governance.

The Indian government has also taken steps to improve the credit risk management practices in PSBs, implement measures to enhance transparency, and strengthen the governance framework to ensure more effective oversight.

In summary, PSBs in India face challenges related to rising NPAs, governance issues, and the economic impact of the pandemic. Addressing these challenges and implementing reforms to strengthen the financial health and corporate governance of PSBs will be critical to ensuring the stability and efficiency of the banking sector.