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BANKING & FINANCIAL SECTOR

1 India's largest bank reduces its MCLR

Context: India's largest bank State Bank of India (SBI) reduced its marginal cost of funds-based lending rate (MCLR) by 35 basis points or bps (One bps is one-hundredth of a percentage point) across all tenors with one-year MCLR, effective April 10. This is the eleventh consecutive cut in MCLR in FY 2019-20.

About:

- The marginal cost of funds-based lending rate (MCLR) is the minimum interest rate that a bank can lend at.
- MCLR is a tenor-linked internal benchmark, which means the rate is determined internally by the bank depending on the period left for the repayment of a loan
- The RBI introduced the MCLR methodology for fixing interest rates from 1 April 2016.

Other important rates

- **Base rate:** Base Rate is the lending rate calculated based on the total cost of funds of the banks and is the minimum interest rate at which a bank can lend except for loans to its own employees, its retired employees and against bank's own deposits.
- **PLR:** PLR (Prime Lending Rate) is the internal benchmark rate used for setting up the interest rate on floating rate loans sanctioned by Non Banking Financial Companies (NBFC) and Housing Finance Companies (HFC).
  - PLR rate is calculated based on average cost of funds.
  - NBFC and HFC generally price their loan at discount on their existing PLR.

2 RBI to set up exclusive wing for banking fraud oversight

Context: The Reserve Bank of India (RBI) is in the process of putting together an exclusive wing for banking fraud oversight, which will have teams for meta-data processing and analysis, artificial intelligence analysis units, as well as pro-active risk assessment cell.

About:

- Bank fraud can be defined as an unethical and/or criminal act by an individual or organization to illegally attempt to possess or receive money from a bank or financial institution.
- In Contractual term as described in the **Indian Contract Act**, Sec 17 suggests that a fraud means and includes any of the acts by a party to a contract or with his connivance or by his agents with the intention to deceive another party or his agent or to induce him to enter in to a contract.
- Banking Frauds constitute a considerable percentage of **white-collar offences** being probed by the police.
- Unlike ordinary thefts and robberies, the amount misappropriated in these crimes runs into lakhs and crores of rupees.
- Bank fraud is a federal crime in many countries, defined as planning to obtain property or money from any federally insured financial institution. It is sometimes considered a white collar crime.

3 Currency Swap Line

Context: India is working with the United States to secure a 'dollar swap line' that would help in better management of its external account and provide extra cushion in the event of an abrupt outflow of funds.

About:

- A swap line is a temporary reciprocal currency arrangement between central banks.
- Under the arrangement, central banks agree to keep a supply of their country's currency available to trade to another central bank at the going exchange rate.
- Banks use it for overnight and short-term lending only. Most swap lines are bilateral, which means they are only between two countries' banks.
- India already has a $75 billion bilateral currency swap line with Japan, which has the second highest dollar reserves after China.
- The Reserve Bank of India also offers similar swap lines to central banks in the SAARC region within a total corpus of $2 billion.

4 The concept of Helicopter Money

Context: With the Covid-19 pandemic here to stay for a long time and traditional monetary and fiscal policies limited in their efficacy, governments and central banks are looking at ways to avert an economic catastrophe. Some economists propose that non-repayable money transfer from the central bank to the government, which is 'helicopter money'.

About:

- Helicopter money is the term used for a large sum of new money that is printed and distributed among the public, to stimulate the economy during a recession or when interest rates fall to zero.
- It is also referred to as a helicopter drop, in reference to a helicopter scattering supplies from the sky.
- Coined by the American economist Milton Friedman in 1969, helicopter money refers to a last resort type of monetary stimulus strategy to spur inflation and economic output.

- It includes printing large sums of money and distributing it to the public so that people can spend more and boost the economy.
- It also requires both monetary and fiscal policies to be carried out together, meaning central banks and governments cooperating with each other.

Is it similar to quantitative easing?

- Helicopter money is an unconventional alternative to quantitative easing, but both aim to boost consumer spending and increase inflation.
- While helicopter money increases monetary supply by distributing large amounts of currency to the public, quantitative easing increases supply by purchasing government or other financial securities to spark economic growth.

5 Sovereign Gold Bonds

Context: The Government of India, in consultation with the Reserve Bank of India, has decided to issue Sovereign Gold Bonds.

About:

- Sovereign Gold Bonds are government securities denominated in grams of gold. They are substitutes for holding physical gold.
- Investors have to pay the issue price in cash and the bonds will be redeemed in cash on maturity.
- The Bond is issued by Reserve Bank on behalf of Government of India.
- The quantity of gold for which the investor pays is protected, since he receives the ongoing market price at the time of redemption/ premature redemption. The SGB offers a superior alternative to holding gold in physical form.
- The risks and costs of storage are eliminated. Investors are assured of the market value of gold at the time of maturity and periodical interest. SGB is free from issues like making charges and purity in the case of gold in jewellery form.
- The bonds are held in the books of the RBI or in demat form eliminating risk of loss of scrip etc.

Key-details of the Scheme:

- The Sovereign Gold Bonds will be issued in six tranches from April 2020 to September 2020, according to a statement issued by the Ministry of Finance.
- The Bonds will be sold through:
  - Scheduled Commercial banks (except Small Finance Banks and Payment Banks)
  - Stock Holding Corporation of India Limited (SHCIL)
  - designated post offices
  - recognized stock exchanges viz., National Stock Exchange of India Limited and Bombay Stock Exchange Limited
- The minimum investment limit for Sovereign Gold Bond is 1 gram of gold, while the maximum limit of subscription is 4 kg for individual, 4 kg for HUF and 20 kg for trusts and similar entities, as notified by the government from time to time.
- The tenor of the Bond will be for a period of 8 years with exit option after completion of five years.

6 Operation Twist

Context: With the objective to help monetary transmission, the Reserve Bank of India (RBI) has decided to bring back its bond swapping programmed billed as India's Operation Twist.

About:

- Operation Twist was a term given to a monetary policy tool used by the United States on two occasions to influence market interest rates.
  - the original "Operation Twist" was conducted in 1961
  - the second one was in 2011
- In both scenarios, the objective was to lower long-term interest rates.
- The financial tool also helps in either reducing liquidity in the market or increasing it, based on the simultaneous sale and purchase of bonds.
- Operation Twist was first introduced to the world by the US in a bid to lower long-term interest rates and to provide a boost to the economy by making credit cheaper for businesses, industries and other borrowers.
- In both scenarios where the US initiated Operation Twist, it was to combat a period of recession and prolonged slow growth.
- Like the United States, India has been encountering a period of a prolonged period of slow growth since the first half of 2019.
- The simultaneous purchase and sale of bonds or securities through open market operations (OMOs) help in changing the shape of the yield curve.
- In India's context, Operation Twist is a bid to bring down interest rates on long-term loans--something that it has failed despite five rate cuts by RBI this year.

Open market operation:

- Open market operation is the sale and purchase of government securities and treasury bills by RBI or the central bank of the country.
- The objective of OMO is to regulate the money supply in the economy.
- When the RBI wants to increase the money supply in the economy, it purchases the government securities from the market and it sells government securities to suck out liquidity from the system.
- RBI carries out the OMO through commercial banks and does not di directly deal with the public.
- OMO is one of the tools that RBI uses to smoothen the liquidity conditions through the year and minimise its impact on the interest rate and inflation rate levels..

7 Rights Issue

Context: In the times of Coronavirus pandemic, several companies are planning to raise funds (aggregating to over Rs 10,000 crore) through rights issue amidst the Covid-19 pandemic.

About

- A rights issue is a mechanism by which companies can raise additional capital from existing shareholders.
- While existing shareholders may not necessarily be able to participate in other fund-raising mechanisms like QIPs, preferential allotment etc, rights issue is a more democratic approach to raising funds as it allows the existing shareholders the right to invest first in the company.

Why rights issue is an 'efficient' option?

- For a rights issue, there is no requirement of shareholders' meeting and an approval from the board of directors is sufficient and adequate.
- Therefore, the turnaround time for raising this capital is short and is much suited for the current situation unlike other forms that require shareholders' approval and may take some time to fructify.
- Thus the rights issue are a more efficient mechanism of raising capital.

8 New guidelines on 'Sale of Loan Exposures' and 'Securitisation of Standard Assets'

Context : The Reserve Bank of India (RBI) released the draft framework for 'sale of loan exposures and securitisation of standard assets' for the purpose of securitisation of the Indian market.

About:

- Aimed at development of a strong and robust securitisation market in India, while incentivising simpler securitisation structures, the revised guidelines attempt to align the regulatory framework with the Basel guidelines on securitisation.
- Applicability: These guidelines are to be followed by-
  - Scheduled Commercial Banks (excluding Regional Rural Banks)
  - All India Financial Institutions (NABARD, NHB, EXIM Bank, and SIDBI)
  - All Non-Banking Financial Companies (NBFCs) including Housing Finance Companies (HFCs).

Key-features of the Guidelines:

Framework for Sale of Loan Exposures:

- Sale of standard assets may be by assignment, novation or a loan participation contract (either funded participation or risk participation) whereas the sale of stressed assets may be by assignment or novation.
  - Direct assignment transactions shall be subsumed as a special case of these guidelines.
  - Requirement of MRR for sale of loans has been done away with.
  - The price discovery process has been deregulated to be as per the lenders' policy.
  - Stressed assets may be sold to any entity that is permitted to take on loan exposures by its statutory or regulatory framework.
  - Some of the existing conditions for sale of NPAs have been rationalised.

Framework for Securitisation of Standard Assets

- Only transactions that result in multiple tranches of securities being issued reflecting different credit risks will be treated as securitisation transactions, and accordingly covered under these guidelines;

- In line with the Basel III guidelines, two capital measurement approaches have been proposed: Securitisation External Ratings Based Approach (SEC-ERBA) and Securitisation Standardised Approach (SEC-SA).
- Further, a special case of securitisation, called Simple, Transparent and Comparable (STC) securitisations, has been prescribed with clearly defined criteria and preferential capital treatment.
- The definition of securitisation has been modified to allow single asset securitisations. Securitisation of exposures purchased from other lenders has been allowed.
- Carve outs have been provided for Residential Mortgage Backed Securities (RMBS) in prescriptions regarding MHP, MRR and reset of credit enhancements.
- A quantitative test for significant transfer of credit risk has been prescribed for derecognition for the purpose of capital requirements, independent of the accounting derecognition

What is securitisation?

- Securitisation refers to the conversion of loans such as auto, house, credit cards etc. of banks and lenders into debt instruments.
- It is a process by which a company clubs its different financial assets/debts to form a consolidated financial instrument which is issued to investors. In return, the investors in such securities get interest.
- This process enhances liquidity in the market. This serves as a useful tool, especially for financial companies, as its helps them raise funds.

9 Retail Inflation

Context: According to the latest data released by the Ministry of Statistics & Programme Implementation (MoSPI), India's retail inflation grew 6.09 percent in June.

What is Inflation?

- It is the rate at which the general level of prices for goods and services is rising and, consequently, the purchasing power of currency is falling.
- Inflation is classified into three types: Demand-Pull inflation, Cost-Push inflation, and Built-In inflation.
- The most commonly used inflation indexes are the Consumer Price Index (CPI) and the Wholesale Price Index (WPI).
- In India, the NSO under the Ministry of Statistics and Programme Implementation (MOSPI) measures inflation.

Consumer Price Index (CPI)

- It is an index measuring retail inflation in the economy by collecting the change in prices of most common goods and services used by consumers.
- The CPI is used to calculate the inflation levels in an economy.
- In India, there are four consumer price index numbers, which are calculated, and these are as follows:
  - CPI for Industrial Workers (IW)
  - CPI for Agricultural Labourers (AL)

  - CPI for Rural Labourers (RL) and
  - CPI for Urban Non-Manual Employees (UNME).
- While the Ministry of Statistics and Program Implementation collects CPI (UNME) data and compiles it, the remaining three are collected by the Labour Bureau in the Ministry of Labour.
- CPI = (Cost of basket divided by Cost of basket in the base year) multiplied by 100.
- The base year for CPI is 2012.

10 RBI sets up panel for Stressed Loans Resolution Norms

Context: The Reserve Bank of India (RBI) constituted the proposed expert committee under the chairmanship of veteran banker K.V. Kamath to make recommendations on norms for the resolution of COVID-19 related stressed loans.

About:

- The Committee will be headed by K.V. Kamath.
  - K V Kamath, a career banker, was till 2009 the MD & CEO of ICICI Bank.
  - Kamath in his last stint was associated with the BRICS led New Development Bank (NDB) as Chairman and Director, a position he had assumed in 2015.
- The other members of the Committee are as follow:
  - Diwakar Gupta (effective September 1, 2020, after the completion of his term as Vice President, ADB)
  - T.N. Manoharan (effective August 14, 2020, after the completion of his term as Chairman, Canara Bank)
  - Ashvin Parekh, Strategy Advisor (CEO, Indian Banks' Association, as the Member Secretary)
- The Indian Banks' Association (IBA) will function as the secretariat to the committee and the committee will be fully empowered to consult or invite any person it deems fit.

Indian Banks' Association (IBA)

- Indian Banks' Association (IBA) is an association of Indian banks and financial institutions.
- It was formed on 26 September 1946 in Mumbai as a representative body of management of banking operating in India.

- The committee will submit its recommendations to the apex bank, which will notify them along with modifications, if any, in 30 days.

Background

- As part of the statement on Developmental and Regulatory Policies released along with the Monetary Policy Statement, the Reserve Bank has announced a 'Resolution Framework for Covid19-related Stress', as a special window under the Prudential Framework on Resolution of Stressed Assets issued in 2019.

- The resolution framework envisages constitution of an expert committee by the RBI to make recommendations on the required financial parameters to be factored in into the resolution plans, with sector-specific benchmark ranges for such parameters.
- The Expert Committee shall also undertake the process validation for the resolution plans to be implemented under this framework, without going into the commercial aspects, in respect of all accounts with aggregate exposure of Rs 1500 crore and above at the time of invocation

Stressed assets

- Stressed assets = NPAs + Restructured loans + Written off assets
- Non-Performing Assets: A loan whose interest and/or installment of principal have remained 'overdue ' (not paid) for a period of 90 days is considered as NPA
- Restructured asset: Restructured asset or loan are that assets which got an extended repayment period, reduced interest rate, converting a part of the loan into equity, providing additional financing, or some combination of these measures.
- Written off assets: Written off assets are those the bank or lender doesn't count the money borrower owes to it.

11 RBI to brought startups under Priority Sector Lending (PSL)

Context: The Reserve Bank of India (RBI) brought startups under the purview of priority sector lending (PSL), a move that will make it easier for startups to raise funds from banks.

About

What is Priority Sector Lending?

- The RBI mandates banks to lend a certain portion of their funds to specified sectors-- agriculture, micro, small and medium enterprises (MSMEs), export credit, education, housing, social infrastructure, renewable energy and others.
- The idea behind this is to ensure that adequate institutional credit reaches some of the rather vulnerable sectors of the economy, which otherwise may not be attractive for banks from the profitability point of view.

Startups

- Startups are companies or ventures that are focused around a single product or service that the founders want to bring to market.
- These companies typically don't have a fully developed business model and, more importantly, lack adequate capital to move on to the next phase of business.
- Most of these companies are initially funded by their founders.
- Startups were considered under the MSME category and were required to show three years of profitability.

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GROWTH & DEVELOPMENT

1 White Paper to strategize revival of post-COVID 19 Indian Economy

Context: The Technology Information, Forecasting and Assessment Council (TIFAC), by virtue of its mandate of thinking for future, is preparing a 'white paper' to strategize revival of post-COVID 19 Indian economy.

About:

- TIFAC is exploring the best methods to revive the Indian economy and reduce the impact on it post COVD 19.
- This document would mainly focus on strengthening Make in India initiatives, commercialization of Indigenous technology, developing a technology-driven transparent Public Distribution System (PDS), efficient rural health care delivery, reduction of import, adoption of emerging technology domains like AI, Machine Learning, Data Analytics and many more.
- It will be soon submitted to the decision-making authorities of the Government.

What is white paper?

- A whitepaper is a persuasive, authoritative, in-depth report on a specific topic that presents a problem and provides a solution.
- These policy documents are produced by the Government that set out their proposals for future legislation.

About TIFAC:

- TIFAC is an autonomous organization set up in 1988 under the Department of Science & Technology to look ahead in technology domain, assess the technology trajectories, and support innovation by networked actions in select areas of national importance.
- TIFAC continues to strive for technology development in the country by leveraging technology innovation through sustained and concerted programmes in close association with industry and academia.

2 COVID-19 Rural Poor Stimulus Facility

Context: With the COVID-19 pandemic and economic slowdown threatening the lives and livelihoods of the world's most vulnerable people, the UN's

International Fund for Agricultural Development (IFAD) launched a multi-donor COVID-19 Rural Poor Stimulus Facility (RPSF) to support farmers and rural communities to continue growing and selling food.

About:

- IFAD's new multi-donor fund, the COVID-19 Rural Poor Stimulus Facility, will mitigate the effects of the pandemic on food production, market access and rural employment.
- As part of the broader UN socio-economic response framework, the Facility will ensure that farmers in the most vulnerable countries have timely access to inputs, information, markets and liquidity.
- On top of its own contribution, IFAD aims to raise at least $200 million more from Member States, foundations and the private sector.
- The planned interventions fall into four main categories:
  - Providing inputs and basic assets for production of crops, livestock and fisheries
  - Facilitating access to markets to support small-scale farmers in selling their products in conditions where market functions are restricted
  - Targeting funds for rural financial services to ensure sufficient liquidity and to ease repayment requirements so as to maintain services, markets and jobs
  - Promoting the use of digital services to deliver key information on production, weather, finance and markets

About IFAD:

- International Fund for Agricultural Development (IFAD) is an international financial institution and specialized United Nations agency based in Rome, the UN's food and agriculture hub.
- Founded in 1977, the organization invests in rural people, empowering them to increase their food security, improve the nutrition of their families and increase their incomes.

3 Purchasing Power Parities and the size of Indian Economy

Context: The World Bank has released new Purchasing Power Parities (PPPs) for reference year 2017, under International Comparison Program (ICP), that adjust for differences in the cost of living across economies of the World. Globally 176 economies participated in 2017 cycle of ICP.

About

- The International Comparison Program (ICP) is the largest worldwide data-collection initiative, under the guidance of UN Statistical Commission (UNSC), with the goal of producing Purchasing Power Parities (PPPs) which are vital for converting measures of economic activities to be comparable across economies.
- Along with the PPPs, the ICP also produces Price Level Indices (PLI) and other regionally comparable aggregates of GDP expenditure.
- India has participated in almost all ICP rounds since its inception in 1970.

- The Ministry of Statistics and Programme Implementation is National Implementing Agency (NIA) for India, which has the responsibility of planning, coordinating and implementing national ICP activities.
- India is also proud to have been a co-Chair of the ICP Governing Board along with Statistics Austria for the ICP 2017 cycle.
- The next ICP comparison will be conducted for the reference year 2021.

What is Purchasing power parity?

- Purchasing power parity is used worldwide to compare the income levels in different countries. PPP thus makes it easy to understand and interpret the data of each country.
- Purchasing power parity (PPP) is an economic theory of exchange rate determination.
- It states that the price levels between two countries should be equal.
- PPP measures are widely used by global institutions, such as the World Bank, United Nations, International Monetary Fund and European Union.

4 National Statistics Day

Context: The National Statistics Day to commemorate the birth anniversary of PC Mahalanobis, is observed on June 29. On June 29, 2006, the first Statistics Day was observed.

About

- National Statistics Day is celebrated on June 29 across the country. The main aim of marking this day is to make statistics popular in an individual's daily life.
- The day is celebrated on the birth anniversary of Prasanta Chandra Mahalanobis, a world-renowned statistician whose invaluable contributions led to the establishment of National Statistical System in India.
- He is also called the 'father of Indian Statistics'.
- The key contribution of PC Mahalanobis is known as "Mahalanobis distance'.
  - The formula is used to find the distance between a point and a distribution, based on measurements in multiple dimensions.
  - It is widely used in the field of cluster analysis and classification.

Key-highlights

- This year, National Statistics Day is being observed through a series of virtual events due to the COVID-19 pandemic.
- The day is dedicated to statistics in daily life and creating awareness among people on how statistics helps in framing policies.
- The theme of the day this year is Sustainable Development Goals -3 (Ensure healthy lie and promote well-being for all at all ages) and Sustainable Development Goals-5 (Achieve gender equality and empower all women and girls).

Quick facts about PC Mahalanobis

- PC Mahalanobis was born on June 29, 1893, in West Bengal. Mahalanobis studied at Brahmo Boys School after which he joined Presidency College in Calcutta.
- He is known for Mahalanobis theory. His contributions are massive in academic as the founder and builder of the Indian Statistical Institute.

- He is known as the organizer of the Indian statistical system, was a pioneer in the applications of statistical techniques practically and is the architect of India's Second Five Year Plan.
- Mahalanobis has been one of the first members of the Planning Commission of India. He as a statistician had designed large scale sample surveys for the commission and the country.
- He was appointed to keep the accounts of land and land revenue of Mahal of ancient Bengal.
- He was honoured by the government by calling him the Father of Indian Statistics. Mahanolobis died on June 28, 1972, at the age of 78.

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EXTERNAL SECTOR

1 Extant Foreign Direct Investment (FDI) Policy

Context: The Government of India has reviewed the extant Foreign Direct Investment(FDI) policy for curbing opportunistic takeovers/acquisitions of Indian companies due to the current COVID-19 pandemic and amended para 3.1.1 of extant FDI policy as contained in Consolidated FDI Policy, 2017.

Present Position

- **Para 3.1.1:**
  - A non-resident entity can invest in India, subject to the FDI Policy except in those sectors/activities which are prohibited.
  - However, a citizen of Bangladesh or an entity incorporated in Bangladesh can invest only under the Government route.
  - Further, a citizen of Pakistan or an entity incorporated in Pakistan can invest, only under the Government route, in sectors/activities other than defence, space, atomic energy and sectors/activities prohibited for foreign investment.

Revised Position

- **Para 3.1.1:**
  - **3.1.1(a)** A non-resident entity can invest in India, subject to the FDI Policy except in those sectors/activities which are prohibited.
    - However, an entity of a country, which shares land border with India or where the beneficial owner of an investment into India is situated in or is a citizen of any such country, can invest only under the Government route.
    - Further, a citizen of Pakistan or an entity incorporated in Pakistan can invest, only under the Government route, in sectors/activities other than defence, space, atomic energy and sectors/activities prohibited for foreign investment.
  - **3.1.1(b)** In the event of the transfer of ownership of any existing or future FDI in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the restriction/purview of the para 3.1.1(a), such subsequent change in beneficial ownership will also require Government approval.

2 Rise in India's Forex Reserves

Context: India's foreign exchange reserves are rising and are slated to hit the $500 billion mark soon.

About:

- Forex reserves are external assets in the form gold, SDRs (special drawing rights of the IMF) and foreign currency assets (capital inflows to the capital markets, FDI and external commercial borrowings) accumulated by India and controlled by the Reserve Bank of India.
- The foreign exchange reserves are held in support of a range of objectives like supporting and maintaining confidence in the policies for monetary and exchange rate management including the capacity to intervene in support of the national or union currency.
- It will also limit external vulnerability by maintaining foreign currency liquidity to absorb shocks during times of crisis or when access to borrowing is curtailed.

What manages the forex reserves in India?

- The Reserve Bank of India functions as the custodian and manager of forex reserves, and operates within the overall policy framework agreed upon with the government.
- The RBI allocates the dollars for specific purposes. The RBI uses its forex kitty for the orderly movement of the rupee.
- It sells the dollar when the rupee weakens and buys the dollar when the rupee strengthens.
- When the RBI mops up dollars, it releases an equal amount in the rupees. This excess liquidity is sterilized through issue of bonds and securities and LAF operations.

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AGRICULTURE

1 Horticulture and Kisan Melas to bring more area under Fruit Cultivation

Context: In the 'KisanMelas' being organised by Punjab Agriculture University (PAU), Ludhiana, the farmers are being motivated with the theme 'Baag Lao, PaniBachao, FalKhao, SehatBanao' (grow orchards, save water, eat fruits and gain health).

What is Horticulture?

- Horticulture, the branch of plant agriculture dealing with garden crops, generally fruits, vegetables, and ornamental plants.
- The word is derived from the Latin Hortus, "garden," and colere, "to cultivate."
- As a general term, it covers all forms of garden management, but in ordinary use, it refers to **intensive commercial production.**
- In terms of scale, horticulture falls between domestic gardening and field agriculture, though all forms of cultivation naturally have close links.
- Horticulture sector has become one of the major drivers of growth as it is more remunerative than the agricultural sector.

National Horticulture Board (NHB)

- It was set up in 1984 on the basis of recommendations of the "Group on Perishable Agricultural Commodities", headed by Dr M. S. Swaminathan.
- Headquartered at Gurugram.
- The objective is to improve the integrated development of the Horticulture industry and to help in coordinating, sustaining the production and processing of fruits and vegetables.

Indian Institute of Horticultural Research

- IIHR is an autonomous organization acting as a nodal agency for basic, strategic, anticipatory and applied research on various aspects of horticulture such as fruits, vegetable, ornamental, medicinal and aromatic plants and mushrooms in India.
- The institute has its headquarters in Bengaluru, Karnataka, India and is a subsidiary of Indian Council of Agricultural Research (ICAR), New Delhi, under the Ministry of Agriculture, India.

2 Market Intervention Scheme

Context: Amidst the lockdown, the Union government has asked all States / UTs to implement Market Intervention Scheme to ensure remunerative prices to farmers for perishable crops.

About:

- The Market Intervention Scheme (MIS) is an ad-hoc scheme under which are included horticultural commodities and other agricultural commodities which are perishable in nature and which are not covered under the minimum price support scheme.
- It aims to intervene the market to protect the growers of their commodities from making distress sale in the event of a bumper crop during the peak arrival period when the prices tend to fall below economic levels and cost of production.
- In order to protect the growers of these horticultural/agricultural commodities from making distress sale, Government implements M.I.S. for a particular commodity on the request of a **State Government** concerned.
- Losses suffered are shared on 50:50 basis between Central Government and the State.
- Market Intervention Scheme works in a similar fashion to Minimum Support Price based procurement mechanism for food grains.

Minimum Support Price (MSP):

- Minimum support price (MSP) is one of the instruments of Agricultural Price Policy (APP).
- APP basically means government intervention to influence agricultural productivity and/ or farm input prices.
- The kind and degree of intervention (or the policy instruments and their objectives) vary with the stage of agricultural development.
- The basic intent of announcing MSP before the sowing season is to help farmers take sowing decision keeping in mind that if they are not able to get a reasonable price by selling in the market, at least they will be able to get the MSP.
- In that sense, MSP is an assured or guaranteed price (insured price).

3 MSP for MFP Scheme

Context: TRIFED under Ministry of Tribal Affairs has asked the State Nodal Departments and Implementing Agencies to initiate procurement of Minor Forest Produces (MFPs) at Minimum Support Price (MSP) from the available funds under MSP for MFP Scheme.

About:

- **'Minor Forest Produce (MFP)'** refers to all non-timber forest produce of plant origin. It is an important source of livelihoods for tribal people are non-wood forest products.
- MFP includes bamboo, canes, fodder, leaves, gums, waxes, dyes, resins and many forms of food including nuts, wild fruits, Honey, Lac, Tusser etc.
- The Minor Forest Produces provide both subsistence and cash income for people who live in or near forests.

- They form a major portion of their food, fruits, medicines and other consumption items and also provide cash income through sale.

The Scheme:

- The government introduced the scheme of "Mechanism for Marketing of Minor Forest Produce (MFP) through Minimum Support Price (MSP) and development of value chain".
- The MSP for MFP scheme was started in 2013 to ensure fair and remunerative prices to MFP gatherers.
- The scheme is designed as a social safety net for improvement of livelihood of MFP gatherers by providing them fair price for the MFPs they collect.

About TRIFED:

- The Tribal Cooperative Marketing Development Federation of India (TRIFED) came into existence in 1987.
- It is a national-level apex organization functioning under the administrative control of Ministry of Tribal Affairs, Govt. of India.
- TRIFED has its registered and Head Office located in New Delhi and has a network of 13 Regional Offices located at various places in the country.

4 Animal Husbandry Infrastructure Development Fund (AHIDF)

Context: In pursuance of recently announced AtmaNirbhar Bharat Abhiyan stimulus package for ensuring growth in several sectors, the Cabinet Committee on Economic Affairs has approved setting up of Animal Husbandry Infrastructure Development Fund (AHIDF) worth Rs. 15000 crore.

About

- AHIDF would facilitate much needed incentivisation of investments in establishment of such infrastructure for dairy and meat processing and value addition infrastructure and establishment of animal feed plant in the private sector.
- Eligibility: The eligible beneficiaries under the Scheme would be
  - Farmer Producer Organizations (FPOs)
  - MSMEs
  - Section 8 Companies
- Private Companies and individual entrepreneur with minimum 10% margin money contribution by them. The balance 90% would be the loan component to be made available by scheduled banks.
- Government of India will provide 3% interest subvention to eligible beneficiaries. There will be 2 years moratorium period for principal loan amount and 6 years repayment period thereafter.

Dairy Infrastructure Development Fund (DIDF)

- Government had earlier approved the Dairy Infrastructure Development Fund (DIDF) worth Rs. 10,000 crores.
- It aims to incentivize investment by cooperative sector for development of dairy infrastructure.

5

MANUFACTURING & SERVICE SECTOR

1 ILO concerned over Labour Law suspension in India

Context: International Labour Organisation (ILO) assured 10 central unions that it has expressed deep concerns over the suspension and tweaking of labour laws by states to the Prime Minister Narendra Modi.

Labour jurisdiction in India:

- Under the Constitution of India, Labour is a subject in the Concurrent List where both the Central & State Governments are competent to enact legislation subject to certain matters being reserved for the Centre.
- The constitutional status of labour jurisdiction has been explained in the following table:

Union List (Central Government)	Concurrent List (Central as well as State Government)
Regulation of labour and safety in mines and oil fields	Trade unions, industrial and labour disputes
Industrial disputes concerning Union employees	Social security and insurance, employment and unemployment
Union agencies and institutions for vocational training	Welfare of labour including conditions of work, provident funds, employers' invalidity and old-age pension and maternity benefits

Indian Labour Laws:

- Estimates vary but there are over 200 state laws and close to 50 central laws. And yet there is no set definition of “labour laws” in the country.
- The Government has enacted certain central legislations, viz, the Employees Provident Fund and Miscellaneous Provisions Act, Employees State Insurance Act, Payment of Wages Act, Minimum Wages Act, Equal Remuneration Act, Maternity Benefits Act, etc.

Background:

- The ILO’s intervention came after 10 central trade unions escalated the issue of suspension and tweaking of labour laws with the international body through a letter.
- These unions are INTUC, AITUC, HMS, CITU, AIUTUC, TUCC, SEWA, AICCTU, LPF and UTUC. There are total 12 central trade unions in the country.

- The 10 central trade unions had asked the ILO DG to intervene immediately with the Indian authorities to urge necessary action for the protection of workers rights in the light of measures being taken by a number of state governments to undermine the labour legislation and international labour standards.
- They have pointed out that the central government is contemplating repealing of Inter State Migrant Workmen (Regulation of Employment and Conditions of Service) Act 1979.
- Undertaking a radical set of politically controversial economic reform measures, major states with substantial workforces, have frozen major labour laws, except basic ones, in the hope that businesses will recoup from the blow of the Covid-19 pandemic and create more jobs on a net basis.

2 Credit Guarantee Scheme for Subordinate Debt (CGSSD)

Context: The government launched Rs 20,000-crore 'Credit Guarantee Scheme for Subordinate Debt (CGSSD)' to support distressed small businesses.

About:

- Under the Credit Guarantee Scheme for Subordinate Debt (CGSSD), the government will provide a subordinate debt facility to the promoters of micro, small and medium enterprises that are either distressed or classified under non-performing assets.
- In case of default, creditors giving subordinate debt are paid after primary debt is settled in full.
- The scheme will provide a guarantee cover worth Rs 20,000 crore to more than two lakh MSMEs, the Ministry of Micro, Small & Medium Enterprises said in an official release.
- The scheme will be operationalised through the Credit Guarantee Fund Trust for MSEs (CGTMSE).
- Under the CGSSD programme, the government will provide the guarantee cover to promoters who can take debt from banks to further invest in stressed MSMEs as equity.

3 PM Formalization of Micro Food Processing Enterprises (PM FME)

Context: The Government has launched the 'PM Formalization of Micro Food Processing Enterprises (PM FME) scheme' as a part of "Atmanirbhar Bharat Abhiyan" to provide financial, technical and business support for upgradation of existing micro food processing enterprises.

Details of the PM FME scheme

- The Centrally Sponsored PM Formalisation of Micro Food Processing Enterprises (PM FME) scheme will be implemented over a period of five years from 2020-21 to 2024-25 with an outlay of Rs 10,000 crore.
- The scheme aims to bring in new technology, apart from affordable credit to help small entrepreneurs penetrate new markets.
- It will generate investment of Rs 35,000 core, generate 900,000 jobs and help 800,000 units.
- The expenditure under the scheme would to be shared
  - in 60:40 ratio between Central and state governments
  - in 90:10 ratio with North Eastern and Himalayan states

- in 60:40 ratio with UTs with legislature and 100% by Centre for other UTs.

- The scheme would directly benefit farmers and micro-entrepreneurs who contribute significantly to the Indian economy.

One District One Product (ODODP)

- The scheme adopts One District One Product (ODODP) approach to reap benefit of scale in terms of procurement of inputs, availing common services and marketing of products.
- The states would identify food product for a district keeping in view the existing clusters and availability of raw material.
- The ODOP product could be a perishable produce based product or cereal based products or a food product widely produced in a district and their allied sectors.
- Illustrative list of such products includes mango, potato, litchi, tomato, tapioca, kinnu, bhujia, petha, papad, pickle, millet based products, fisheries, poultry, meat as well as animal feed among others. Preference would be given to those producing ODOP products. However, units producing other products would also be supported.

4 Government Sets Up Single-Window Clearance for Aviation Sector

Context: The civil aviation ministry has set up a single-window clearance mechanism to expedite various investment proposals in the domestic aviation industry.

About:

- Ministry of Civil Aviation (MoCA) has set up an Investment Clearance Cell (ICC) for prompt assistance and clearance.
- Earlier the setting up of the ICC was announced by in 2020-2021 Union Budget in February this year.
- The ICC is a 10-member body headed by Amber Dubey, Joint Secretary in the Aviation Ministry.

Functions:

- The ICC has been mandated to serve as a single-window system for attracting investment and its terms of reference include accelerating investments, bringing projects to the Empowered Group of Secretaries (EGoS) which require special incentive, policy interventions, etc.
- It will also identify projects and report to EGoS and maintain active contacts with investors and work with the states, duly adopting ways of on-boarding the states to make them a part of the institutional set-up.
- It will identify policy and regulatory issues that come in the way of investments and engage with potential investors to bring the proposal for consideration of EGoS.

5 Zoram Mega Food Park

Context: Recently, the Zoram Mega Food Park was inaugurated in the state of Mizoram.

About:

- The Zoram Mega Food Park is located at Village-Khamrang in Kolasib District, Mizoram. This is the first Mega Food Park operationalized in the State of Mizoram.

- It has been set up in 55.00 acre of land at a project cost of Rs. 75.20 crore.
- This Mega Food Park will benefit the people of Kolasib-District as well as the adjoining areas. This park will help in enhancing the income of farmers and ensuring fair price of farm produce.
- It will provide direct and indirect employment to 5,000 persons and benefit about 25,000 farmers in the CPC (Core Processing Centre) and PPC (Primary Processing Centre) catchment areas.

Mega Food Park Scheme

- It was launched in 2008 by Ministry of Food Processing Industries.
- It aims at providing a mechanism to link agricultural production to the market by bringing together farmers, processors and retailers so as to ensure maximizing value addition, minimizing wastage, increasing farmers' income and creating employment opportunities particularly in rural sector.
- The Scheme is based on "Cluster" approach and envisages creation of state of art support infrastructure in a well-defined agri / horticultural zone for setting up of modern food processing units in the industrial plots provided in the park with well-established supply chain.

6 100% Foreign Direct Investment (FDI) in Air India

Context: Recently, the government has notified amendments to Foreign Exchange Management rules and allowed NRIs 100% foreign direct investment (FDI) in Air India. The new rules is known as Foreign Exchange Management (Non-debt Instruments) (Third Amendment) Rules, 2020.

About:

- Earlier in March, the Union Cabinet approved a proposal to permit foreign investment up to 100% by those NRIs, who are Indian Nationals, in case of Air India through the automatic route.
- Foreign investments in Air India Limited, including that of foreign airlines shall not exceed 49% either directly or indirectly except in case of those NRIs, who are Indian nationals.
- The amendment removes the exception which permitted Overseas Citizens of India 100% FDI in air transport, but not Air India. This category of citizens has been replaced with NRIs, now allowed to commit 100% FDI in air transport, including Air India, through automatic route.
- Substantial ownership and effective control of Air India Limited shall continue to be vested in Indian Nationals as stipulated in Aircraft Rules, 1937.
- As per the present FDI Policy, 100% FDI is permitted in scheduled Air Transport Service/Domestic Scheduled Passenger Airline (Automatic up to 49% and Government route beyond 49%).
- However, for NRIs 100% FDI is permitted under automatic route in Scheduled Air Transport Service/Domestic Scheduled Passenger Airline.
- The government permits 100% FDI under automatic route in helicopter services/seaplane services requiring Directorate General of Civil Aviation (DGCA) approval.
- Foreign airlines are allowed to invest in the capital of Indian companies, operating scheduled and non-scheduled air transport services, up to the limit of 49% of their paid-up capital, subject to certain conditions.
- The conditions includes that inflow must be made under the government approval route and the 49% limit will subsume FDI and FII/FPI investment.
- The investments made would need to comply with the relevant regulations of the Securities and Exchange Board of India (SEBI).

7 Confederation of Indian Industries (CII)

Context: Confederation of Indian Industries recently said that rural lending reviving, agri given hope of recovery.

About:

- According to the Confederation of Indian Industries there are early signs of a V-shaped recovery in the economy in the immediate aftermath of the lockdown, driven mostly by agriculture and rural lending, as well as positive trends in FMCG, pharma and even construction.
- However, the uncertainty of mini lockdowns and unnecessarily wide containment zones continue to affect business operations.
- Terming the agriculture sector a "beacon of hope", CII noted that rural lending by non-banking financial companies (NBFCs) is at about 80% of the usual levels.
- Stressed sectors include aviation, hotels and commercial vehicles, which show no signs of recovery yet.
- However, the information technology and health sectors are likely to hold steady even if they do not show much growth.
- An increase in people eating at home and a greater demand for sanitation and hygiene products is likely to drive 15-20% growth in the FMCG sector.
- With most construction sites resuming operations, CII is predicting a bounce-back in the sector which employs the largest number of people outside farming.
- CII also added that commercial real estate is holding up on lease renewals, though new leases are not being signed.

8 Divestment of 23 PSUs

Context: Recently, the Finance Minister announced that the government is working on completing the stake sale process of about 23 public sector companies whose divestment had already been cleared by the Cabinet.

About:

- The government, as part of the Aatmanirbhar Bharat package, had announced opening up of all sectors for private participation.
- The final call as to the sectors which are going to be called 'strategic' has not been made yet, that has to be announced yet.
- This would lead to a consolidation of public sector undertakings (PSUs).
- About disinvestment plans, the Minister said the government wanted to sell stakes in PSUs when they fetch the right price.
- There are already nearly 2223 such PSUs which have been cleared by the Cabinet for disinvestment. The intent is clear that at least for those which had already been cleared by the Cabinet, we will have to disinvest.
- For the 202021 fiscal, the Union government has set a disinvestment target of ₹2.10 lakh crore.

What is disinvestment?

- Disinvestment means sale or liquidation of assets by the government, usually Central and state public sector enterprises, projects, or other fixed assets.

- The government undertakes disinvestment to reduce the fiscal burden on the exchequer, or to raise money for meeting specific needs, such as to bridge the revenue shortfall from other regular sources.
- In some cases, disinvestment may be done to privatise assets. However, not all disinvestment is privatisation.

Main objectives of Disinvestment in India:

- Reducing the fiscal burden on the exchequer
- Improving public finances
- Encouraging private ownership
- Funding growth and development programmes
- Maintaining and promoting competition in the market

9 France to levy digital tax despite US decision to walk out of talks

Context: In a latest development, France has decided to go ahead with plans to tax big digital companies this year and criticized the United States' decision to walk away from talks on the issue as a 'provocation'.

About

- The French government's "GAFA" tax" named after Google, Apple, Facebook, Amazon, is being introduced to combat attempts by the firms to avoid paying what is considered a "fair share" of taxes in the country.
- The purpose of this tax is to achieve a fairer and more efficient tax system, which taxes value where it exists, i.e. in the data, in order to finance public services, schools, nurseries and hospitals.
- It is a proposed digital tax to be levied on large technology and internet companies. France has decided to introduce the tax (3% tax on revenues from digital activities).
- France, Britain, Italy and Spain have already sent a reply expressing their desire to agree on "a fair digital tax at the level of the OECD as quickly as possible.

How strong is GAFA?

- The four tech giants Google, Amazon, Facebook, and Apple have transformed the media industry, the internet, business models, and society.
- They capture an ever-growing portion of consumer's spending by shifting consumers away from traditional brick-and-mortar businesses and even displacing them.
- On one hand, Google and Facebook led the digital and display market while Amazon and Apple dominated online retailing.
- Despite their seeming differences, all four have similar capabilities such as-
  - Search
  - Social
  - Retail
  - Advertising
- In this race, Google is slightly better positioned than others due to its search-engine and display advertising.
- Facebook comes in second with strong profit margins but provides a 'fashionable' core entertaining business which is more vulnerable to market changes and newcomers.
- Apple and Amazon remain strong in their segments but facing increasing challenges.

6

INFRASTRUCTURE

1 Proposal to set up National Land Management Corporation

Context: A government panel on boosting infrastructure investment has recommended setting up a National Land Management Corporation, which would help in monetising state-owned surplus land assets in a systematic and specialised way.

About National Land Management Corporation

- The proposed Corporation will identify and manage surplus land assets.
- Such a corporation should be set up under Companies Act to function as the facilitator for land monetisation and an asset manager for lands owned by government of India and Central Public Sector Enterprises.
- The Corporation can raise capital from the equity market, based on the value of its leased assets, just like it has been done recently by some private-owned Real Estate Investment Trusts (REITS).
- The Corporation should have representation from:
  - Finance Ministry
  - Department of Public Enterprises
  - Ministry of Housing and Urban Affairs
  - Independent directors from finance and real estate industry

What is National Infrastructure Pipeline?

- It is estimated that Indian economy would need to spend$4.5 trillion on infrastructure by the year 2030 to sustain its growth rate.
- The eneavour of the National Infrastructure Pipeline or NIP, is to make this happen in an efficient manner.
- The new pipeline consists of 39 per cent projects each by the Centre and states and the balance by 22 per cent by private sector.

2 Chennai-Andaman and Nicobar Island Submarine Cable System

Context: Prime Minister NarendraModi inaugurated the first ever undersea optical fibre cable project for Andaman and Nicobar Islands which will provide high speed broadband connections in the union territory at par with services in the mainland.

About:

- The project envisages better connectivity from Chennai to Port Blair and seven other Islands -- Swaraj Deep (Havelock), Long Island, Rangat, Hutbay (Little Andaman), Kamorta, Car Nicobar and Campbell Bay (Great Nicobar).
- The project has been implemented at a cost of ₹ 1,224 crore. It is funded by the government through the Universal Service Obligation Fund under the ministry of communications.
- According to official data, internet with speed of 400 gigabyte (Gb) per second will be provided at Port Blair and for other islands it will be 200 Gb per second.
- The foundation for 2,312-kilometer Chennai - Andaman and Nicobar Islands (CANI) connecting submarine optical fibre cable project was laid in 2018.

What is Submarine Communication cable?

- A submarine communications cable is a cable laid on the seabed between land-based stations to transmit telecommunication signals across stretches of ocean and sea.
- The optical fiber elements are typically individually coated with plastic layers and contained in a protective tube suitable for the environment where the cable will be deployed.
- Compared to satellites, using internet connection through submarine cables is more reliable, cost efficient and of large capacity.

Why Andaman and Nicobar islands?

- The Indian Ocean has been the centre of India's trade and strategic prowess for thousands of years.
- Now that India is following the new policy and practice of trade and cooperation in Indo-Pacific, the importance of our islands including Andaman and Nicobar has increased further.
- Under the Act-East policy, Andaman and Nicobar's role in India's strong relations with East Asian countries and other countries associated with the sea is crucial and it is going to increase.

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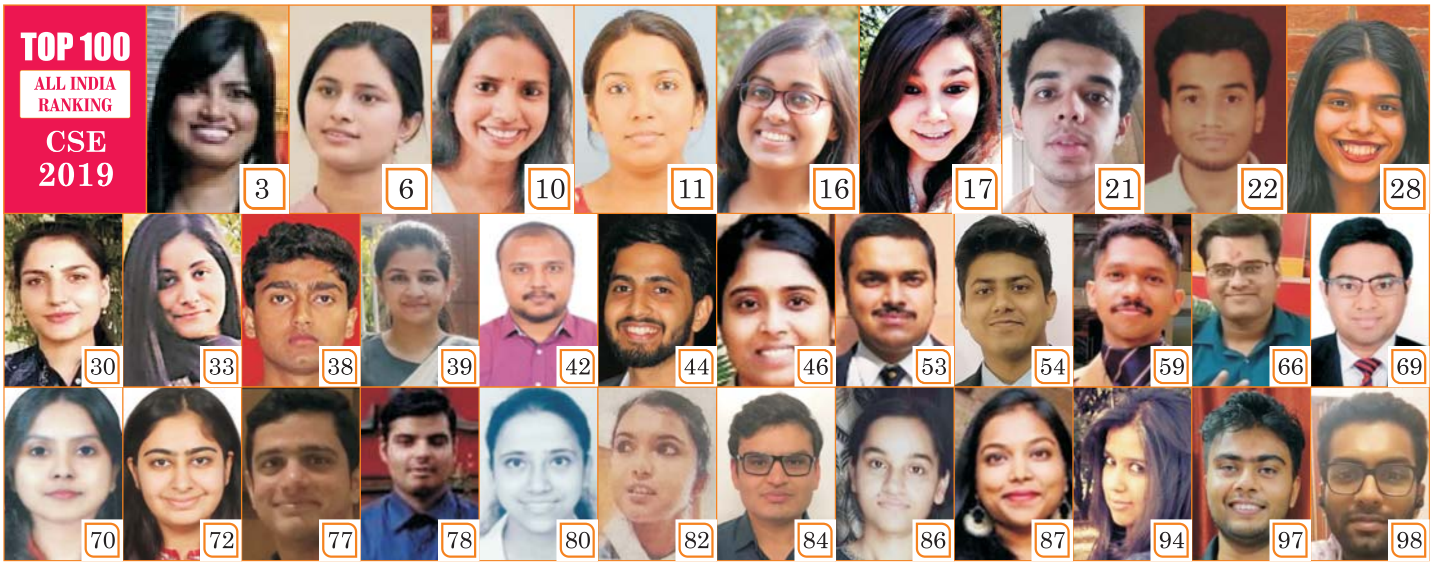

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