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# CURRENT AFFAIRS

YEARLY COMPILATION

# INDIAN ECONOMY


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# Contents

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# 1

# Banking & Financial Sector

## 1 Central Board of RBI

**CONTEXT: A meeting of the board of directors of the Reserve Bank of India was convened by Governor Urjit Patel to discuss issues related to liquidity for NBFCs, credit for MSMEs and new economic capital framework.**

### Central board of RBI : Appointment & Strength

- The **government appoints the Board in accordance with the RBI Act of 1934**. The full **strength of the Board is 21**, including the Governor and a maximum of four deputy governors.
- The Board is required to **meet at least six times a year** and at least once every quarter.
- Besides Delhi and Mumbai, the Board generally meets in various state capitals.

### Current composition:

- At present, the Central Board has 18 members, including five official directors —Governor Shakti Kant Das and four deputy governors.
- The RBI Act **allows for a five-year term for the Governor and the deputy governors**, but it can also be less for example, Raghuram Rajan was given a three-year term, and did not get an extension. Patel has been given a three-year term, which can be extended by another two years.

### Appointment Criteria:

- There is **no particular checklist the government has to tick** in deciding nominations to the Board. Part-time, non-official directors are chosen by the political executive.
- The proposal for appointment to the Central Board is moved by the Department of Financial Services under the Finance Ministry and needs to be approved by the Appointments Committee of the Cabinet.

### Governor's say in Board appointment:

- The **government is not obliged to seek the Governor's views** or his concurrence on directors it seeks to appoint.
- But traditionally, Finance Ministers informally speak with the Governor on their choice before taking the proposal to the Appointments Committee of the Cabinet (ACC).

## 2 Monetary Policy: A Fine Balance between Growth and Inflation

**CONTEXT: Monetary Policy Committee (MPC) decided to: (Feb 2019 Review)**

- Slashes repo rate by 25 bps to 6.25%.
- Consequently, the reverse repo rate under the LAF remains at 6.0 percent, and the marginal standing facility (MSF) rate and the Bank Rate at 6.5 percent.

### Repo Rate:

The **interest rate at which the RBI provides liquidity to banks** to overcome short-term mismatches.

### Monetary Policy Committee (MPC):

- To **meet the challenge of inflation and Growth**, MPC has been established.
- It is an executive body of **6 members**. Of these, three members are from RBI while three other members are nominated by the Central Government.
- **Each member has one vote.** In case of a tie, the RBI governor has casting vote to break the tie.

## 3 RBI to link interest rates to external benchmarks replacing MCLR

**CONTEXT: The Reserve Bank of India (RBI) stated to link the base rate for loans with the marginal cost of funds-based lending rate (MCLR) from 1 April 2019 to improve monetary policy transmission.**

### MCLR:

- Currently Marginal Cost of Funds based Lending Rate (MCLR) is **the internal benchmark lending rates**. Based upon this MCLR, interest rate for different types of customers is fixed in accordance with their riskiness.
- MCLR is calculated using different components such as:
  - **Marginal cost of funds:** The marginal cost of funds comprises of Marginal cost of borrowings and return on net-worth.
  - **Negative carry on account of Cash Reserve Ratio (CRR):** It is the cost that the banks have to incur while keeping reserves with the RBI. The RBI is not giving an interest for CRR held by the banks. The cost of such funds kept idle can be charged from loans given to the people.
  - **Operating Costs:** It is the operating expenses incurred by the banks.
  - **Tenor Premium:** It denotes that higher interest can be charged from long term loans.

- **As and when the external benchmark rate changes, it will reflect in the change in interest rate of the loan as well**.
- It proposed that all new floating rate personal or retail loans i.e. housing, loans etc. will be linked to the new benchmark with effect from April 1, 2019.
- According to the proposal, the loans can be benchmarked to any one of the following:
  - Reserve Bank of India policy repo rate, or
  - Government of India 91 days Treasury Bill yield produced by the Financial Benchmarks India Private Ltd (FBIL), or

- Government of India 182 days Treasury Bill yield produced by the FBIL, or
- Any other benchmark market interest rate produced by the FBIL.

- However, the spread over the benchmark rate is to be wholly decided by the bank at its discretion.
- It should remain unchanged through the life of loan unless the borrowers' credit assessment undergoes a substantial changes, said the statement. The banks are free to offer these external benchmark linked loans to other types of borrowers as well.
- The bank is required to adopt a uniform external benchmark within a loan category so that there is transparency, standardisation and ease of understanding for the borrowers. This would mean that same bank cannot adopt multiple benchmarks within a loan category.

## 4 India Post Payments Bank (IPPB)

**Context: Prime Minister rolls out India Post Payment Bank.**

- **Objective**: To further **financial inclusion**.
- The **government owns 100%** in IPPB.
- It will provide services through - counter services, micro ATMs, mobile banking app, messages and interactive voice response.

**Positive point:**

- Most banking operations like accepting **deposits shall be done**.
- As per RBI rules, you can't hold more than ₹ 1 lakh in all **payments bank** accounts but you can open a post office bank account where any amount in excess of ₹ 1 lakh will be transferred into post office savings account.

**Negative point:**

- But they **cannot give loans or issue credit cards or provide insurance**. It has been tied up with PNB and Bajaj Allianz Life Insurance for loans and insurance.

**Technology used:**

- It will use **PAN and Aadhaar** to open accounts.
- It will use **QR card and biometrics** for authentication, transactions, and payments. Grameen Dak Sewaks will be armed with smartphones and biometric devices to handle transactions.

**3 types of IPPB savings account:**

- Digital savings account
- Basic savings account
- Regular savings account

## 5 Banks Board Bureau

- It is an **autonomous body of the Government of India tasked to improve the governance of Public Sector Banks, recommend selection of chiefs of government owned banks and financial institutions and to help banks in developing strategies and capital raising plans**.

**Important functions performed by the Bureau:**

- Recommend appointments to leadership positions and boards in PSBs and advise them on ways to raise funds and how to go ahead with mergers and acquisitions.

- Constantly engage with the boards of all 22 public sector banks to formulate appropriate strategies for their growth and development.
- Search and select heads of public sector banks and help them develop differentiated strategies of capital raising plans to innovative financial methods and instruments.
- Be responsible for selection of non-executive chairman and non-official directors on the boards.
- Steer strategy discussion on consolidation based on the requirement.

## 6 New RBI Norms Related to NPAs

**CONTEXT: The Reserve Bank of India (RBI) has tightened norms for bad loan resolution by setting timelines for resolving large NPAs, failing which banks will have to mandatorily refer them for insolvency proceedings. It also withdrew existing debt restructuring schemes such as SDR and S4A.**

### Meaning of NPA

The definition of an NPA as given by RBI and its various categories is as under:

- An asset, including a leased asset, becomes non-performing **when it ceases to generate income for the bank**. A non-performing asset (NPA) is a loan or an advance where;
  - Interest and/or instalment of principal remain **overdue for a period of more than 90 days in respect of a term loan,**
  - The account remains 'out of order' in respect of an Overdraft / Cash Credit (OD/CC).
  - The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
  - The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops.
  - The installment of principal or interest thereon remains overdue for one crop season for long duration crops.
  - The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction.
  - In respect of derivative transactions, the overdue receivables representing positive market-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

## 7 Parliament's Estimates Committee report on NPA's

**CONTEXT: It says that gross NPAs of banks rose to Rs 10.3 lakh crore in FY-18, or 11.2% of advances.**

### Importance of recognising NPAs

- To restructure or write down loans, the bank has to recognize it has a problem i.e classify the asset as a Non Performing Asset (NPA).
- Only then the bank balance sheet will represent a true and fair picture of the bank's health, as a bank balance sheet is meant to.

### Recommendations to RBI:

- RBI should probably have raised more flags about the quality of lending in the early days of banking exuberance.

- It should have initiated the new tools earlier, and pushed for a more rapid enactment of the Bankruptcy Code.
- RBI could have also been more decisive in enforcing penalties on non-compliant banks.

## 8 Prompt corrective action framework of RBI

**CONTEXT:** Four public sector banks — Bank of Maharashtra, Corporation Bank, Allahabad Bank and Bank of India — that are under the Prompt Corrective Action (PCA) framework of the Reserve Bank of India (RBI), may come out of the restrictions following improved performance.

### Prompt Corrective Action (PCA)

- PCA norms **allow the regulator to place certain restrictions such as halting branch expansion and stopping dividend payment**. It can even cap a bank's lending limit to one entity or sector.
- Other corrective actions that can be imposed on banks include **special audit, restructuring operations and activation of recovery plan**. Banks' promoters can be asked to bring in new management, too. The RBI can also supersede the bank's board, under PCA.
- The provisions of the revised PCA framework came into effect on April 1, 2017 and it will be reviewed after three years.

### When PCA is invoked:

- It is **invoked when certain risk thresholds are breached**. There are **three risk thresholds** which are based on certain **levels of asset quality, profitability, capital and the like**. The third such threshold, which is maximum tolerance limit, sets net NPA at over 12% and negative return on assets for four consecutive years.

### Public Sector banks under PCA:

- The RBI, so far, has put 11 PSBs under PCA with different degree of restrictions. These 11 banks are IDBI, Indian Overseas Bank, Bank of Maharashtra, United Bank of India, Dena Bank, Corporation Bank, UCO Bank, Central Bank of India, Oriental Bank of Commerce and Bank of India.

### Types of sanctions:

- There are **two types of restrictions, mandatory and discretionary**. Restrictions on dividend, branch expansion, and directors' compensation are mandatory while discretionary restrictions could include curbs on lending and deposit. In the cases of two banks where PCA was invoked after the revised guidelines were issued — IDBI Bank and UCO Bank — only mandatory restrictions were imposed. Both the banks breached risk threshold 2.

## 9 Mehta panel 5-point plan to fight NPAs

**CONTEXT: The high-level committee on restructuring stressed assets and creating more value for public sector banks (PSBs) has suggested a transparent market-based solution with a focus on asset turnaround to ensure job protection and creation.**

- It has **proposed Project Sashakt to recover banks and stressed companies:**
  - The **five-pronged resolution routes are— outlining an SME resolution approach, bank-led resolution approach, AMC/AIF led resolution approach, NCLT/IBC approach, and asset-trading platform.**
  - This route will be applicable to the following, which have a potential for turnaround -
  - smaller assets with exposure up to Rs. 50 crore

  - mid-size assets between Rs. 50 crore and Rs. 500 crore
  - large assets with exposure of Rs.500 crore and more

## 10 Project Sashakt

**CONTEXT: Finance minister unveiled 'Project Sashakt', a five-prong strategy to deal with non-performing assets.**

- 'SASHAKT' stands for strengthening and the whole **objective was to strengthen the credit capacity, credit culture and portfolio of public sector banks**.
- It was proposed by a panel led by PNB Chairman **Sunil Mehta**.
- India has worst bad loan ratio among the top 10 economies.
- It is a five-pronged strategy **to address the bad loans** problems in India's banking sector.
- For bad loans upto:
  - ₹ 50 crore - managed at the bank level, with a deadline of 90 days.
  - ₹ 50-500 crore - banks will enter an inter-creditor agreement, authorizing the lead bank to implement a resolution plan in 180 days.
  - Above ₹ 500 crore - independent Asset Management Company, supported by institutional funding through the AIF.
- Inter-Creditor Agreement (ICA) framework:
  - It is a **part of the Project**.
  - It makes sure that there is effective, **good communication amongst banks** and if anyone has a difference, then they will resolve it among themselves.
  - The ICA will stand if **66 per cent of the lenders** in a consortium agree to it.
  - It will be a legal document and enforceable in any court of law.

## 11 Inter-Creditor Agreement (ICA)

- The inter-creditor agreement is **aimed at the resolution of loan accounts with a size of ₹50 crore and above that are under the control of a group of lenders**.
- It is **part of the "Sashakt" plan** approved by the government to address the problem of resolving bad loans.

**Significance of the agreement:**

- The agreement is a "huge step forward" in tackling the bad loan issue as it is drawn up by banks themselves and is a reflection of bankers' resolve to collectively find a solution to stressed asset mess.
- Almost the entire banking system and prominent NBFCs like REC, PFC are joining the ICA which has held back fast and effective resolution of stressed assets for decades in the past.

## 12 Recapitalization of RRBS

**CONTEXT: Cabinet approves extension of Scheme of Recapitalization of Regional Rural Banks upto 2019-20.**

**Impact:**

- This will enable the RRBs to maintain the minimum prescribed Capital to Risk Weighted Assets Ratio (CRAR) of 9%.

- A strong capital structure and minimum required level of CRAR will ensure financial stability of RRBs which will enable them to play a greater role in financial inclusion and meeting the credit requirements of rural areas.
- A Regional Rural Banks Ordinance was promulgated in September 1975, which was replaced by the Regional Rural Banks Act 1976.

## 13 Pariwartan' scheme for power sector revival

**CONTEXT: The 'Pariwartan' scheme is being considered to protect value of stressed power projects and prevent their distress sale under the insolvency and bankruptcy code.**

- The 'Pariwartan' scheme is **inspired by the Troubled Asset Relief Programme, or TARP**, which was introduced in the US during the 2008 financial crisis.

### Status of stressed power projects in India:

- Stressed projects have drawn bids for around Rs 1-2 crore per MW under the insolvency and bankruptcy code, a fraction of the Rs 5 crore per MW needed to build them.
- **Issues faced by the stressed projects include a paucity of funds, lack of power purchase agreements and fuel shortages**.
- It has identified projects with a total debt of around ₹ 1.8 trillion as part of the scheme.
- The government **plans to warehouse stressed power projects totalling 25,000 MW under an asset management firm** to protect the value of the assets.
- This will prevent their distress sale under the insolvency and bankruptcy code until the demand for power picks up.
- State-run **Rural Electrification Corp. Ltd (REC)** has identified projects with a total debt of around Rs 1.8 trillion as part of the scheme, which is under government consideration.
- The proposed plan also aims to stem the rise in bad loans in the power sector.

### How it will work?

- These stressed power projects will be housed under an **asset management and rehabilitation company (AMRC)** that will be owned by financial institutions.
- While the **promoter's equity will be reduced** to facilitate a transfer of management control to the financial institutions, the **lenders will convert their debt into equity**.
- The **AMRC will manage the projects** and may ask utilities such as NTPC Ltd to operate and maintain them. The AMRC will charge a fee and help complete projects that are stranded for lack of funds.
- These projects will be transferred to the AMRC at net book value, wherein it will own a 51% stake in the projects and the balance 49% will be held by the lenders

## 14 Companies Act Notified

**CONTEXT: The government notified amendments to the Companies Act 2013, aimed at making the insolvency process more effective.**

**The Companies Act, 2013:**

- The Indian Companies Act 2013 replaced the Indian Companies Act, 1956.
- The Act makes comprehensive provisions to govern all listed and unlisted companies in the country.

### Amendments in the Act

- It **now allows companies to issue shares at a discount to its creditors when its debt is converted into shares in pursuance of any statutory resolution plan** such as resolution plan under the Insolvency or Bankruptcy Code or a debt restructuring scheme.
- It **now requires that where a company has defaulted in payment of dues to any bank, the prior approval of the bank for such payment of managerial remuneration** shall be obtained by the company before obtaining the approval in the general meeting.
- It **now prohibits a registered valuer from undertaking valuation of any asset in which he has direct or indirect interest** or becomes so interested at any time during three years prior to his appointment as valuer or three years after valuation of assets was conducted by him.
- Companies, which have defaulted on their dues to financial institutions, those companies will now require the prior approval of these creditors, besides approval in a general meeting in case the payment of managerial remuneration exceeds 11% of the net profits. Earlier, only the company's prior approval in a general meeting was required

## 15 The arbitration and conciliation (amendment) bill, 2018

**CONTEXT: The Union Cabinet approved the introduction of the Arbitration and Conciliation (Amendment) Bill, 2018 in the Parliament. It seeks to amend the Arbitration and Conciliation Act, 1996.**

- In 2015, certain amendments were made to the 1996 Act. These are related to: (i) time period of arbitral awards; and (ii) applicability of certain provisions to international commercial arbitration.

### Key Features of the Bill approved by the Cabinet are:

- **Arbitration Council of India:** The Bill seeks to **establish an independent body** called the Arbitration Council of India (ACI) **for the promotion of arbitration, mediation, conciliation and other alternative dispute redressal (ADR) mechanisms**. Its functions include: (i) grading arbitral institutions and accrediting (i.e. granting recognition standards to) arbitrators; and (ii) making policies for the establishment, operation and maintenance of uniform professional standards for all ADR matters.
- **Composition of the ACI:** The ACI will consist of a Chairperson who is either: (i) a Judge of the Supreme Court; or (ii) a Judge of a High Court; or (iii) Chief Justice of a High Court; or (iv) an eminent person. Other members will include eminent academicians and government appointees.
- **Speedy appointment of arbitrators:** The Bill seeks to facilitate appointment of arbitrators without approaching the court. The parties may instead approach arbitration institutions designated by the Supreme Court or the High Court.
- **Relaxation of time limits:** Currently, arbitral tribunals are required to make their award within a period of 12 months for all arbitration proceedings. The Bill proposes to remove the time restriction for international arbitrations.
- **Confidentiality of proceedings:** All details of arbitration proceedings shall be kept confidential except for the details of the arbitral award.

## 16 Fugitive Economic Offenders Bill, 2018

**CONTEXT: The Union Cabinet has recently approved the proposal of the Ministry of Finance to introduce the Fugitive Economic Offenders Bill, 2018 in Parliament.**

- The Bill would **help in laying down measures to deter economic offenders from evading the process of Indian law** by remaining outside the jurisdiction of Indian courts.

### Salient Features of the Bill

- The Bill covers economic offences that have a **value of more than Rs. 100 crores**.
- A **Special Court under the Prevention of Money-laundering Act, 2002** has to declare a person as a Fugitive Economic Offender.
- A fugitive economic offender has been defined **as a person against whom an arrest warrant has been issued for committing any offence (listed in the schedule)**. Further the person has:
  - Left the country to avoid facing prosecution, or
  - Refuses to return to face prosecution.
- Some of the offences listed in the schedule are:
  - Counterfeiting government stamps or currency,
  - Cheque dishonour for insufficiency of funds,
  - Money laundering, and
  - Transactions defrauding creditors.
- The Bill **allows authorities to provisionally attach properties of an accused**, while the application is pending before the Special Court.
- Upon declaration as an FEO, **properties of a person may be confiscated and vested in the central government,** free of encumbrances (rights and claims in the property). Further, the FEO or any company associated with him may be barred from filing or defending civil claims.

### Benefits

- The Bill is expected to **re-establish the rule of law with respect to the fugitive economic** offenders as they would be forced to return to India to face trial for scheduled offences.
- This would also **help the banks and other financial institutions to achieve higher recovery from financial defaults committed by such fugitive economic** offenders, improving the financial health of such institutions.

## 17 Name and Shame Wilful Defaulters

**CONTEXT: The Finance Ministry has asked all state-run banks to ensure that names and photographs of all wilful defaulters are put on their websites.**

### Wilful Defaulters:

- The RBI has defined wilful default **as one where the unit or borrower has defaulted in meeting payment or repayment obligations to the lender despite the capacity to honour these commitments.**

**Penalties Faced by Wilful Defaulters:**

- Banks and institutions are required to submit the list of suit-filed accounts of wilful defaulters at the end of every quarter to the Credit Information Bureau (India) Ltd (CIBIL).
- Labelling as a wilful defaulter **will choke off most credit channels since no additional lending facility** will be available from any bank or institution.
- A wilful defaulter is **not permitted to float any new business for a period of five years** from the date of being declared a wilful defaulter.
- Banks and institutions have been given the right to change the management of wilfully defaulting company.

### Steps Taken

- **By Regulators:**
  - The RBI has allowed credit information bureaus such as **CIBIL to disclose the identity of wilful defaulters** and those borrowers against whom banks have filed suits for recovery of loans.
  - Market regulator Securities and Exchange Board of India (SEBI) last year told companies **to reveal cases of defaults to the stock exchanges**.
- **By Government:**
  - Government directed banks **to seek passport details of borrowers taking loans of Rs 50 crore and more.** Passport details will help banks to take timely action and inform the relevant authorities to prevent fraudsters from fleeing the country.
  - The government has tabled the **Fugitive Economic Offenders Bill** after Nirav Modi and his uncle Mehul Choksi allegedly defrauded state-owned Punjab National Bank (PNB).
  - The proposed fugitive **law aims to impound and sell assets of Nirav Modi-type escapees with a view to quickly recover dues**. It also will apply to defaulters who have an outstanding of Rs. 100 crore or more and have escaped from the country.
  - The Finance Ministry has also directed Public Sector Banks (**PSBs) to probe all NPA accounts of over Rs. 50 crore for possible fraud and accordingly report the cases to CBI**.
  - The ministry had asked banks **to monitor loans above Rs. 250 crore and red flag** whenever the original covenants of the loans are violated. This was spelt out as part of 6-point-reform measures announced.
  - The **SARFAESI Act and DRT Act have been amended to make the recovery process more efficient and expedient**. Wherever it was observed that number of cases in which action taken by the banks against guarantors for recovery of defaulted loans is insufficient, the Government has advised the banks to take action against guarantors in the event of default by borrowers under relevant Sections of SARFAESI Act, Indian Contract Act and RDDBFI Act.
  - Government **has decided to establish six new Debt Recovery Tribunals (DRTs), to speed up the recovery of bad loans of the banking sector.** In addition, the Government has advised Public Sector Banks (PSBs) to constitute a Board level Committee for monitoring of recovery and to increase the pace of recovery and manage NPAs.

## 18 National Financial Reporting Authority

**CONTEXT: The Union Cabinet chaired by the Prime Minister has approved the proposal for establishment of National Financial Reporting Authority (NFRA) and creation of one post of Chairperson, three posts of full-time Members and one post of Secretary for NFRA.**

### Need for Establishing NFRA

- On account of the need felt across various jurisdictions in the world, **in the wake of accounting scams (PNB Scam),** to establish independent regulators, independent from those it regulates, **for enforcement of auditing standards and ensuring the quality of audits to strengthen the independence of audit firms, quality of audits and**, therefore, enhance investor and public confidence in financial disclosures of companies.
- It is one of the key changes brought in by the Companies Act, 2013. The inclusion of the provision in the Act was on the specific recommendations of the Standing Committee on Finance (in its 21st Report).

### Impact

- The decision is expected to result in improved foreign/domestic investments, enhancement of economic growth, supporting the globalisation of business by meeting international practices, and will also assist in further development of audit profession.

### Jurisdiction

- The jurisdiction of NFRA for investigation of Chartered Accountants and their firms under Section 132 of the Act would extend to listed companies and large unlisted public companies, the thresholds for which shall be prescribed in the Rules. The Central Government can also refer such other entities for investigation where public interest would be involved.

## 19 Public credit registry

**CONTEXT: The Reserve Bank of India (RBI) has shortlisted six major IT companies, includingTata Consultancy Services Ltd (TCS), Wipro Ltd and IBM India, to set up a wide baseddigital Public Credit Registry for capturing details of all borrowers and willful defaulters.**

### Public Credit Registry (PCR)

- It is an information repository **that collates all loan information of individuals and corporate borrowers.**
- A credit repository **helps banks distinguish between a bad and a good borrower** and accordingly offer attractive interest rates to good borrowers and higher interest rates to bad borrowers.
- The move is **based on the recommendations of a committee, headed by Y.M. Deosthalee**.
- PCR will **address issues such as information asymmetry, improve access to credit and strengthen the credit culture** among consumers. It can also address the bad loan problem staring at banks, as corporate debtors will not be able to borrow across banks without disclosing existing debt.
- Setting up the PCR will help **improve India's rankings in the World Bank's ease of doingbusiness index**.

### Necessity of PCR:

- Data on borrowings from banks, non-banking financial companies, corporate bonds or debentures from the market, external commercial borrowings (ECBs), foreign currency convertible bonds (FCCBs), masala bonds, and inter-corporate borrowings are not available in one data repository. **PCR will help capture all relevant information about a borrower, across different borrowing products in one place**.
- It can **flag early warnings on asset quality** by tracking performance on other credits.

**Panel's proposals:**

- The committee has suggested the **registry should capture all loan information and borrowers be able to access their own history**. Data is to be made available to stakeholders such as banks, on a need-to-know basis. Data privacy will be protected.

## 20 Currency in Circulation Improved

**CONTEXT: Currency in circulation in India stood at Rs. 17.78 trillion as on 16 February 2018, reaching 98.94% of the pre demonetisation level, according to the latest data released by the Reserve Bank of India.**

- On 4 November, 2016, the latest data released by the central bank before high-value banknotes were invalidated on 8 November,the currency with the public was Rs. 17.97 trillion. Subsequently, it dropped to a low of Rs. 8.98 trillion as on 6 January, 2017.

**Demonetization:**

- The demonetisation, **aimed at countering tax dodgers and counterfeiters, sucked out 86% of the currency in circulation.** The government had then also pointed out to relatively lower levels of currency with the public as a success.
- **According to central bank's annual report, 98.96% of notes (by value) that were invalidated had returned to the RBI by the end of June, 2017**
- Total Deposits in Banks increase by over Rs. 6 lakh crore. One major fallout of demonetisation is the enormous increase in the amount of deposits in banks.
- Just after demonetisation (as of November 11, 2016), the total deposits in banks (time & demand together) accounted for a little over Rs. 108 lakh crore. This went up to a high of Rs. 115.5 lakh crore as of March 31, 2017 (the extended last date for exchange of old notes).

## 21 Micro ATM

- Micro ATM **works with minimal power and connects to central banking servers through a GPRS network.**
- It **enables the un-banked rural population to access banking services** in their villages or towns.
- It **offers facilities of deposit, withdrawal, balance enquiry, issuance of mini-statement and funds transfer.**

**Potential threats to Micro-ATM:**

- **Skimming**: It is the theft of classified credit/debit card data. Using this method, a hacker (thief) can obtain the victim's card number using a small electronic device near the card acceptance slot and store hundreds of card details at a time.
- **Social engineering attack**: It can be engineered at these banking and POS facilities, by gaining trust of the card owner as the fraudster poses as a member of staff.

## 22 NPCI launched UPI 2.0

- **Allows customers to link their overdraft account to UPI**, creation of one-time mandates and pre-authorisation of transactions for payment at a later date, and checking the invoice sent by merchant prior to making payment.

- **UPI is a system that powers multiple bank accounts into a single mobile application** (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood.
- It also **caters to the "Peer to Peer" collect request** which can be scheduled and paid as per requirement and convenience.

## 23 RBI allows Tokenization of Card Transactions

**CONTEXT:** The Reserve Bank of India has allowed tokenization of debit, credit and prepaid card transactions to enhance the safety of the digital payments ecosystem in the country.

- The bank has offered permission for the process using all types of payment services and methods, including near-field communication (NFC), magnetic secure transmission (MST), in-app payment methods and cloud services.
- Tokenization will replace card details with a code, called a "token," which will be specifically for the card, the token requestor and the device being used to pay.
- Instead of the card's details, the token will act as the card at point of sale (POS) terminals and quick response (QR) code payment systems.

## 24 Nilekani Panel on Strengthening the Digital Payments Ecosystem

**CONTEXT:** The Reserve Bank of India (RBI) has constituted a **high-level committee under Nandan Nilekani to suggest measures to strengthen the safety and security of digital payments in the country**.

**RBI has provided the following terms of reference for the committee:**

- To encourage digitisation of payments and enhance financial inclusion through digitization.
- Reviewing the existing status of digitisation of payments in the country, identifying the current gaps in the ecosystem and suggesting ways to bridge them.
- Assessing the current levels of digital payments in financial inclusion.
- Suggest measures to strengthen the safety and security of digital payments.
- Suggest a road map for increasing customer confidence and trust while accessing financial services through digital modes.

## 25 The Society for Worldwide Interbank Financial Tele- communication (SWIFT)

**CONTEXT: The mega PNB fraud surrounds around SWIFT technology which was misused by its branch officials to fraudulently issue LoUs (letters of undertaking), kind of Bank guarantees to diamond and jewellery importer Nirav Modi-linked companies without getting proper approvals and without making entries in CBS.**

- The failure of SWIFT-CBS link led to Rs. 11,400 crore fraud at PNB and enabled these transactions to go undetected for over seven years.

**Letter of undertaking (LOU)** is a form of bank guarantee under which a bank can allow its customer to raise money from another Indian bank's foreign branch in the form of a short term credit

### SWIFT

- **It is global financial messaging service that enables financial institutions worldwide to send and receive information about financial transactions in secure, standardized and reliable environment.**
- It is used to transmit messages **relating to cross border financial transactions**.
- It was founded in 1973 and is **headquartered in La Hulpe, Belgium**.
- It is a cooperative society under Belgian law owned by its member financial institutions with offices around the world.
- Globally over 11,000 financial institutions in more than 200 countries use services of SWIFT.
- SWIFT **does not facilitate funds transfer**, rather, it sends payment orders, that must be settled by correspondent accounts that institutions have with each other.
- On receiving this message through SWIFT, banks abroad, mostly branches of domestic banks abroad provide funds to the company.

## 26 Independent regulator for the payments industry

**CONTEXT: An inter-ministerial committee set up by the Department of Economic Affairs, recommended establishment of an Independent Payments Regulatory Board (PRB).**

- It also recommended having **a government-appointed chairperson** for the PRB.
- It held that the **Securities Appellate Tribunal (SAT) should look at dispute cases** related to the payments.
- The **RBI has rejected the above recommendations**. It has argued that payment systems are a sub-set of currency, which is regulated by the RBI.
- Also, **the activities of payments banks come well within the purview of the traditional banking system.** So there is no case of having a separate regulator for payment systems outside the RBI.
- The recommendation on Securities Appellate Tribunal was also rejected by the RBI. The exchanges and securities markets are not under the purview of the Payment Systems Bill. So there is no rationality in bringing SAT for resolving payment system-related cases.

## 27 Treasury Bill

- Treasury bills, or T-bills, are **short-term debt instruments** issued by the government Treasury. T-bills are **issued for a term of one year of less**. T-bills are considered the **world's safest debt** as they are **backed by the full faith and credit of the government**.
- Treasury bills are issued when the government need money for a shorter period while bonds are issued when it need debt for more than say five years.
- Treasury bills are **zero coupon securities** and **pay no interest**. Rather, **they are issued at a discount (at a reduced amount) and redeemed (given back money) at the face value at maturity.**
- For example, a 91 day Treasury bill of Rs.100/- (face value) may be issued at say Rs. 98.20, that is, at a discount of say, Rs.1.80 and would be redeemed at the face value of Rs.100/-. This means that you can get a hundred-rupee treasury bill at a lower price and can get Rupees hundred at maturity.

## 28 Participatory Notes

**CONTEXT: Investment in participatory notes hits 6 month high of ₹ 1.5 lakh crore in December 2018.**

- They are also referred to as **P-notes**.
- These are the **financial instruments required by investors to invest in Indian securities without having to register** with the Securities and Exchange Board of India (SEBI).
- Any **dividends or capital gains** collected from the securities **goes back to the investors**.
- **Foreign institutional investors (FIIs)**, **issue the financial instruments** to investors in other countries who want to invest in Indian securities.
- **Advantage**: Participatory notes are popular investment due to the **investor remaining anonymous.**
- **Disadvantage**: Because of the anonymity, Indian regulators face difficulty determining a participatory notes original owner and end owner. Therefore, **substantial amounts of unaccounted for money enters the country through participatory notes**.

## 29 Development Impact Bonds

**CONTEXT: A group of global philanthropic foundations, including UBS Optimus Foundation,British Asian Trust, Michael & Susan Dell Foundation, and Tata Trust haveannounced a Development Impact Bond (DIB) worth $11 million.**

**Development Impact Bonds:**

- It is **an innovative education financing modelbased on measurable outcome (**performance-based) ratherthan the present input model of social financing that does not bother about result.
- To be known as Quality Education India, it is expected to improve education outcome
- of 300,000 students in Delhi and Gujarat.It is the largest education DIB in the world.

- The first social impact bond was **originated in UK in 2010**, supported by **the Rockefeller**
- **Foundation**, structured to reduce recidivism among inmates from Peterborough Prison.
- DIB is not a money market instrument.

**Benefits:**

- Impact bonds are an innovative way to finance development.
- They are 100% focused on outcomes and have the **potential to leverage private investor capital to address some of the world's greatest challenges**.

## 30 Bharat 22 ETF (Exchange Traded Fund)

- **Exchange Traded Funds (ETFs) are mutual funds listed and traded on stock exchanges** like shares.
- The Bharat 22 ETF **allows the Government to park its holdings in selected PSUs in an ETF and raise disinvestment money from investors at one go**.
- It tracks the specially made S&P BSE Bharat 22 Index, managed by Asia Index Private Limited.

- This index is made up of 22 PSU stocks and with a few private sector companies.
- ETFs are cost efficient. Given that they don't make any stock (or security choices), they don't use services of star fund managers.

## 32 Total Expense Ratio

**CONTEXT: SEBI has recently asked mutual funds to reduce their TER or Total Expense Ratio.**

- **TER:** It is the **cost charged by Mutual Fund Companies** to their investors for managing their schemes. The fund manager's fee and distributors' commission are two of the main components in the expense ratio.
- The maximum TER that a fund can charge its investors is prescribed by **SEBI**.
- TER values:
  - TER for Equity-oriented funds is 2.5 per cent
  - TER for debt is 2.25 per cent and
  - TER for index funds is 1.5 per cent
- Importance: Our **returns from a mutual fund** depend on the growth in its Net Asset Value. This is calculated after reducing the TER from the latest value of the scheme's portfolio. Hence **lower the TER, the higher the money we take home** as a fund investor.

## 33 World's First Block-chain Bond

**CONTEXT: World Bank launches world-first block-chain bond.**

- The World Bank has priced the world's **first public bond created and managed using only block-chain** in a A$100 million ($73.16 million) deal designed to test **how the technology might improve decades-old bond sales practices.**
- Commonwealth Bank of Australia is the sole manager of the deal.
- The two-year bonds had priced to yield 2.251%.
- The prototype deal, **dubbed a "Bondi" bond** - standing for Blockchain Operated New Debt Instrument as well **as a reference to Australia's most famous beach —** is being viewed as an initial step in moving bond sales away from manual processes towards faster and cheaper automation.

## 34 Share Repurchase

- A share repurchase is a **program by which a company buys back its own shares from the marketplace, usually because management thinks the shares are undervalued**, and thereby reducing the number of outstanding shares.
- The company buys shares directly from the market or offers its shareholders the option of tendering their shares directly to the company at a fixed price.

### Why does a firm go in for a buyback?

- Buybacks are typically done when a company has a significant cash reserve and feels that the shares are not fairly valued at the current market price.
- Since the shares that are bought back are extinguished, the stake of the remaining shareholders rises. **Promoters also use this mechanism to tighten their grip on the firm**.

## 35 Currency Derivative Trade Limit

**CONTEXT: The Reserve Bank of India has raised the exposure limit under exchange traded currency derivatives (ETCD) trading for residents and foreign portfolio investors (FPIs) to $100 million across all currency pairs involving the Indian rupee.**

### Exchange Traded Currency Derivatives (ETCD)

- An exchange traded derivative is a financial instrument **that trades on a regulated exchange, and whose value is based on the value of another asset.**
- These are derivatives that are traded in a regulated fashion. These derivatives **can be used to hedge exposure or speculate on a wide range of financial assets** like commodities, equities, currencies, and even interest rates.

- Earlier, the RBI had imposed a limit of $15 million for USD-INR and $5 million for other currency pairs of Indian Rupee with Euro, Japanese Yen and British Pound.
- The RBI's decision to raise the limit **will help entities engaged in forex transactions to maintain their currency risks in a better manner**.
- It has now been decided to permit persons resident in India and FPIs to take positions (long or short), without having to establish existence of underlying exposure, up to a single limit of $100 million equivalent across all currency pairs involving INR, put together, and combined across all exchanges.
- These limits shall also be monitored by the exchanges, and breaches, if any, may be reported to the Reserve Bank of India.

## 36 RBI eases hedging norms for overseas borrowings

**CONTEXT: The Reserve Bank of India (RBI) eased the norms for External Commercial Borrowings (ECBs) by reducing the mandatory hedging provision to 70 percent from the current 100 percent.**

*Hedging'* refers to **an investment process required to reduce the risk of adverse price or currency movements.**

- A borrower has to hedge in a manner that the projected cash flows match the expectation of the borrowers, irrespective of the fluctuations in the foreign currency.

- The easing of hedging norms comes at a time when the economy faces liquidity issues, particularly among the Non-Banking Financial Companies (NBFC).
- The move is likely to boost the local credit market. It will also increase the exposure of Indian companies borrowing abroad to fluctuations in the foreign exchange market.

## 37 Commercial papers as a source of funds

**CONTEXT: Commercial papers have become one of the popular routes for corporates to raise funds when compared with loans from banks in recent times.**

**Commercial paper:**

- Commercial papers have become one of the popular routes for corporates to raise funds when compared with loans from banks in recent times.
- A commercial Paper (CP) **is an unsecured loan raised by firms in money markets through instruments issued in the form of a promissory note**.
- CPs can be issued for maturities between a minimum of 7 days and a maximum of up to one year from the date of issue.

**Why is CPs popular?**

- Surplus liquidity
- Short-term borrowing rates in money markets have significantly declined post demonetisation and are much lower than the lowest benchmark lending rates of the banks
- banks cannot lend below the benchmark lending rates, firms with good ratings have preferred to meet short-term working capital requirements.

## 38 TReDS platform

**CONTEXT: HAL becomes first PSU to transact on TReDS Platform.**

**Trade Receivable Discounting System (TReDS)**

- A **digital platform where Micro, Small and Medium Enterprises (MSMEs)can get access to capital by auctioning their trade receivables**.
- MSMEs despite the important role played by them in the economic fabric of the country, continue to face constraints in obtaining adequate finance, particularly in terms of their ability to convert their trade receivables into liquid funds.
- In order to address this pan-India issue the RBI has launched TReDS.
- **RXIL is India's first TReDS platform** operating since January 2017.
- Union Government had mandated all major PSUs to join TReDS platform to facilitate payments to MSME (micro, small and medium enterprises) vendors.

## 39 Merger of three public sector insurance firms

**CONTEXT:** **National Insurance Company, United India Insurance Company and Oriental India Insurance Company** will be merged, an entity that could be a dominant player in the Rs. 1.5-lakh-crore a-year **motor, health and industrial insurance industry**, which is seeing intense competition from private players.

- The government plans to merge three of its unlisted general insurance companies to create a behemoth that **will control a third of the non-life insurance marketand be listed on stock exchanges to fetch better valuation.**
- Post-merger, a 15% divestment can fetch the government at least Rs. 9,000 crore, as per an equity analyst estimates. The company may be valued at Rs 60,000 crore based on its investment book, net worth and real estate, but the final valuation could be way off the estimate due to market conditions.

## 40 Steering committee on fintech related issues

**CONTEXT: The Government constituted a Steering Committee on Fintech related issues to consider various issues relating to development of Fintech space in India with a view to make Fintech related regulations more flexible and generate enhanced entrepreneurship in an area where India has distinctive comparative strengths vis-à-vis other emerging economies.**

- The Steering Committee will also focus on **how Fintech can be leveraged to enhance financial inclusion of MSMEs.**
- The Steering Committee may also invite participants from the private sector.

**The Terms of Reference** of the Steering Committee will be as follows:-

  - To take stock of the developments in the Fintech sector globally, and in India, and arrive at a common shared understanding of the current state of play.
  - To analyse critically the regulatory regime spread over different entities that has impacted the growth of Fintech in India.

- The panel will also include among its members the Electronics and Information Technology Secretary, the Financial Services Secretary, the MSME Secretary, the Chairperson of the Central Board of Excise and Customs, Chief Executive Officer of the Unique Identification Authority of India, a Deputy Governor of the Reserve Bank of India, and a Joint Secretary Department of Economic Affairs.

## 41 RBI buys gold for first time in nearly a decade

**CONTEXT: Over the past nine years, the gold stock in RBI reserves was stable at 17.9 million troy ounce. But RBI has started adding to its stock since December 2017, data submitted to the IMF indicate.**

- The RBI's decision to buy gold is significant because unlike many other central banks such as the People's Bank of China, **RBI does not regularly trade in gold**, **although the RBI Act permits it to do so.**
- Signalling that the metal could be in demand as a store of value when returns and capital values of fixed-income bonds are declining in a rising rate environment.

## 42 RBI Surplus transfer to Government

**CONTEXT: The Reserve Bank of India (RBI) transfered its surplus profits to the Government of India in terms of the provisions of Section 47 of the Reserve Bank of India Act, 1934.**

- The RBI is a "full service" central bank — not only is it mandated to keep inflation or prices in check, it is also supposed to **manage the borrowings of the Government of India and of state governments**; supervise or regulate banks and non-banking finance companies; and manage the currency and payment systems.
- It has also made a provision of Rs 14,190 crore and transferred it to **contingency fund (CF),** which is built by the central bank over the years.
- CF is to meet unexpected exigencies and risks:-
  - from sharp fluctuation in the value of securities held by it
  - from monetary or exchange rate policies of central banks
  - from other systemic risks
- Besides, RBI transfers the surplus generated from its functions to the government at the end of each financial year.

## 43 RBI Launches Ombudsman scheme for NBFCs

**CONTEXT: The Reserve Bank of India (RBI) has launched Ombudsman Scheme for non-banking financial companies (NBFCs) for redressal of complaints against NBFCs registered with RBI under Section 45-IA of the RBI Act, 1934.**

### Non-Banking Financial Company (NBFC)

- Non-Bank Financial Companies (NBFCs) are **financial institutions that provide banking services without meeting the legal definition of a bank,** i.e., one that does not hold a banking license.
- It is **registered under the Companies Act, 1956**.
- These institutions **typically arerestricted from taking deposits from the public depending on the jurisdiction.**
- Nonetheless, operations of these institutions are often still covered under a country's banking regulations.

### Limitations to the Functions of the NBFCs:

- Typically, NBFCs are restricted from taking deposits from the public depending on the jurisdiction. Nonetheless, operations of these institutions are often still covered under a country's banking regulations.
- NBFC **cannot accept demand deposits**.
- NBFCs **do not form part of the payment and settlement system and cannot issue cheques drawn on itself.**
- Deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is not available to depositors of NBFCs, unlike in case of banks.

### Banking Ombudsman Scheme, 1995:

- The objective of the Scheme is **to enable resolution of complaints relating to provision of banking services and to facilitate the satisfaction, or settlement of such complaints**.

## 44 Government Owned Non-Banking Financial Corporations (NBFCs)

**CONTEXT: The Reserve Bank of India has ended the special dispensations granted earlier for NBFCs owned by the government. The decision will ensure both types of NBFCs – government and private stand on an equal footing on compliance with specific RBI rules.**

### Government owned Non-Banking Financial Corporations (NBFCs):

- It is engaged in the **business of loans and advances, acquisition of shares** issued by Government or local authority or other marketable securities of a like nature, leasing, hire-purchase, insurance business, chit business.

- Now the Government owned NBFCs have to comply with:
  - **Treatment of income recognition**, besides full provisioning for all non-performing assets.
  - **To implement corporate governance** frameworks in line with those for private players and the Fair Practices Code.
- Privately owned NBFCs have to maintain a minimum Capital to Risk Assets Ratio **(CRAR) of 15%**. By RBI's notification, government NBFCs have to over the next four years **raise their CRAR to this level**.
- **Entities affected**: IFCI, Power Finance Corporation, India Infrastructure Finance Company, Indian Railway Finance Corporation, Indian Renewable Energy Development Agency and Housing & Urban Development Corporation.

## 45 Khan Committee recommendation on FPI

**CONTEXT: According to the Khan committee, set up by SEBI, it has proposed that NRIs, OCIs and RIs should be allowed to hold a non-controlling stake in FPIs, and no restrictions should be imposed on them to manage non-investing FPIs or Sebi-registered offshore funds.**

- Foreign portfolio investors (**FPIs) are currently allowed to invest up to 10% in a single listed Indian company.** According to SEBI's circular, their total investment in all the investee companies put together cannot exceed this limit.
- It has recommended that erstwhile PIOs should not be subjected to any restrictions, and clubbing of investment limits should be allowed for well-regulated and publicly-held FPIs that have common control.
- The committee has recommended changes in the norms pertaining to the identification of senior managing officials of FPIs, and for beneficial owners of listed entities.
- It has suggested changes in the disclosure of personal information of beneficial owners. It has said, however, that all new rules should apply equally to investors using participatory notes (P-Notes).

## 46 Graded Surveillance Measure

**CONTEXT: SEBI introduced the measure to keep a tab on securities that witness an abnormal price rise that is not commensurate with financial health and fundamentals of the company such as earnings, book value, price to earnings ratio among others.**

- The underlying principle behind the graded surveillance framework is to alert and protect investors trading in a security, which is seeing abnormal price movements.
- SEBI may put shares of companies under the measure for suspected price rigging or under the ambit of 'shell companies'.
- The measure would provide a heads up to market participants that they need to be extra cautious and diligent while dealing in such securities put under surveillance.

## 47 Pension Fund Regulatory and Development Authority

- It is the **statutory body**, a pension regulator of India which was established by Government of India.
- PFRDA **takes various initiatives from time to time in order to simplify and improve the operational issues in National Pension System (NPS**) like new functionality development under NPS architecture, simplification of account opening, withdrawal, grievance management etc.
- In this regard, it has been decided by the Authority **to make bank account details and mobile no. mandatory to provide ease of operation** for the benefit of subscribers and make the process of Exit from NPS hassle free.

## 48 Board of Management for Cooperative Banks

**CONTEXT:** The Reserve Bank of India (RBI) came out with draft guidelines on constituting a board of management (BoM) in addition to the board of directors, for urban cooperative banks (UCBs), with the aim of strengthening the governance in these banks.

- **Need:** As UCBs are accepting public deposits, it is imperative that a separate mechanism be put in place to protect the interests of depositors.
- The move follows the recommendation of a 2010 expert committee, headed by Y.H. Malegam, on the licensing of UCBs.

## 49 Deposit Insurance and Credit Guarantee Corporation

- It is a **subsidiary of Reserve Bank of India.**
- In its report the Financial Sector Legislative Reforms Commission (FSLRC) recommended a regulatory structure constituting of seven agencies including a deposit insurance-cum regulatory agency (which was named as Resolution Corporation).
- The present DICGC will be subsumed into the Resolution Corporation which will work across the financial system.
- The Financial Sector Legislative Reforms Commission (FSLRC) was a body set up by the Government of India, to review and rewrite the legal-institutional architecture of the Indian financial sector.

## 50 Reasons for fall of Rupee

- The daily fuel demand of India is expected to more than double to 190,000 barrels in 2018, up from last year's 93,000 barrels. So increase in the demand of crude oil will be followed by the increasing import bill in the form of payment of more dollars to oil exporting countries. Hence the demand of dollar will increase in the Indian market which will reduce the value of Indian rupee.
- Beginning of trade war between the USA and China. Due to this war the price of the imported commodities will go up which will further increase the outflow of dollar from the Indian market.
- Indian merchandise trade deficit of $157 billion in 2017-18 was the widest since 2012-13.Hence outflow of foreign currency is more from Indian market as compared to inflow of foreign currency.
- Foreign Portfolio Investors (FPIs) have pulled out nearly Rs. 48,000 crore from Indian capital markets in the first six months of 2018, making it the fastest outflow in a decade.
- Investors have found attractive markets in the other parts of the world so they pull out their invested money by selling the equity shares. In return they demand the easily accepted money i.e. dollar. So in such situation the demand of dollar increases which further increases its price.

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# 2

# Public Finance

## 1 Angel Tax

**CONTEXT: Start-ups have come under the scrutiny of tax officials for having raised capital above the fair value of their shares.**

### What is Angel Tax?

- **Angel tax is a term used to refer to the income tax payable on capital raised by unlisted companies via issue of shares where the share price is seen in excess of the fair market value of the shares sold.**
- The excess realization is treated as income and taxed accordingly. The tax was introduced in the 2012 Union Budget by then finance minister Pranab Mukherjeeto arrest laundering of funds.
- It has come to be called angel tax since it largely impacts angel investments in startups.
- It is a 30% tax that is levied on the funding received by startups from an external investor. However, this 30% tax is levied when startups receive angel funding at a valuation higher than its 'fair market value'. It is counted as income to the company and is taxed.

### Why is Angel tax problematic?

- There is **no definitive or objective way to measure the 'fair market value' of a startup.** Investors pay a premium for the idea and the business potential at the angel funding stage. However, tax officials seem to be assessing the value of the startups based on their net asset value at one point. Several startups say that they find it difficult to justify the higher valuation to tax officials.
- In a May, 2018 notification, the Central Board of Direct Taxes (CBDT) had exempted angel investors from the Angel Tax clause subject to fulfilment of certain terms and conditions, as specified by the Department of Industrial Policy and Promotion (DIPP). However, despite the exemption notification, there are a host of challenges that startups are still faced with, in order to get this exemption.

## 2 Long term capital gains tax

**CONTEXT: Finance Minister in his Union Budget speech has re-introduced LTCG tax on stocks. Investors will have to pay 10 per cent tax on profit exceeding Rs 1 lakh made from the sale of shares or equity mutual fund schemes held for over one year. Till now, LTCG was exempt from tax.**

**Long term capital gains or loss:**

- A long-term capital gain or loss is a gain or loss from a qualifying investment owned forlonger than 12 months before it was sold.
- The amount of an asset sale that counts toward a capital gain or loss is the difference between the sale value and the purchase value, or simply, the amount of money the investor gained or lost when he sold the asset.

**Implications of LTCG**

- **Positive:**
  - This form of taxation **does promote equality as it is a tax on the profit made when an asset is sold,** people making gains will pay considerably more than individuals making gains. So "a Capital Gains Tax may be regarded as **reducing inequality of wealth** in much the same way as a progressive income tax system".
  - It will **widen the tax base of the country and increase the tax to GDP ratio**.
- **Negative:**
  - Smaller difference between short and long-term capital gains tax itself **will discourage the long-term holding of stocks in favour of short-term trading activities**.
  - It also might **discourage the growing culture of investing in equities** for the long run.

## 3 Tax Buoyancy Concept

- Tax buoyancy is **an indicator to measure efficiency and responsiveness of revenue mobilization in response to growth in the Gross domestic product or National income**. A tax is said to be buoyant if the tax revenues increase more than proportionately in response to a rise in national income or output.
- A simple example in the context of our economy indicates the power of this concept. In 2007-08, everything was fine for the economy. GDP growth rate was nearly 9 per cent.
- Now in the next year, in the wake of the global financial crisis impact, GDP growth came down to six percent. Tax revenue growth also fell steeply; to 18 per cent. This means tax buoyancy was 3 for the year. We can imagine that had the GDP growth came down further in the next year, to say 4 per cent, tax revenue growth would have fell to 8 per cent; indicating a tax buoyancy of 2.
- Hence, tax buoyancy shows the association between economy's performance and the government's 'happiness' (tax revenue). It indicates the high sensitiveness of tax revenue realisation to GDP growth.

## 4 Inverted Duty Structure

- Inverted duty structure is **a situation where import duty on finished goods is low compared to the import duty on raw materials** that are used in the production of such finished goods.
- For example, suppose the tariff (import tax) on the import of tyres is 10% and the tariff on the imports of natural rubber which is used in the production of tyres is 20%; this is a case of inverted duty structure.
- When the import duty on raw materials is high, it will be **more difficult to produce the concerned good domestically at a competitive price.** Several industries depend on imported raw materials and components.
- Inverted duty structure make industries at home less protected as the tariff on the imported finished commodities are low.

## 5 Sunset Clause and its Significance in Policies

**CONTEXT: Sunset clauses have been frequently used in India in fiscal and tax laws, like tax holidays and exchange control regulations.**

### Sunset Clause

- Sunset clause is a legal provision that provides for the automatic termination of a government program, agency, or law on a certain date unless the legislature affirmatively acts to renew it.
- Such a policy measure could help in tackling legislative inertia that leads to accumulation of unwanted laws over the years.

Ex: In GST, there is a sunset clause that National Anti-profiteering Authority (NAA) will exist only for a period of 2 years from the date of its setting up. The idea is that it should not be permanent body.

### Benefits of the Sunset Review Process

- Sunset laws are a **key tool the legislature uses in asserting itself against an executive branch that often dominates state government**.
- According to some political theorists the **sunset laws are a way to diminish interest-group power over government programs and to promote more active legislative oversight**.
- Most laws do not have sunset clauses and therefore remain in force indefinitely, and hence increasing executive and financial burden on government.
- Having a fixed tenure for review in effect may actually ensure certainty of law. If the review process may find that the statute is performing as expected and is valuable then the status quo will be maintained.
- In the long run, this, more than anything else, would allow the present government to deliver on its electoral promise of "good governance."
- This has even more importance in the Indian context where the parties in power could swing widely, leading to either implementation of unviable electoral promises or mindless reversal of laws passed by previous government.

## 6 Nineteenth Meeting of the Financial Stability and Development Council (FSDC)

### The FSDC is a non-statutory apex council for coordination among various regulatory bodies.

- The activity of the Council is to coordinate financial and economic regulations through consultations of the heads of the various regulatory organizations.
- The FSDC was envisaged for performing two sets of core functions. First is to perform as an apex level forum to strengthen and institutionalize the mechanism for maintaining financial stability. Second is for enhancing inter-regulatory coordination and promoting financial sector development in the country.

- The Council discussed at length the issue of real interest rate, current liquidity situation, including segmental liquidity position in NBFCs and mutual fund space.
- The Council decided that the Regulators and the Government would keep a close watch on the developing situation and take all necessary measures.

- FSDC took note of the developments regarding strengthening of Cyber Security in Financial Sector including progress made towards setting up of a Computer Emergency Response Team in the Financial Sector (CERT-Fin) under a Statutory Framework.
- The Council also took note of the activities undertaken by the FSDC Sub-Committee Chaired by Governor, RBI.
- The Council also deliberated on the issues and challenges of Crypto Assets/Currency and was briefed about the deliberations in the High-level Committee chaired by the Secretary (Economic Affairs) to devise an appropriate legal framework to ban use of private crypto currencies in India and encouraging the use of Distributed Ledger Technology, as announced in the Budget 2018-19.

## 7 Goods and services tax appellate tribunal

**CONTEXT: Cabinet gives nod to set up GST Appellate Tribunal(GSTAT).**

- GSTAT would **serve as the forum of second appeals to do with the applicability of GST**, and will also be the **first common forum of dispute resolution between the Centre and the States**.
- It will be situated in New Delhi.

### Composition

- The tribunal has been established under Chapter XVIII of the CGST Act which provides for the Appeal and Review Mechanism for dispute resolution under the GST Regime.
- Section 109 under CGST Act empowers the Central Government to constitute, on there commendation of Council, an Appellate Tribunal known as the Goods and Services

### Significance:

- The national bench of the GST Appellate Tribunal **will expedite resolution of disputes under GST laws.** Being a common forum, GST Appellate Tribunal (national bench) will **ensure that there is uniformity in redressal of disputes arising under GST.**
- The appellate authority is being seen crucial as a forum for higher appeal for disputes under the indirect tax regime and will **also help in resolving the confusion created by contradictory rulings given by Appellate Authority for Advance Rulings (AAAR)** on the same or similar issues in different states.

### Appellate Authority for Advance Rulings (AAAR)

- Any advance tax ruling is **a written interpretation of tax laws**. It is **issued by tax authorities to corporations and individuals who request for clarification of certain tax matters**. An advance ruling is often requested when the taxpayer is confused and uncertain about certain provisions. Advance tax ruling is applied for, before starting the proposed activity.
- The applicant or the officer aggrieved by any advance ruling can appeal to the Appellate Authority. Appeal against advance ruling must be made within 30 days (extendable by 30 days) from the date of the advance ruling.

### GST

- **GST is an Indirect Tax which has replaced many Indirect Taxes in India. The Act cameinto effect on 1st July 2017; Goods & Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition.**

### GST Council

- Goods & Services Tax Council is a constitutional body for making recommendations to the Union and State Government on issues related to Goods and Service Tax.

- GST Council is chaired by the Union Finance Minister and other members are theUnion State Minister of Revenue or Finance and Ministers in-charge of Finance or Taxation of all the States.

## 8 Cabinet approves increasing of Government ownership in Goods and Services Tax Network

**Change in the existing structure with transitional plan as per following:**

- **Acquisition of entire 51% equity held by the Non-Government Institutions in GSTN** equally by the Centre and the State Governments and allow GSTN Board to initiate the process for acquisition of equity held by the private companies.
- The restructure GSTN, with **100% government ownership shall have equity structure between the Centre (50%) and the States (50%).**
- To allow change in the existing composition of the Board of GSTN inducting three directors from the Centre and the States and three other independent directors to be nominated by the Board of Directors and one Chairman and the CEO. Thus the total number of Directors is 11.

**Goods and Services Tax Network (GSTN)** is a Section 8 (under new companies Act, **not for profit companies are governed under section 8),** non-Government, private limited company. It was incorporated on March 28, 2013. The Government of India holds 24.5% equity in GSTN and all States of the Indian Union, including NCT of Delhi and Puducherry, and the Empowered Committee of State Finance Ministers (EC), together hold another 24.5%. Balance 51% equity is with non-Government financial institutions. The **Company has been set up primarily to provide IT infrastructure and services to the Central and State Governments, tax payers and other stakeholders for implementation of the Goods and Services Tax (GST).**

## 9 Input Tax Credit

CONTEXT: **Concerned over a decline in GST revenues, tax officials are likely to examine the high usage of input tax credit (ITC) to set off tax liability by businesses.**

**Input Tax Credit :**

- it is the tax that a business pays on a purchase and that it can use to reduce its tax **Liability when it makes a sale. In other words, businesses can reduce their tax liability by Claiming credit to the extent of GST paid on purchases.**
- Goods and Services Tax (GST) is an integrated tax system where every purchase by a business should be matched with a sale by another business. This makes flow of creditacross an entire supply chain a seamless process.

**Who can claim Input Tax Credit?**

- ITC can be claimed by a person registered under GST only if he fulfils all the conditions as prescribed.
- The dealer should be in possession of tax invoice.The said goods/services have been received.
- Returns have been filed.The tax charged has been paid to the government by the supplier.
- When goods are received in instalments ITC can be claimed only when the last lotis received.

### What can be claimed as ITC?

- ITC can be claimed only for business purposes. ITC will not be available for goods or services exclusively used for: Personal use; Exempt supplies; Supplies for which ITC is specifically not available.

### Example to understand-

When a trader sells a good to consumers he collects GST based on the HSN of the good sold and the place of destination. Let us assume that the MRP of the good is INR 1000 and the rate of applicable GST is 18%. The consumer will therefore, pay a total of INR 180 for the good which includes a GST of INR 180. Without ITC, the trader will have to pay INR 180 to the government. With input tax credit or ITC, the trader can reduce the total tax that it will have to pay the government. This is how it works.

## 10 E-way bill

**CONTEXT: The government's decision to make some changes to the E-way bill system effective November, 2018, has not gone down well with transporters.**

- Transporters have complained that they have not been communicated properly regarding the changes made by the National Informatics Centre, which handles the e-way bill project.

### E-way bill

- It is a document required to be carried by a person in charge of the conveyance carrying any consignment of goods of value exceeding fifty thousand rupees as mandated bythe Government in terms of Section 68 of the Goods and Services Tax Act.
- It is generated from the GST Common Portal for e-Way bill system by the registered persons or transporters who cause movement of goods of consignment beforecommencement of such movement.

### E-way bills are required:

- To comply with Section 68 of the GST Act, and;
- rule 138 of CGST Rules, 2017

### Who can generate e-way bill?

- The **consignor or consignee, as a registered person or a transporter of the goods** can generate the e-way bill.
- The unregistered transporter can enroll on the common portal and generate the e-waybill for movement of goods for his clients.
- Any person can also enroll and generate the e-way bill for movement of goods for his/her own use.

The e-way bill is required to transport all the goods except exempted under the notifications or rules. Movement of handicraft goods or goods for job-work purposes under specified circumstances also requires e-way bill even if the value of consignment is less than fifty thousand rupees.

## 11 Abolition of institution of income tax Ombudsman and indirect tax ombudsman

**CONTEXT: The Union Cabinet has approved the proposal for Abolition of Institution of Income-Tax Ombudsman and Indirect Tax Ombudsman.**

**An ombudsman is a quasi-judicial body established to address the grievances of customers.**

### Function of Ombudsman

- The ombudsman had the power to ask the income tax authority to provide information or furnish certified copies of any document relating to the complaint.
- The ombudsman had the power to adjudicate on a wide range of complaints such as those pertaining to refunds, non-acknowledgement of letters or documents, delay in allotment of Permanent Account Number (PAN) and non-credit of tax paid, including tax deducted at source.
- Taxpayers could only lodge a complaint with the ombudsman after they had first approached the authority superior to the one they were complaining against.

### Reasons for abolition-

- According to government, the **number of new complaints had fallen to single digits**, implying that fewer aggrieved taxpayers were approaching these agencies.
- The tax payers started preferring **alternate methods of grievance redressal like CPGRAMS** (Centralized Public Grievance Redress and Monitoring System), AaykarSevaKendras etc.
- The institution of Ombudsman could not prove to be more effective than regular existing parallel channels of grievance redressal.

### Income Tax Ombudsman

- It was created in 2003 to deal with grievances of public related to settlement of complaints relating to Income Tax.It could settle these complaints either through agreements or by passing an award.
- An award was legally binding on the income tax department, provided it was accepted by the complainant.
- If the complainant rejected the award, he/she could approach a court of law.

## 12 Status paper on debt management

**CONTEXT: Status Paper on Government Debt for 2017-18 has been released by the Minister of Finance, Government of India.**

- The Government has been publishing an annual Status Paper on Government Debtsince 2010-11, which provides a detailed analysis of the Government's debt position.
- It reinforces the Government's commitment to keep the level of public debt within sustainable limits and to follow prudent debt management practices.
- The objectives of debt management strategy are to mobilise borrowings at low costover the medium to long-term, with prudent level of risk and stable debt structure,while also developing a liquid and well-function in secondary domestic debt market.
- Gross fiscal deficit (GFD) as a percentage of GDP has declined from 5.9 per cent in 2011-12 to 3.5 per cent in 2017-18 (RE).
- The major sources of financing the gross fiscal deficit of the Central Government aremarket borrowings, small savings, State provident funds, external assistance and shortterm borrowings.

- The Centre's total debt as a percentage of GDP reduced to 46.5% in 2017-18 from 47.5% as of March 31, 2014.
- The total debt of the States has risen to 24% in 2017-18, and is estimated to be 24.3% in 2018-19.

- In absolute terms, the Centre's total debt increased from ₹56,69,429 crore at the end of March 2014 to ₹82,35,178 crore in 2017-18, representing a 45% increase.
- The total debt of the States increased from ₹24,71,270 crore to ₹40,22,090 crore over the same period, an increase of almost 63%.

The N.K. Singh-headed FRBM (Fiscal Responsibility and Budget Management) Review Committee report had recommended :-

- The ratio to be 40% for the Centre and 20% for the States, respectively, by 2023.
- It said that the 60% consolidated Central and State debt limit was consistent with international best practices, and was an essential parameter to attract a better rating from the credit ratings agencies.

### Significance:

- The paper has enhanced transparency by providing a detailed account of debt operations during the year and an assessment of the health of the public debt portfolio based on internationally accepted debt performance indicators.
- The overall liabilities of the Central Government are on a medium-term declining trajectory and Government's Debt Portfolio is characterised by prudent risk profile.
- The Paper has also provided Debt Management Strategy of the Central Government for the years 2018-21 which will guide the borrowing plans of the Government.

### Debt Management Strategy

- Government published its first Debt Management Strategy (DMS) (earlier published across various documents of the Government and RBI) on December 31, 2015.
- Since then, it is being published as a part of Status Paper on Debt Management.
- The DMS document comprises of Objectives and Scope of DMS; Debt Profile of Central Government: Current Status and Strategic Objectives and Medium-Term Debt Strategy.
- The **objective of the DMS is to ensure that the government's funding requirements are met at all times at low cost over the medium /long-term while avoiding excessive risks**.
- The DMS has been articulated for the medium-term for a period of three years and is reviewed annually and rolled over for the next three years.
- The Government's borrowing programme are planned and executed in terms of DMS.

## 13 Finance Bill

**CONTEXT: The Finance Bill, 2018 was passed in Lok Sabha. It was introduced in Lok Sabha alongside the presentation of the Union Budget. At the stage of passage, the government moved some amendments to the Bill.**

### What is a Finance Bill?

- A Finance Bill is a Money Bill as defined in Article 110 of the Constitution.
- The proposals of the government for levy of new taxes, modification of the existing tax structure or continuance of the existing tax structure beyond the period approved by Parliament are submitted to the Parliament through this Bill.
- The Finance Bill is accompanied by a Memorandum containing explanations of the provisions included in it. The Finance Bill can be introduced only in the Lok Sabha.
- However, the Rajya Sabha can recommend amendments in the Bill. The Bill has to be passed by the Parliament within 75 days of its introduction.

## 14 CBDT's new scheme on speedier disposal of tax appeals

- With this move, Central Board of Direct Taxes (CBDT)**aims to reduce litigation and enhance the credibility of tax administration in order to secure a fair system.**
- CBDT's move is with regard to dealing with issues causing tax disputes, the latest move incentivises CIT(A)s to actually further enhance assessments.
- It aims to do so by adhering to stiff timelines for disposing of cases and by instilling a sense of accountability in the whole process.

## 15 CBDT has released Direct Tax Statistics

**The key highlights of these statistics are as under:**

- There is a **constant growth in direct tax-GDP ratio** over last three years and the **ratio of 5.98% in FY 2017-18** is the best DT-GDP ratio in last 10 years.
- There is a **growth of more than 80% in the number of returns filed** in the last four financial years from 3.79 crore in FY 2013-14 (base year) to 6.85 crore in FY 2017-18.
- The number of persons filing return of income has also increased by about 65% during this period from 3.31 crore in FY 2013-14 to 5.44 crore in FY 2017-18.

## 16 Liberalized Remittance Scheme

**CONTEXT: The Reserve Bank of India (RBI) has narrowed the definition of relatives under the 'maintenance of close relative' category of Liberalised Remittance Scheme (LRS) to check outflow of funds and prevent misuse of facility.**

- Henceforth, funds under this category can be sent only to immediate relatives such as parents, spouses, children and their spouses.
- The definition of relatives under LRS has been now aligned with definition of relative with definition given in Companies Act, 2013 instead of Companies Act, 1956.

## 17 PPF Account Close: Government may Allow Premature Closure

**CONTEXT: The government has proposed to allow premature closure of Public Provident Fund (PPF) accounts and permit opening of small savings accounts in the name of minors.**

**Public Provident Fund ( PPF )**

- It was introduced in India in 1968 with the objective to mobilize small saving in the form of an investment, coupled with a return on it. It can also be called a savings-cum-tax savings investment vehicle that enables one to build a retirement corpus while saving on annual taxes. Anyone looking for a safe investment option to save taxes and earn guaranteed returns should open a PPF account.
- It offers safety with attractive interest rate and returns that are fully exempted from Tax. Investors can invest minimum Rs. 500 to maximum Rs. 1,50,000 in one financial year and can get the facilities such as loan, withdrawal and extension of account.

- These changes are part of the proposed merger of the separate Acts on small savings, PPF and government savings banks. It proposed merger of Government Savings Certificates Act, 1959, and Public Provident Fund Act, 1968 with the Government Savings Banks Act, 1873.
- The Bill also proposes permitting depositor to close a PPF account before five years in exigencies. At present, such accounts cannot be closed prematurely before completion of five financial years.
- The amendments proposed would also allow the government to put in place a mechanism for redressal of grievances and for amicable and expeditious settlement of disputes relating to Small Savings.

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# 3

# Growth & Development

## 1 Use GDP instead of GVA to measure economic activity in the country

**CONTEXT: The Reserve Bank of India has decided to switch back to Gross Domestic Product (GDP)-based model from Gross Value Added (GVA) measure to provide its estimate of economic activity in the country.**

### Reason for Change:

- The change was done in order **to conform to global best practices and for ease of comparison.**
- This is also the approach followed by multilateral institutions, international analysts and investors, and primarily they all stick to this norm because it facilitates easy cross-country comparisons.

### Background:

- Government had switched to the GVA methodology from January 2015 and had also changed the base year to base year to 2018 from January 2018.
- While GVA **gives a picture of the state of economic activity from the producers' side or the supply side, GDP gives the picture from the consumers' side or the demand perspective**.
- The Central Statistical Office (CSO) began using GDP as the main measure of economic activities from January 15 this year.

### GVA vs GDP:

**GVA** + taxes on products - subsidies on products = **GDP**

### GDP

- It gives the economic output from the consumers' side. It is the sum of private consumption, gross investment in the economy, government investment, government spending and net foreign trade (difference between exports and imports).

### Gross Value Added

- Put simply, it is a measure of total output and income in the economy. It provides the rupee value for the amount of goods and services produced in an economy after deducting the cost of inputs and raw materials that have gone into the production of those goods and services.
- It also gives sector-specific picture like what is the growth in an area, industry or sector of an economy.

**How is it measured?**

- At the macro level, from national accounting perspective, it is the sum of a country's GDP and net of subsidies and taxes in the economy.
- When measured from the production side, it is a balancing item of the national accounts.

**Difference between the two**

- While GVA gives a picture of the state of economic activity from the producers' side or supply side, the GDP gives the picture from the consumers' side or demand perspective. Both measures need not match because of the difference in treatment of net taxes. This is one of the reasons that in the first quarter of 2015, GDP growth was stronger at 7.5%, while GVA growth was 6.1%.

**Why did policy makers decide to also give weight to GVA?**

- A sector-wise breakdown provided by the GVA measure can better help the policymakers to decide which sectors need incentives/stimulus or vice versa. Some consider GVA as a better gauge of the economy because a sharp increase in the output, only due to higher tax collections which could be on account of better compliance or coverage, may distort the real output situation.

**Which of the two measures is considered more appropriate gauge of the economy?**

- A sector-wise breakdown provided by the GVA measure helps policymakers decide which sectors need incentives or stimulus and accordingly formulate sector specific policies. But GDP is a key measure when it comes to making cross-country analysis and comparing the incomes of different economies.

## 2 Centre plans to bring out city level GDP data

- According to the **Housing and Urban Affairs Ministry**, this could **help cities in generating investments and help municipal bodies to raise funds for their infrastructural needs**.
- The **Economist Intelligence Unit (EIU)** carried out a feasibility study of various models to calculate city-level GDP and submitted its report to the Ministry.
- The EIU has **recommended a top-down approach based on sectoral income data for the calculation of city-level GDP** as it would balance detail and resource-effectiveness in the long term.
- However, it acknowledges that the data requirements may be too challenging and a top-down approach using household expenditure data may be more feasible in the short term.

## 3 First Advance Estimates of National Income, 2018-19

**CONTEXT: The Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation has released the First Advance Estimates of National Income at Constant (2011-12) and Current Prices, for the financial year 2018-19.**

- The First Advance Estimates of GDP have been released in accordance with the release calendar of National Accounts.
- The approach for compiling the advance estimates is based on benchmark-indicator method. The Sector-wise estimates are obtained by extrapolation of indicators like
  - Index of Industrial Production of first 7 months of the financial year,

- financial performance of listed companies in the private corporate sector available upto quarter ending September,2017
- accounts of Central & State Governments, information on indicators like deposits & credits, passenger and freight earnings of railways, passengers and cargo handled by civil aviation, cargo handled at major sea ports, sales of commercial vehicles etc. available for first 8 months of the financial year.

### Estimates at Constant (2011-12) Prices

- **Real GDP**
  - Real GDP or Gross Domestic Product (GDP) at Constant Prices (2011-12) in the year 2018-19is likely to attain a level of ₹139.52lakh crore, as against the Provisional Estimate of GDP for the year 2017-18 of ₹130.11 lakh crore, released on 31st May 2018. **The growth in GDP during 2018-19 is estimated at 7.2percent as compared to the growth rate of 6.7per cent in 2017-18**
- **Gross Value Added (GVA) at Basic Prices**
  - Real GVA, i.e, GVA at Basic Constant Prices (2011-12) is anticipated to increase from ₹119.76lakh crore in 2017-18 to ₹128.09lakh crore in 2018-19. Anticipated growth of real GVA at Basic Prices in 2018-19 is 7.0percentas against 6.5percent in 2017-18.
- **Agriculture, forestry and fishing**
  - GVA at Basic Prices for 2018-19 from 'Agriculture, Forestry and Fishing' sector is estimated to grow by 3.8percent as compared to growth of 3.4percent in 2017-18.
- **Manufacturing**
  - GVA at Basic Prices for 2018-19 from 'Manufacturing' sector is estimated to grow by 8.3percent as compared to growth of 5.7percent in 2017-18

### ESTIMATES AT CURRENT PRICES:

- **National Income**
  - The nominal Net National Income (NNI), also known as National Income (at Current Prices) is likely to be ₹167.03l akh crore during 2018-19, as against ₹148.49 lakh crore for the year 2017-18. In terms of growth rates, the National Income registered a growth rate of 12.5per cent in 2018-19 as against the previous year's growth rate of 10.1 per cent.
- **Per Capita Income**
  - The Per Capita Net National Income during 2018-19 is estimated to be ₹1,25,397 showing a rise of 11.1per cent as compared to ₹1,12,835 during 2017-18 with the growth rate of8.6percent.

## 4 Revised GDP back series data

- The first and most basic change made in the data calculations was changing the base year. While **using 2011-12 as the base year** is simpler for calculations for subsequent years, it was a tougher exercise calculating backwards using the new base.
- While doing the exercise, the government adopted the recommendations of the United Nations System of National Accounts, which included **measuring the GVA, Net Value Added (NVA), and the use of new data sources wherever available.**

## 5 IMF growth prospects for India

- IMF has projected a **medium-term growth rate of 7.75 per cent** on the back of macro-financial and structural policies to help boost inclusive growth.
- The GST and the insolvency code are rightly expected to go a long way in lifting India's productivity.
- This will also lead to an **uptick in investment activity to 32.2 per cent of GDP in 2018-19 and 2019-20, against 30.6 per cent in 2017-18.**
- IMF has projected a 13.2 per cent increase in exports (2018) and 10.1 per cent the next.

## 6 Service Sector Sees Fastest Growth

**CONTEXT: According to the monthly Nikkei Services Business Activity Index, the Indian service sector registering the fastest rise in activity in three months partly due to renewed increase in new business order.**

### What is PMI?

- PMI or a Purchasing Managers' Index (PMI) **is an indicator of business activity — both in the manufacturing and services sectors. It is a survey-based measures that asks the respondents about changes in their perception of some key business variables from the month before.** It is calculated separately for the manufacturing and services sectors and then a composite index is constructed.

### Recent Data:

- Just like manufacturing, survey for Services PMI is conducted among **purchasing managers of over 400 private companies.** These companies belong to **five sectors namely Consumer Services, Transport & Storage, Information & Communication, Financial & Insurance and Real Estate & Business Services.**
- The **index tracks variables such as sales, employment, inventories and prices. A reading above 50 indicates** that the services sector is generally expanding; below 50 indicates that it is generally declining.
- **Services followed manufacturing in February, as Purchasing Managers' Index (PMI) rose to 52.5 as against 52.2 in January 2019.**

### Service Sector in India:

- Service sector is the backbone of the socio-economic growth of the country. It is the largest and fastest growing sector around the globe and the biggest employer too.
- The **real reason behind this robust growth is increase in urbanization, privatization and increased demand for the consumer services** - be it intermediate or final consumer services.
- The services sector growth was significantly faster than the 6.6% for the combined agriculture and industry sectors annual output growth during the same period.

## 7 North East Venture Fund for North Eastern region

- North Eastern Development Finance Corporation Ltd. (NEDFi) under the Ministry of Development of North Eastern Region (DoNER) has set up the North East Venture Fund (NEVF) for North East Region.
- The capital commitment to the fund is Rs.100.00 crore with an initial contribution of Rs.75.00

crore consisting of Rs.45.00 crore from Ministry of DoNER and Rs.30.00 crore from NEDFi. The balance fund of Rs.25.00 crore has been committed by Small Industries Development Bank of India (SIDBI) in-principle.

- For investment decisions, an Independent Investment Committee is formed, comprising of experts from the field of venture capital financing, banking, technocrats and representatives of investors, which regularly monitor the implementation of the projects.

## 8 National Level Entrepreneurship Awareness Campaign, Udyam Abhilasha

- Small Industries Development Bank of India (SIDBI) had launched a National Level Entrepreneurship Awareness Campaign, Udyam Abhilasha in 115 Aspirational Districts identified by NITI Aayog in 28 States and reaching to around 15,000 youth.
- The campaign would create and strengthen cadre of more than 800 trainers to provide entrepreneurship training to the aspiring youths across these districts thus encouraging them to enter the admired segment of entrepreneurs.

**The objectives of the missionary campaign includes :-**

- to inspire rural youth in aspirational districts to be entrepreneurs by assisting them to set up their own enterprise,
- to impart trainings through digital medium across the country,
- to create business opportunities forCSC VLEs,
- to focus on women aspirants in these aspirational districts to encourage women entrepreneurship and
- to assist participants to become bankable and avail credit facility from banks to set up their own enterprise.

## 9 NITI Aayog releases Strategy for New India @ 75

- It is an **attempt to bring innovation, technology, enterprise and efficient management together, at the core of policy formulation and implementation**.
- The forty-one chapters in the document have been disaggregated under **four sections: Drivers, Infrastructure, Inclusion and Governance:**
- **Drivers**: **focuses on the engines of economic performance** with chapters on growth and employment, doubling of farmers' incomes; upgrading the science, technology and innovation eco-system; and promoting sunrise sectors like fintech and tourism.
- **Infrastructure**: **deals with the physical foundations of growth** which are crucial to enhancing the competitiveness of Indian business as also ensuring the citizens' ease of living.
- **Inclusion**: **deals with the urgent task of investing in the capabilities** of all of India's citizens. The three themes in this section revolve around the dimensions of health, education, and mainstreaming of traditionally marginalized sections of the population.
- **Governance**: **delves deep into how the governance structures** can be streamlined and processes optimized to achieve better developmental outcomes.

## 10 Global hunger on rise as per Food and Agriculture Organization (FAO)

**CONTEXT: The number of people facing chronic food deprivation in the world rose for the third consecutive year to 821 million in 2017, returning to decade-ago levels, the Food and Agriculture Organisation (FAO) of the United Nation reported.**

**Food and Agriculture Organization**

- It is a specialized agency of the United Nations that leads international efforts to defeat hunger.
- FAO is also a source of knowledge and information, and helps developing countries in transition modernize and improve agriculture, forestry and fisheries practices, ensuring good nutrition and food security for all.
- Its Latin motto, fiat panis, translates as "let there be bread".

- The rise was **driven by extreme climatic events** such as droughts and floods, and conflict and economic slowdown.
- Without increased efforts, the world will fall far short of achieving the target of eradicating hunger by 2030.
- Estimates put out by the report showed that the share of undernourished people in the world population, or the **prevalence of undernourishment (PoU), was likely to have reached 10.9% in 2017.**
- **India is home to 195.9 million undernourished people, around 24% of the world's hungry.** Prevalence of undernourishment in India is 14.8%, higher than both the global and Asian average.
- The report termed as 'shameful' the fact that one in three women of reproductive age globally was affected by anaemia, with significant health and development consequences for both women and their children.
- While the global proportion of overweight children was relatively stagnant-- 5.4% in 2012 and 5.6% in 2017— adult obesity rates rose every year, from 11.7% in 2012 to 13.2% in 2016. In 2017 more than one in eight adults, or more than 672 million, in the world was obese.
- The report urged national governments to pay special attention to groups most vulnerable due to poor food access: infants, children aged under five, school-aged children, adolescent girls, and women.

## 11 Atal Bimit Vyakti Kalyan Yojna

**CONTEXT: The Employee's State Insurance (ESI) has rolled out Atal Bimit Vyakti Kalyan Yojna for providing unemployment allowance to workers who are rendered jobless due to changing employment pattern.**

- Its beneficiaries will be insured persons covered under Employees' State Insurance Act, 1948 for period of two years continuously.
- **Beneficiary insured workers will be paid money, from their own contribution towards ESI scheme,** in cash through bank account transfer.
- This financial assistance will be given to insured persons even while they search for new engagement.
- Under this scheme, **workers will be able to draw 47% of their total contributions towards ESIC after remaining unemployed for at least three months** from date of leaving their previous jobs.
- They can choose to receive the cash at one go or in instalments.
- It will be applicable to all factories and establishments employing at least 10 workers.

**Significance**

- The current scenario of employment in India has been transformed from long employment to fixed short term engagement in the form of contract and temping.
- Rolled out scheme will financial support citizens partly and help them in times of need. This will make job seeking period for them less troublesome.

## 12 Punjab Plans to Set up Cooperative Rural Hubs

**CONTEXT: Aiming to strengthen the Primary Agriculture Cooperative Societies (PACS) and enhance their business by more footfall, Punjab Government has decided to transform these societies into 'cooperative rural hubs' to provide quality products of essential commodities, electronic goods and other items of daily needs at village level.**

**Primary Agriculture Cooperative Societies (PACS)**

- These are Short Term Cooperative Credit Structure functioning at the grassroots (Gram Panchayat) level.
- These are Primary Societies owned by farmers, rural artisans etc. and intended to promote thrift and mutual help among the members; cater to their credit requirements and provide credit-linked services like input supply, storage and marketing of agricultural produce etc.
- These Cooperative Credit Institutions with their deep reach in the rural areas and accessibility to the small and marginal farmers and the other marginalized populations have been playing a vital role in dispensation of agriculture credit.

- Besides this, more 'agricultural service centres' should be established in the PACSs to provide agriculture implements on custom-hiring basis required by the farmers to cut their capital expenditures in purchase of costly tools.
- PACSs would provide latest agriculture implements to the farmers on custom-hiring basis to prevent stubble burning which would be beneficial for the societies as well as to the common people for better ecological health thereby preventing many physical diseases.
- There is plan to set up rural hubs in selected PACSs in a phased manner across the State.
- The purpose of this attempt is to strengthen the primary agriculture cooperative societies and to boost their business.
- Around 30% PACSs were in loses and others running with thin profits. So it was the need of the hour to strengthen these cooperative societies vis-à-vis to turn them into profit earning ventures.

## 13 Nasscom's Future Skills Platform

**CONTEXT: The National Association of Software and Services Companies (Nasscom) in Februuary 2018 launched a platform to upskill two million IT employees.**

- Under the initiative, half of the **Indian IT industry's four million employees will be upskilled and another two million potential employees and students will be skilled over the next three to four years.**
- The technology professionals and the youth will be skilled and re-skilled in AI, Virtual Reality, Robotic Process Automation, Internet of Things, Big Data Analytics, 3D Printing, Cloud Computing, Social and Mobile.

- Nasscom also signed a Memorandum of Understanding with the Ministry of Electronics and Information Technology (MeitY) to collaborate in fostering, cultivating and strengthening re-skilling initiatives.

## 14 Global Economic Prospect Report 2019

**Context:** **According to the World Bank's Global Economic Prospects Report, the Gross Domestic Product (GDP) growth is expected to rise at 7.3% in 2018-19, and with this growth, India is set to regain the top spot in world's fastest-growing economies.**

### World Bank's Global Economic Prospects Report

- Because of the disruptions occurred in the economy from the Goods and Services Tax (GST), the report reduced the growth estimate for 2017-18 by 0.1% from its June 2017 projection.
- However, it raised the growth forecast for 2018-19 by 0.1% from the June figure.
- The report forecasted India's GDP growth of 7.5% in 2019-20 and 2020-21.
- As per the report, India's global trade recovery is expected to lift exports in coming days. It also said that India will gain from recent reforms including the demonetisation, and the 'Make in India' initiative. And these steps have helped improve the ease of doing business.
- In its report, the World Bank said that the world economy is recovering from the financial crisis that hit the world in 2011. And as per it, 2018 is the first year since the financial crisis which is on track to operate with near full capacity.
- Recently, India's Statistics and Programme Implementation Ministry have reported that India's GDP will grow by only 6.5% in 2017-18 compared to 7.1% in 2016-17.

### IMF Estimates

- The World Bank's report estimate is in line with the International Monetary Fund's (IMF) projection of 6.7% for 2017.
- The IMF, however, forecasted a slightly higher growth estimate of 7.4% for 2018.

## 15 Global Skills Park (GSP) in Madhya Pradesh

- **Asian Development Bank (ADB)** and the Government of India signed loan agreement to establish a GSP.
- It is the **First Multi-Skills Park** in India.
- It is **to enhance the quality of Technical and Vocational Education And Training (TVET) System** in the State and create a more skilled workforce.
- The Project will engage international TVET partners **to support advanced training at the GSP who will bring global best practices in TVET management, training infrastructure, industry** cooperation, and quality assurance.
- The new GSP campus, which will be established in Bhopal will consist of core Advanced Training Institutes including the Center for Occupational Skills Acquisition and the Center for Advanced Agricultural Training.

## 16 Cabinet approves National Monitoring Framework on Sustainable Development Goals

- The Union Cabinet has approved the constitution of **a High Level Steering Committeefor periodically reviewing and refining the National Indicator Framework (NIF) for monitoring of Sustainable Development Goals with associated targets.**

- **Targets**:
  - Measures to mainstream SDGs into on-going national policies, programmes and strategic action plans to address the developmental challenges.
  - Statistical indicators of NIF will be the backbone of monitoring of SDGs at the national and state level and will scientifically measure the outcomes of the policies to achieve the targets under different SDGs.
  - Based on statistical indicator, the MoSPI will bring out national reports on implementation of SDGs. The Report will facilitate assessment of progress, identify challenges and give recommendations for follow up at the national level.
  - High Level Steering Committee will review the National Indicator Framework on regular basis for its improvement.
  - Data source Ministries / Departments will be responsible for providing regular information to MoSPI on these indicators at required intervals and disaggregation for national and sub-national reporting of SDGs.
  - Advanced IT tools will be used for close and effective monitoring.

## 17 Inspire Programme

- **Innovation in Science Pursuit for Inspired Research (INSPIRE)** is implemented through Department of Science & Technology.
- Objective: **To promote science and attract talents for pursuing career in research.**
- The program has three components-
- Scheme for early Attraction of Talent (SEATS) for Science,
- Scholarship for Higher Education (SHE) and
- Assured Opportunity for Research Careers (AORC) covering an age-group of 10-32 years of students.

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# 4

# External Sector

## 1 Generalised System Of Preferences

**CONTEXT: United states federal government is planning to withdraw generalised system of preferences (GSP) for Indian goods, a move that could hurt the Indian businesses.**

- GSP allows India to export certain kinds of goods to US markets duty free, therefore make them more attractive to retailers and buyers in the US market.

> **Generalised System of Preferences (GSP)**
>
> - **It is** a preferential arrangement in the sense that it allows concessional low/zero tariff imports from developing countries to developed countries **(also known as preference receiving countries or beneficiary countries).**
> - **It involves reduced/zero tariffs of eligible products exported by beneficiary countries to the markets of GSP providing countries.**
> - **The US has a strong GSP regime for developing countries since its launch in 1976, by the Trade Act of 1974.**

### Beneficiaries under GSP

- The beneficiaries of GSP are **around 120 developing countries**. As of 2017, **India and Brazil were the major beneficiaries** in terms of export volume realized under GSP.
- Imports from China and some developing countries are ineligible for GSP benefits. The **beneficiaries and products covered under the scheme are revised annually**.
- According to the US Trade Representative Office website, **GSP promotes sustainable development in beneficiary countries** by helping these countries to increase and diversify their trade with the United States.

### Product groups covered under GSP

- The products covered under GSP are **mainly agricultural products including animal husbandry, meat and fisheries and handicraft products.** These products are generally the specialized products of the developing countries.

### Impact of GSP withdrawal on India

- **India exports nearly 50 products of the 94 products on which GSP benefits are stopped**. The GSP removal will leave a reasonable impact on India as the country enjoyed preferential tariff on exports worth of nearly $ 5. 6 billion under the GSP route out of the total exports of $48 bn in 2017-18.
- India exports nearly 1,937 products to the USA under GSP.

- According to the Washington Post, 90 percent of Indian/Brazilian exports to America face normal US tariffs and hence will remain unaffected from the exit of the GSP program.
- Removal of GSP indicates a tough trade position by the US; especially for countries like India who benefited much from the scheme.

## 2 Taiwan takes India to WTO's safeguard committee on solar duty

**CONTEXT: Taiwan has sought consultations with India under the WTO's safeguard agreement against New Delhi's decision to impose import duty on solar cells.**

- The objective of the consultation is to "**exchange views on the proposed measures and reaching an understanding on ways to achieve the objectives**" set by WTO Agreement on Safeguards.
- Consultations of the above kind do not fall under WTO's dispute settlement system.
- Solar cells are imported primarily from China, Malaysia, Singapore and Taiwan.
- India had imposed safeguard duty of up to 25% on solar cells imports from China and Malaysia for two years to protect domestic players from steep rise in inbound shipments.
  - The move is **aimed at helping domestic solar cell manufacturing sector**.
  - But it could affect existing projects dependent on cheap imports and hike solar power tariffs in India since around 90% of panels sector uses solar cells made in China and Malaysia.

> Safeguard Duty is tariff barrier imposed by government on the commodities to ensure that imports in excessive quantities do not harm the domestic industry.

## 3 India withdrew Most Favoured Nation status to Pakistan

**CONTEXT: As a retaliatory measure to a dastardly suicide bombing attack in Pulwama, the Indian government has withdrawn "most favoured nation" or mfn status accorded to Pakistan.**

- The decision is **intended to isolate Pakistan diplomatically and squeeze the country's industry**. It can led to stoppage of input materials such as chemicals and cotton from India, will push up costs of production for the relevant Pakistani industries.

### MFN status

- Article 1 of General Agreement on Tariffs and Trade (GATT), 1994, requires every WTO member country to accord MFN status **(or preferential trade terms with respect to tariffs and trade barriers) to all other member countries.**
- A country which provides MFN status to another country has to provide concessions, privileges, and immunity in trade agreements.
- **Most Favoured Nation status is** given to an international trade partner to ensure non-discriminatory trade between all partner countries of the WTO.
- **Accordingly, India accorded MFN status to all WTO member countries, including Pakistan, from the date of entry into force of the so called Marrakesh Agreement.**
- **Since India and Pakistan are part of the WTO, both are required to grant MFN status to each other and other partner countries.**

- **India granted MFN status to Pakistan in 1996, just a year after the formation of the WTO. On the other hand,** Pakistan is yet to award MFN status to India**.**
- **The reason behind Pakistan's move to not grant MFN status to India is decades of conflict, mistrust and war.**

### Does MFN status offer preferential treatment?

- **MFN only ensures non-discriminatory trade**. It makes sure that any country receiving MFN status avoids any disadvantageous situation in comparison to the granter's other trade partners.
- An MFN status **helps reduce trade barriers and results in a reduction in tariffs**. Thereby, promoting freer trade between two or more countries.

## 4 7th RCEP inter-sessional ministerial meeting

**CONTEXT: The two-day RCEP Inter-Sessional Ministerial Meeting concluded in Singapore.**

- On the side lines of the RCEP, Indian Commerce Minister held bilateral meetings with his counterparts from Singapore, China, Japan and New Zealand.

### Regional Comprehensive Economic Partnership (RCEP)

- **It is a** mega regional free trade agreement(FTA) being negotiated amongst 16 countries**, comprising** 10 ASEAN countries **(Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam)** plus six ASEAN FTA partners, namely Australia, China, India, Japan, Korea and New Zealand.
- **It is the** world's largest economic bloc**, covering nearly half of the global economy and accounting for a population of 3.4 billion.**
- **RCEP's share of the global economy could account for half of the estimated $0.5 quadrillion global GDP (PPP) by 2050.**First RCEP summit was held in 2017 in Manila, Philippines.
- **It is viewed as** an alternative to the Trans-Pacific Partnership (TPP), **now a defunct proposed trade agreement between the US and 11 Pacific Rim countries but excludes China and India.**

### Significance:

- India managed to obtain balanced outcomes in the application of the dispute settlement mechanism both in standards, technical regulations and conformity assessment procedures (stracap) and sanitary and phytosanitary (sps) negotiations.

## 5 Current Account Deficit

**CONTEXT: India's current account deficit widened sharply to USD 19.1 billion, or 2.9 percent of GDP, in July-September 2018-19 from USD 6.9 billion, or 1.1 percent of GDP, in the same period of the previous fiscal year.**

- High oil prices pushed India's current account deficit in July-September to its widest in over four years.
- India's trade deficit in July-September widened to $50 billion from $32.5 billion a year ago. Overall, India's balance of payments was in deficit to the tune of $1.9 billion in the September quarter, compared with a surplus of $9.5 billion a year ago.

### Current Account Deficit:

- The current account deficit is a measurement of a country's trade where the value of the goods and services it imports exceeds the value of the goods and services it exports.

### Trade Deficit

- It is the negative balance of payment that is when a country imports exceeds its exports then the deficit it creates is termed as Trade deficit.
- It is one of the most significant ways of measuring international trade and it can be measured by subtracting the total value of exports from the total value of imports.

## 6 Foreign Institutional Investor (FII)

- These are **entities established or incorporated outside India and make proposals for investments in India.**
- The biggest source through which **FIIs invest is the issuance of Participatory Notes (P-Notes**), which are also known as Offshore Derivatives.
- FIIs can invest in the stocks and debentures of the Indian companies.
- The nodal point for FII registrations is SEBI and hence all FIIs must register themselves with SEBI and should also comply with the exchange control regulations of the central bank.
- FIIs are among the major sources of liquidity for the Indian markets. If FIIs are investing huge amounts in the Indian stock exchanges then it reflects their high confidence and a healthy investor sentiment for our markets.

## 7 Foreign direct investment (FDI)

- Foreign direct investment (FDI) is when a company owns another company in a different country.
- FDI is different from when companies simply put their money into assets in another country—what economists call portfolio investment.
- **With FDI, foreign companies are directly involved with day-to-day operations in the other country. This means they aren't just bringing money with them, but also knowledge, skills and technology.**
- Under FDI, when international companies come in, they shake up the existing industry, because they're bringing competition for the domestic companies that already exist.
- FDI also strengthens local economies by creating new jobs and boosting government tax revenues.

## 8 New FDI guidelines for the e-commerce

**CONTEXT: Central government has brought out the new FDI guidelines for the e-commerce that came to effect from February 2019.**

- The government is launching stricter guidelines that govern FDI in e-commerce firms.
- At present the DIPP provides guidelines on the functioning of an e-commerce marketplace.

### Changes to the FDI norms:

- The revised FDI policy issued by the centre **explains certain principles laid down in a 2017 circular on the operations of online market places**, wherein 100% foreign direct investment, or full foreign ownership is allowed.

- The new norms **bar exclusive tie-ups between e-commerce firms that follow the 'market place model' and vendors using their platform.**
- In a **market place model,** the **e-commerce firm is not allowed to directly or indirectly influence the sale price of goods or services**, and is required to offer a level playing field to all vendors.
- Now the **cash back or services, such as quick delivery, offered by e-retailers have to be applicable to all vendors on their platforms**.
- It also envisages that if a vendor sells more than 25% of its wares through an e-commerce marketplace, the latter will be deemed to have an inventory model, in which FDI is not allowed.

### Impact on e-commerce firms

- E-commerce companies, such as Amazon and Flipkart, have been luring customers with deep discounts and exclusive offerings. The bar on such firms 'influencing' pricing and mandating vendors to sell exclusively on their platforms may have a major impact on customer behaviour.
- Most customers shop online for deep discounts and exclusive offerings, which may not be available on other online platforms, or in offline stores.
- This will, in turn, have an impact on the revenue and growth of e-commerce companies in India.
- This clause will also have an impact on private labels being sold by e-commerce companies. Over the last few years, companies such as Flipkart, Myntra and Amazon India, among others, have been introducing private label/in-house brands to garner more customers through exclusive offerings at lower costs and higher margins, so that their path to profitability is shorter and smoother.

## 9 INSTEX – Instrument in Support of Trade Exchanges

**CONTEXT: Germany, France and Britain (E3) have officially set up a European mechanism to facilitate non-dollar trade with Iran called INSTEX – instrument in support of trade exchanges.**

### Why such a mechanism?

- The move will allow the European Union **to circumvent U.S. sanctions in an effort to continue humanitarian trade with Iran.**
- It will uphold what is left of the **Joint Comprehensive Plan of Action,** commonly known as the Iran nuclear deal.
- Recent U.S. sanctions halted a significant portion of trade between Iran and its European partners.

### Features of INSTEX

- It will **support legitimate European trade with Iran, focusing initially on the sectors most essential to the Iranian population – such as pharmaceutical, medical devices and agri-food goods.**
- It **aims in the long term to be open to economic operators from third countries who wish to trade with Iran** and the E3 continue to explore how to achieve this objective.
- The operationalization of INSTEX will follow a step-by-step approach: The E3 together with INSTEX will continue to work on concrete and operational details to define the way the company will operate
- The E3 will also work with Iran to create an effective and transparent corresponding entity that is required to be able to operationalize INSTEX.
- It will function under the highest international standards with regards to anti-money laundering, combating the financing of terrorism (AML/CFT) and EU and UN sanctions compliance. In this respect, the E3 expect Iran to swiftly implement all elements of its FATF action plan.

- The new special purpose vehicle will have a supervisory board consisting of diplomats from all three countries: Miguel Berger of Germany, Maurice Gourdault-Montagne of France and Simon McDonald of Britain.

## 10 World Custom Organization

**Context:** **The 80th session of Policy Commission of the World Customs Organization (WCO) meeting was hosted by the Central Board of Indirect Taxes and Customs (CBIC), India in Mumbai.**

### World Customs Organization (WCO)

- **It is an independent intergovernmental body** whose mission is to enhance the effectiveness and efficiency of Customs administrations.
- **With membership of more than 180 countries,** it is the only global organization which defines global standards and procedures for customs clearances at the border and their implementation.
- **It was established in 1952 as the Customs Co-operation Council.In 1994, the Council agreed to adopt the working name 'World Customs Organization' to better reflect the growth in its worldwide membership.**
- **It is headquartered in** Brussel, Belgium

### India and WCO:

- India is a member of the WCO since 1971.
- It is a part of the Asia Pacific region having 33 countries, one of 6 regions.
- India is currently vice-chair (regional head) of the Asia Pacific region of the World Customs Organisation (WCO) for a period of two years till June 2020.

## 11 Export Credit Guarantee Corporation of India

- The **ECGC Limited** (**Formerly Export Credit Guarantee Corporation of India Ltd**) is a company wholly owned by the Government of India based in Mumbai, Maharashtra. It provides export credit insurance support to Indian exporters and is controlled by the Ministry of Commerce.
- The Cabinet Committee on Economic Affairs (CCEA) has approved the capital infusion of Rs. 2000 crore for strengthening of Export Credit Guarantee Corporation (ECGC) to enhance insurance coverage to micro, small medium enterprises (MSMEs) exports.
- The infusion of capital will enhance insurance coverage to MSME exports and strengthen India's exports to emerging and challenging markets like Africa, CIS (Commonwealth of Independent States) and Latin American countries.

## 12 India could be removed from US currency monitoring list

**CONTEXT-** **India was for the first time, in April, placed by the US in its currency monitoring list of countries with potentially questionable foreign exchange policies along with five other countries — China, Germany, Japan, South Korea and Switzerland.**

- Currency Monitoring List is maintained by Department of Treasury, USA. The countries are placed in this list which have potentially questionable foreign exchange policies.

- In the latest report by department of treasury, it highlighted that India could be removed from the list citing India's foreign exchange market intervention and current account deficit.
- Reserve Bank of India (RBI) has noted that the value of the rupee is broadly market-determined, with intervention used only during "episodes of undue volatility.
- IMF projects that India's current account deficit to be around 2.5% of GDP over the medium term.

## 13 Framework on Currency Swap Arrangement for SAARC Member Countries

**CONTEXT: The Union Cabinet, chaired by the Prime Minister has given ex-post facto approval for amendment to the 'Framework on Currency Swap Arrangement for SAARC Member Countries' to incorporate a 'Standby Swap' .**

- Due to heightened financial risk and volatility in global economy, short term swap requirements of SAARC countries could be higher than the agreed lines.
- The incorporation of **'Standby Swap' within the approved SAARC Swap Framework would provide necessary flexibility** to the Framework and would enable India to provide a prompt response to the current request from SAARC member countries for availing the swap amount exceeding the present limit prescribed under the SAARC Swap Framework.
- RBI will negotiate the operational details bilaterally with the Central Banks of the SAARC countries availing the Standby Swap.

## 14 High Level Advisory Group Constituted for Trade

**CONTEXT: The Minister of Commerce & Industry, has approved the constitution of a High Level Advisory Group (HLAG) to make recommendations for identifying and pursuing opportunities and for addressing challenges in order to find a way forward in the contemporary global trade scenario.**

- The HLAG will consider ways **for boosting India's share and importance in global merchandise and services trade, managing pressing bilateral trade relations and mainstreaming new age policy making.**
- It would suggest a pragmatic framework for India's future engagement in international trade, and the manner in which it can play a proactive and constructive role in working with the community of Nations in exploring and building consensus on resolving emergent trade related issues.

## 15 Cabotage Law

- The Government has **relaxed cabotage restrictions for ports which transship at least 50% of the container handled by them**.
- The cabotage relaxation will **enable shipping lines to consolidate Indian EXIM and empty containers at transshipment ports in India for onward transportation to destination ports** by main shipping lines.
- The spare capacity of the foreign flag ships which could not be utilized earlier due to cabotage restrictions will now be gainfully utilized.
- **Cabotage is the transport of goods or passengers between two places in the same country by a transport operator from another country**.
- It originally applied to shipping along coastal routes, port to port, but now applies to aviation, railways, and road transport as well.

## 16 Commerce & Industry Minister launches Mobile App Niryat Mitra

- The app developed **by the Federation of Indian Export Organisations (FIEO**).
- It **provides wide range of information required to undertake international trade right from the policy provisions for export and import**, applicable GST rate, available export incentives, tariff, preferential tariff, market access requirements.
- The app works internally to map the ITC HS code of other countries with that of India and provides all the required data without the users bothering about the HS code of any country.
- The app will provide **big opportunity to everybody and help promote export interests in the country.**
- The Human Resource tool of the app enables candidates with interest in the international trade sector to register and apply against the vacancies arising in the sector. Companies can also search the profiles of the candidates and engage them.

## 17 80:20 Scheme on Gold

**Context: 80:20 gold scheme under scanner over illegal gains.**

**Background:**

- The **increase in gold imports had put pressure on the current account deficit** in 2012-13.
- A series of steps were taken in response to this situation, including increasing the import duties on gold and gold products, and placing restrictions on gold imports.
- Subsequently first on 22.7.2013 and then on 14.8.2013, the restrictions were modified to introduce the 80:20 scheme, **under which, it was mandated that at least 20% of gold imported is to be used for export.**
- **Under this scheme, only banks and PSUs like MMTC, STC, etc. were allowed to import gold for domestic use following 80:20 formula**. The scheme was **designed to restrict the import of gold, conserve foreign exchange by imposing export obligations**, and ensure that the premium from purchase and sale of gold resided in the hands of public agencies.

**About:**

- The scheme was introduced in August 2013 with the aim of curbing gold imports.
- Under the scheme, up to 80% of gold imports could be sold in the country while at least 20% of imports had to be exported before bringing in new consignments of the yellow metal.
- Further, the permission to import the next lot was given only upon fulfilment of the export mandate. The policy was aimed at tackling the widening fiscal deficit.
- A CAG report published in 2016 found that the 80:20 scheme had resulted in a loss of Rs. 1 lakh crore to the exchequer.
- On November 28, 2014, the scheme was scrapped. “It has been decided by the Government of India to withdraw the 80:20 scheme and restrictions placed on the import of gold.

## 18 Changes in Foreign Contribution Regulation Act (FCRA)

**CONTEXT: Recently, the Union government has proposed to amend the Foreign Contribution Regulation Act (FCRA), retrospectively. A proposed retrospective amendment in Foreign Contribution Regulation Act (FCRA) will condone illegalities committed by political parties in raising foreign donations.**

### FCRA

- **Foreign Contribution Regulation Act (FCRA),**seeks to regulate the foreign contributions or donations to organizations and individuals in India and to curb, such contributions which might be detrimental to the national interest.
- This law does not fall within the purview of the RBI but under the Home Ministry.

### Individuals Exempted from Accepting Foreign Contributions

- Foreign Contribution Regulation Act (FCRA), 1976 was enacted on backdrop of National emergency. It was made to check rising foreign influence in Indian political system.
- The 1976 Foreign Contribution (Regulation) Act (FCRA) introduced a list of individuals prohibited from accepting any type of foreign contribution:
  - Candidates for election;
  - Correspondents, columnists, cartoonists, editors, owners, printers or publishers of a registered newspaper;
  - Judges, government servants or employees of any public sector corporation;
  - Members of any Legislature; and
  - Political parties or their office-bearers.
- Foreign funds **received as fees for service, costs incurred for goods or services in the ordinary course of business, and trade or commerce are excluded from the definition of foreign contribution.**
- Funding from the United Nations, the World Bank and the International Monetary Fund is exempted.

### Proposed Amendments

- The Representation of the People Act and the FCRA bar political parties from receiving foreign funds.
- In 2016, the government amended the FCRA through the Finance Bill route, allowing foreign-origin companies to finance non-governmental organisations and clearing the way for donations to political parties by changing the definition of "foreign companies".
- The amendment, though done retrospectively, only made valid the foreign donations received after 2010, the year when the 1976 Act was amended.

### Why Amendments made?

- Based on the petition filed by Association for Democratic Reforms (ADR), Delhi High Court in 2014 had indicted the BJP and the Congress for receiving foreign funds in violation of the provisions of The Foreign Contribution (Regulation) Act (FCRA), 2010 (and The Foreign Contribution (Regulation) Act (FCRA), 1976), because the Act prohibit political parties, candidates for elections, government servant or employees from accepting funds from "foreign source".
- The original provision in the FCRA, which declared that any company with over 50% FDI was a foreign entity. This was amended in 2016 to declare that a company will "not be deemed a foreign source" if the "nominal value of share capital is within the limits specified for foreign investments."
- On March 28, 2014, a Delhi HC judgment found both parties guilty of violating provisions of the FCRA and ordered the government and the Election Commission to act against them.
- Under the new provision, so long as the foreign company's ownership of an Indian entity is within the foreign investment limits prescribed by the government for that sector, the company will be treated as "Indian" for the purposes of the FCRA.

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# 5

# Agriculture

## 1 New Agri Project - "Green Ag."

**CONTEXT: The government had launched a Global Environment Facility (GEF) assisted project namely, "Green – Ag." in collaboration with the Food and Agriculture Organisation (FAO) in September, 2018.**

**Global Environment Facility**

- **It was** established on the eve of the 1992 Rio Earth Summit to help tackle our planet's most pressing environmental problems.
- **It provides funding to assist developing countries in meeting the** objectives of international environmental conventions.
- **It** serves as "financial mechanism" to five conventions**, which are Convention on Biological Diversity (CBD), United Nations Framework Convention on Climate Change (UNFCCC), Stockholm Convention on Persistent Organic Pollutants (POPs), UN Convention to Combat Desertification (UNCCD), and Minamata Convention on Mercury.**

- Green Ag.' **will help in transforming Indian Agriculture for global environmental benefits and the conservation of critical biodiversity and forest landscapes.**
- The aim of the project is to mainstream biodiversity, climate change and sustainable land management objectives and practices into Indian agriculture.
- It will also support harmonization between India's agricultural and environmental sector priorities and investments so that the achievement of national and global environmental benefits can be fully realized without compromising India's ability to strengthen rural livelihoods and meet its food and nutrition security.
- It started in high-conservation-value landscapes of five States including- Madhya Pradesh: Chambal Landscape, Mizoram: Dampa Landscape, Odisha: Similipal Landscape, Rajasthan: Desert National Park Landscape and Uttarakhand: Corbett.
- Key missions that will be targeted for strengthening include the National Mission on Sustainable Agriculture; National Livestock Mission; National Food Security Mission; National Initiative on Climate-resilient Agriculture, National Mission for Horticulture and Rashtriya Krishi Vikas Yojana.

## 2 Operation Green

**CONTEXT: Operation Green announced in the Budget 2018-2019 has been approved by the government.As per the approval the scheme will be rolled out on pilot basis in 8 states.**

### Operation Green

- The immediate aim of the scheme is **to contain the annual price distress of tomatoes, onions and potatoes (TOP) in regions with high production.**
- The scheme aspires to increase the income of the farmers as in line with an ambition of doubling the farmer's income by 2022.
- It aims to achieve these goals through interventions by encouraging farmer producers' organisations, agri -logistics, processing facilities and professional management.

### Components

- Guidelines for the scheme have been prepared by the Union Ministry of Food Processing and Industries. The scheme has broadly two components, which are to be realised by 2020.

- **Short Term**
  - Price fixations to ensure farmers are given the right price for their produce. The minimum support price regulation has a key role to play in the short run.
  - Transportation of vegetables from a surplus region to deficit region of production so as to provide good remuneration to the farmers at one hand and the affordable prices to the consumers on the other hand.

- **Long Term**
  - Creation of value chains in the surplus production areas,
  - Infrastructure development for storage processing capacity to increase the shelf life of perishable horticulture crops.
  - Processing industries in selected surplus regions.

### Mechanism and funding

- The Expenditure Finance Committee approved an allocation Rs 500 crore by the Centre.
- Moreover, the committee suggested that extra funds can be pooled from schemes such as Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters (SAMPADA), an umbrella scheme incorporating ongoing schemes related to Mega Food Parks, Integrated Cold Chain and Value Addition Infrastructure, Food Safety and Quality Assurance Infrastructure.

## 3 Agri-Market Infrastructure Fund

**CONTEXT: The Cabinet Committee of Economic Affairs recently approved creation of a corpus of Rs. 2000 crore for Agri-Market Infrastructure Fund (AMIF).**

### APMC

- **Agricultural Produce Market Committee (APMC) is** a statutory market committee constituted by State Governments for trade in certain notified agricultural or horticultural or livestock products, **under the Agricultural Produce Market Committee Act of the respective state.**

- The fund would be **created with NABARD for development and up-gradation of agricultural marketing infrastructure in Gramin Agricultural Markets and Regulated Wholesale Markets**.
- It will provide the State/UT Governments subsidized loan **for developing marketing infrastructure in 585 Agriculture Produce Market Committees (APMCs) and 10,000 Grameen Agricultural Markets (GrAMs).**
- States may also access AMIF for innovative integrated market infrastructure projects including Hub and Spoke mode and in Public Private Partnership mode.
- In these GrAMs, physical and basic infrastructure will be strengthened using MGNREGA and other Government Schemes.

- After approval of AMIF Scheme, the interest subsidy will be provided by DAC&FW to NABARD in alignment with annual budget releases during 2018-19 and 2019-20 as well as upto 2024-25.
- The Scheme being demand driven, its progress is subject to the demands from the States and proposals received from them.

**Important announcements for agriculture made in the interim budget 2019-**

- Micro irrigation fund Rs. 5,000 crore
- Dairy Processing and Infrastructure Development Fund (DIDF) Rs. 10,881 crore
- Agri Market Infrastructure Fund – Rs. 2,000 crore
- Rs. 10,000 crore for both Fishery & Aquaculture and Animal Husbandry Infrastructure Development Fund.

## 4 Kisan credit card

**CONTEXT**: The Indian Banking Association (IBA) has issued advisory **guidelines requesting banks to waive off the processing, documentation, inspection, ledger folio charges and all other service charges for Kisan Credit Card (KCC) /crop loans upto 3 Rs lakh**.

- The IBA advisory comes amidst reports that some of scheduled commercial banks are collecting service charges which are at a bit higher, irrespective of whether the loan is sanctioned or not.

KCC

- **Scheme was** introduced in 1998 to facilitate and make accessible credit availability to the farmers.
- **It is issued on the basis of the land holdings so that the farmer can avail credit for purchase of agriculture input such as Seeds, Fertilizers, Pesticides and other production needs.**
- **GOI** provides interest subvention of 2% and prompt repayment incentive of 3% to the farmers, thus making the credit available at a very subsidized rate of 4% per annum**.**

## 5 Krishi Kalyan Abhiyan

**CONTEXT: Krishi Kalyan Abhiyan being implemented in 25 villages in each of the 111 Aspirational Districts from 1st June to 31st July, 2018.**

**Salient Features**

- Krishi Kalyan Abhiyan undertakes various **activities to promote best farming practices and enhance Agricultural income.**
- The **Ministry of Agriculture and farmers' welfare** in line with the **vision of doubling farmers' income by 2022** has launched the Krishi kalyan Abhiyaan from 1st June, 2018 till 31st July, 2018 so as **to aid, assist and advice farmers on how to improve their farming techniques and raise their incomes.**
- The Krishi kalyan Abhiyaan was undertaken in 25 Villages with more than 1000 population each in Aspirational Districts identified in consultation with Ministry of Rural Development as per directions of NITI Ayog.
- The overall coordination and implementation in the 25 villages of a district is being done by Krishi Vigyan Kendra of that district.

**Various activities to promote best practices and enhance agriculture income are being undertaken under this plan such as:-**

- Distribution of Soil Health Cards to all farmers; 100% coverage of bovine vaccination for Foot and Mouth Disease (FMD) in each village.
- 100% coverage of Sheep and Goat for eradication of Peste des Petits ruminants (PPR); Distribution of Mini Kits of pulses and oilseeds to all; Distribution of Horticulture/Agro Forestry/Bamboo plant @ 5 per family (location appropriate); Making 100 NADAP Pits in each village.
- Artificial insemination saturation; Demonstration programmes on Micro- irrigation; Demonstrations of integrated cropping practice.
- In addition, demonstration programmes on Micro Irrigation and Integrated Cropping Practice will also take place so as to familiarize farmers with the latest techniques and how they can be incorporated at the grass root level.
- Training programmes are being conducted in each of the villages by ICAR/KVSs for Bee Keeping, Mushroom cultivation and Kitchen garden; Women participants and farmers will be given preference for the training program.

**'Transformation of Aspirational Districts' programme:**

- Aim: **Launched in January 2018, the 'Transformation of Aspirational Districts' programme aims to quickly and effectively transform some of the most underdeveloped districts of the country.**
- 3Cs: **The broad contours of the programme are** Convergence (of Central & State Schemes), Collaboration (of Central, State level 'Prabhari' Officers & District Collectors), and Competition among districts driven by a Mass Movement or a Jan Andolan**.**
- Focus: **With States as the main drivers, this program will focus on the strength of each district, identify low-hanging fruits for immediate improvement, measure progress, and rank districts.**

## 6 Kisan Kalian Pradhikaran

**CONTEXT: In an attempt to increase farm productivity and farmers' income, the Haryana government announced the setting up of 'Haryana Kisan Kalyan Pradhikaran', an authority which will undertake measures to make agriculture remunerative.**

- The Pradhikaran will play a very important role in **doubling farmers income by integrating different schemes and policies.**
- It will undertake all possible **measures to enhance farm productivity and mitigate the physical, financial and psychological distress of farm households and landless workers**.
- It will also **maintain close liaison with line departments for implementation and monitoring of schemes, programmes and projects thorough the Agriculture Advisory Council** and issue necessary guidelines from time to time.
- The body will oversee regulations, guidelines and procedures for farmers' welfare and suggest amendments in the statute governing farmers' welfare in the State in consonance with Central Acts.

## 7 Agriculture Price Policy (APP) in India

**CONTEXT: Based on the recommendations of the Commission for Agricultural Costs and Prices (CACP), the Department of Agriculture and Co-operation, Government of India, declares Minimum Support Prices (MSP) for 22 crops before their sowing seasons.**

**APP is the** tool for influencing the prices of agricultural product. It is an incentive to the producer to produce a particular product according to the desired quality.

### Determination of Minimum Support Price

- The CACP is a statutory body and **submits separate reports recommending prices for Kharif and Rabi seasons.** The Central Government after considering the report and views of the State Governments and also keeping in view the overall demand and supply situation in the country, takes the final decision.
- The information/data used by the Commission, inter-alia include the following:
  - Cost of cultivation per hectare and structure of costs in various regions of the country and changes there in;
  - Cost of production per quintal in various regions of the country and changes therein;
  - Prices of various inputs and changes therein;
  - Market prices of products and changes therein;
  - Prices of commodities sold by the farmers and of those purchased by them and changes therein;
  - Supply related information - area, yield and production, imports, exports and domestic availability and stocks with the Government/public agencies or industry;
  - Demand related information - total and per capita consumption, trends and capacity of the processing industry;
  - Prices in the international market and changes therein, demand and supply situation in the world market;
  - Prices of the derivatives of the farm products such as sugar, jaggery, jute goods, edible/non-edible oils and cotton yarn and changes therein;
  - Cost of processing of agricultural products and changes therein;

### Impact of Pricing Policy

- The policy has been instrumental in **creating a fairly stable price environment for farmers to induce them to adopt new production technology** and thereby increase the output of foodgrains. The improvement in the level of food security in India during the last three decades has been widely acknowledged the world over.
- Geographically dispersed growth of cereal production during the last two decades coupled with public distribution system of cereals helped in increasing the physical access to food.

## 8 Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA)

**CONTEXT: Cabinet approves New Umbrella Scheme "Pradhan Mantri Annadata Aay SanraksHan Abhiyan" (PM-AASHA).**

- PM-AASHA **will provide MSP assurance to farmers**.
- The Scheme is aimed at **ensuring remunerative prices to the farmers for their produce as announced in the Union Budget for 2018.**

### Need of PM AASHA:

- Increasing MSP is not adequate and it is more important that farmers should get full benefit of the announced MSP.
- For this, government realizes that it is essential that if price of the agriculture produce market is less than MSP, then in that case State Government and Central Government should purchase either at MSP or work in a manner to provide MSP for the farmers through some other mechanism.

### Components of PM-AASHA:

- Price Support Scheme (PSS),
- Price Deficiency Payment Scheme (PDPS)
- Pilot of Private Procurement & Stockist Scheme (PPSS).

### Details:

- In Price Support Scheme (PSS), physical procurement of pulses, oilseeds and Copra will be done by Central Nodal Agencies with proactive role of State governments.
- It is also decided that in addition to NAFED, Food Cooperation of India (FCI) will take up PSS operations in states /districts.
- The procurement expenditure and losses due to procurement will be borne by Central Government as per norms.
- **Under Price Deficiency Payment Scheme this scheme (PDPS**), it is proposed to cover all oilseeds for which MSP is notified.
- In this direct payment of the difference between the MSP and the selling/modal price will be made to pre-registered farmers selling his produce in the notified market yard through a transparent auction process.
- All payment will be done directly into registered bank account of the farmer.
- This scheme does not involve any physical procurement of crops as farmers are paid the difference between the MSP price and Sale/modal price on disposal in notified market.

### Other pro-farmer initiatives of the Government:

- Several market reforms have been initiated. These include **Model Agricultural Produce and Livestock Marketing Act, 2017 and Model Contract Farming and Services Act, 2018**. Many States have taken steps to adopt these through legislation.
- Efforts are on for a new market architecture, so as to ensure that farmers get remunerative prices on their produce. These include **setting up of Gramin Agricultural Markets (GrAMs) so as to promote 22,000 number of retail markets** in close proximity of farm gate; competitive and transparent wholesale trade at APMC through eNAM and a robust and pro-farmer export policy.
- Besides, several other pro-farmers' initiatives such as implementation of **Pradhan Mantri Fasal Bima Yojana, Pradhan Mantri KrishiSinchai Yojana, ParamparagatKrishi Vikas Yojana and distribution of Soil Health Cards have been undertaken**. The commitment for farmer welfare is also reflected by unprecedented decision of announcing minimum support price based on the formula of 1.5 times the cost of cultivation.

## 9 Bhavantar Bhugtan Yojana

**CONTEXT: Efforts are being made by the Madhya Pradesh State Government to provide proper value of produce to the farmers of the state. In this direction the Bhavantar Payment Scheme (price deficit finance scheme) is being implemented on a pilot basis.**

**A** Deficiency price payment scheme **is ad hoc mechanism and not remedy. Because neither the centre nor state governments are putting in the political capital to reform India's inefficient agriculture markets where the bulk of the produce is traded. Prices are decided in a non-transparent way by a cartel of traders.**

### Bhavantar Bhugtan Yojana

- It's a scheme, **to cushion farmers from price crashes**. If prices fall, the government will pay farmers the deficit, hence 'bhavantar'.

- **How is it different from minimum support price?**
  - In MSP, there are a lot of overhead costs that the government has to bear. In most crops, it ranges from 30-40% because of storage and handling costs, and waste.
  - In Bhavantar, on the other hand, the state's cost has come down to just 18% — and **it goes straight to the farmer, not to transporters and chowkidars as in MSP**.
  - Bhavantar ensures profit to farmers, without the need to stock their produce and incur maintenance and transportation costs.
- Madhya Pradesh is the largest producer of pulses and oilseeds — 28% of the total production in the country. India is not self-reliant in this. On an average, the Union government imports pulses and oilseeds worth Rs 90,000 crore every year while in paddy and wheat, the country is more than self-reliant. So only oilseeds and pulses covered under the scheme and not paddy or wheat.

## 10 Foodgrain Production to touch a New Record of 284.83 Million Tonnes in 2017-18.

**CONTEXT: The 4th Advance Estimates of production of major crops for 2017-18 have been released by the Department of Agriculture, Cooperation and Farmers Welfare.**

- As a result of near normal rainfall during monsoon 2017 and various policy initiatives taken by the Government, country has witnessed record foodgrain production in 2017-18. As per Fourth Advance Estimates for 2017-18, total Foodgrain production in the country is **estimated at 284.83 million tonnes which is higher by 9.72 million tonnes than the previous record** production of foodgrain of 275.11 million tonnes achieved during 2016-17.
- The production during 2017-18 is also higher by 24.66 million tonnes than the previous five years' (2012-13 to 2016-17) average production of foodgrain.
- Total production of **Rice during 2017-18 is estimated at record 112.91 million tonnes**.
- Production of **Wheat, estimated at record 99.70 million tonnes, is higher by 1.19 million** tonnes as compared to wheat production of 98.51 million tonnes achieved during 2016-17.
- Production of **Nutri / Coarse Cereals estimated at record 46.99 million tonnes** is higher than the average production by 5.29 million tonnes.
- **Total Pulses production during 2017-18 is estimated at record 25.23 million tonnes** which is higher by 2.10 million tonnes than the previous year's production of 23.13 million tonnes.
- Total **Oilseeds production in the country during 2017-18 is estimated at 31.31 million tonnes** which is marginally higher than the production of 31.28 million tonnes during 2016-17.

- The Central Government extends price support for procurement of wheat and paddy through Food Corporation of India (FCI) and State Agencies at Minimum Support Price (MSP).
- Procurement at MSP is open ended, i.e, whatever foodgrains are offered by the farmers, within the stipulated procurement period and which conforms to the quality specifications prescribed by Government of India (GOI), are purchased at MSP (and bonus/incentive, if any) by the Government agencies including FCI, for Central Pool.
- Coarse grains are purchased by State Government with permission of Central Government, upto the extent it is required in their Targeted Public Distribution System (TPDS).
- Under Price Support Scheme (PSS), the procurement of oil seeds, pulses and cotton through Central Nodal Agencies at the Minimum Support Price (MSP) is also undertaken.

## 11 Sugar Production

- Sugar production during last sugar season **2017-18 was about 322 Lakh MT** which is highest production so far in the country.

- As of now, India is the **second largest producer of sugar in the world** as the **first is Brazil.**
- In order to improve the liquidity position of the sugar mill to facilitate clearance of cane arrears of farmers and to divert surplus sugar for ethanol production, **Government has fixed remunerative price of ethanol produced from B-Hy molasses and diverted from cane juic**e.
- These measures may lower sugar production.

## 12 Maharashtra Adopt Food Park Model

**CONTEXT: M/s Satara Mega Food Park Pvt. Ltd. at Village Degaon, District Satarawas is the first Mega Food Park in the state of Maharashtra.**

- This is the 12th Mega Food Park operationalized in the country so far and the 10th operationalized during the tenure of present government.

> India's first mega food park 'Srini Mega Food Park', **sprawling over 147-acre space, was opened in** Chittoor in Andhra Pradesh **in 2012.**

### About Mega Food Park Scheme

- The Scheme of Mega Food Park **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 primary objective of the Scheme is **to provide modern infrastructure facilities for the food processing along the value chain from the farm** to the market with a cluster based approach based on a hub and spokes model
- The Mega Food Park 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 along with well-established supply chain.
- Mega food park typically consist of supply chain infrastructure including collection centers, primary processing centers, central processing centers, cold chain and around 30-35 fully developed plots for entrepreneurs to set up food processing units.

## 13 Gujarat's first Mega Food Park inaugurated in Surat

**CONTEXT: Union Minister for Food Processing Industries has inaugurated the first Mega Food Park in Gujarat.**

### Significance

- The Gujarat Agro Mega Food Park will benefit the **people of Surat District and the people of nearby Districts of Navsari, Tapi, Narmada& Bharuch.**
- The modern infrastructure for food processing created at Park will benefit the farmers, growers, processors and consumers of Gujarat and adjoining areas immensely and prove to be a big boost to the growth of the food processing sector in the State of Gujarat.
- The union government is providing an environment that is smooth, transparent and easy for investors wanting to start an enterprise in India and in a bid to make India a resilient food economy and the Food Factory of the World, the government has made Food Processing a major thrust area of 'Make in India'.
- There is an increasing focus on boosting the food processing industry in India so that agriculture sector grows exponentially and becomes a major contributor to doubling the farmers' income and to contribute to 'Make in India' initiative of the government.

# 14 Three Year Action Plan of Agricultural Education:

**CONTEXT: Cabinet approves 'Three Year Action Plan(2017-2020) of Agricultural Education Division & ICAR Institutes.**

- **Purpose:** for strengthening and developing higher agricultural education in India.

### It comprises of:

- "**Strengthening and Development of Higher Agricultural Education in India** - Rs. Rs.2050.00 crore;
- ICAR-National Academy of Agricultural Research Management (NAARM) - Rs. 24.25 crore and
- ICAR - Central Institute of Women in Agriculture (CIWA) including All India Coordinated Research Project on Home Science (AICRP-HS) - Rs.151.21 crore.

### Significance:

- The scheme is aimed**to generate quality human resources from the institutions of higheragricultural education**.
- It encompasses several new initiatives including, steps to attract talented students, reducing academic inbreeding and addressing faculty shortage.
- It will also take care of green initiatives, mitigating faculty shortage, international ranking, alumni involvement, promoting innovations, inspired teacher network, reducing inbreeding, academia interface, technology enabled learning, Post-doctoral Fellowships, Agriculture Education Portal, Scientific Social responsibility etc.
  - **For quality assurance** ranking of the agricultural universities has been linked to the financial support under the scheme along with accreditation.

### Benefits:

- This will lead to generation of competitive and confident human resource.
- In addition, research on gender issues in agriculture and allied fields, formulating gender-equitable agricultural, policies/programmes and gender-sensitive agricultural-sector responses will be undertaken by ICAR-CIWA.
- Capacity building needs of the human resources and stakeholders of the entire National Agricultural Research & Education System (NARES) will be catered leading to enhancing of competencies and capacities of the stakeholders including farmers, young scientists, students and agri-industry in NARES by ICAR-NAARM.

- The Indian Council of Agricultural Research (ICAR) **undertakes planning, development, coordination and quality assurance in higher agricultural education through partnership with 75 Agricultural Universities (AUs) established across the country.**
- The National Academy of Agricultural Research Management (NAARM) **has played a key role in enhancing the capacities of individuals and institutions** of National Agricultural Research and Education System (NARES) **in agricultural research, education and technology management.**
- The Central Institute for Women in Agriculture **(CIWA) has been providing a leadership role in empowering farm women as in the changing agricultural scenario the roles and responsibilities of women in agriculture are indispensable.**

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# 6

# Industry

## 1 Department for Promotion of Industry and Internal Trade

**CONTEXT: Government has notified renaming the Department of Industrial Policy and Promotion (DIPP) as the Department for Promotion of Industry and Internal Trade to meet the demand of 'Confederation of All India Traders (CAIT)' for forming a separate ministry for internal trade.**

### DIPP

- DIPP was established in the year 1995, and was reconstituted in the year 2000 with the merger of Department of Industrial Development.
- It is responsible for formulation and implementation of promotional and developmental measures for growth of the industrial sector, keeping in view the national priorities and socio-economic objectives.
- While individual Administrative Ministries look after the production, distribution, development and planning aspects of specific industries allocated to them, DIPP is responsible for the overall industrial policy.
- It is also responsible for facilitating and increasing the foreign direct investment (FDI) flows to the country.

- Apart from the previous responsibilities of DIPP relating to general industry policy, Administration of the Industries (Development and regulation) act, 1951, industrial management, productivity in industry, and matters related to e-commerce; the newly-named department will take care of new responsibilities and matters related to:
  - **Promotion of internal trade** including retail trade (matters related to internal trade were earlier under the domain of the Ministry of Consumer Affairs).
  - **Welfare of traders and their employees**
  - **Facilitating ease of doing business and start-ups**

### Significance

- With this new mandate, both internal and external trade has been brought under a single Ministry (Ministry of commerce and industry). This will ensure better coordination and help in promoting the growth of both segments of the trade.
- Also, with this, the issues concerning promotion of internal trade, including retail trade; welfare of traders and their employees; matters relating to facilitating ease of doing business; and startups will dealt by the dpiit under the ministry.
- The DIPP was so far framing policies only related to foreign direct investment.

## 2 National Mission on Government e-Market (GeM) portal

**CONTEXT: The National Mission on GeM (NMG) was launched on 5th September 2018 till 17th October 2018.**

- The objective of the Mission was **to accelerate the adoption and use of Procurement by Major Central Ministries, States and UTs and their agencies** (including CPSUs/PSUs, Local Bodies) on the GeM platform.
- **Ministry:** It is launched under **Ministry of Commerce & Industry**
- It is hosted by Directorate General of Supplies and Disposals (DGS&D) where common user goods and services can be procured.

**The objectives of the NMG were to:**

- **Promote inclusiveness** by catapulting various categories of sellers and service providers
- Highlight and communicate **'value add' by way of transparency and efficiency** in public procurement, including corruption free governance.
- **Achieve cashless, contactless and paperless transaction**, in line with Digital India objectives.
- Increase overall efficiency leading to significant cost saving on government expenditure in Procurement.
- **Maximizing ease in availability of all types of products and services** bought by Government buyers.

### GeM Start-up Runway

- Launched in February 2019, "**StartUp Runway" is a unique concept initiated by GeM to promote entrepreneurship through innovation**.
- This program is an **opportunity for Startups to reach out to the Government Buyers by offering products and services** that are unique in concept, design, process and functionality.
- DPIIT (Department for Promotion of Industry and Internal Trade) certified Startups are invited to offer their products/services for procurement on GeM.
- It aligns with Government's philosophy to turn Job-seekers into job-creators.

### SWAYATT Initiative

- It is an initiative to promote Start-ups, Women and Youth Advantage Through eTransactions on Government e Marketplace (GeM).
- This will bring together the key stakeholders within the Indian entrepreneurial ecosystem to Government e-Marketplace the national procurement portal.

## 3 Integrated Scheme for Development of Silk Industry" for sericulture

**CONTEXT: The Government has approved Central Sector Scheme "Integrated Scheme for Development of Silk Industry" for the three years from 2017-18 to 2019-20.**

- The scheme will be implemented by the Ministry through **Central Silk Board (CSB).**

### The Scheme has four components

- Research & Development (R&D), Training, Transfer of Technology and IT Initiatives.
- Seed Organizations and farmers extension centres.
- Coordination and Market Development for seed, yarn and silk products.

- Quality Certification System (QCS) by creating amongst others a chain of Silk Testing facilities, Farm based & post-cocoon Technology Up-gradation, and Export Brand Promotion.

### Impact:

- The scheme is expected **to increase the silk production from the level of 30348 MTs during 2016-17 to 38500 MTs by end of 2019-20** with the following interventions:
  - **Production of import substitute bivoltine silk** to the tune of 8500 MTs per annum by 2020.
  - **Research & Development to improve productivity** from the present level of 100 Kgs to 111 kgs of silk per ha. of plantation by the end of 2019-20.
  - **Large scale propagation of improved reeling machines** (Automatic Reeling Machine for mulberry; improved reeling/spinning machineries and Buniyad reeling machines for Vanya silk) under Make in India programme to produce quality silk to cater to the market demand.
- The scheme will **promote Women Empowerment and livelihood opportunities to SC/ST** and other weaker sections of the society.
- The scheme will help to **increase productive employment from 85 lakhs to 1 crore persons** by 2020.

### Improvement over the earlier scheme:

- The scheme aims to achieve self-sufficiency in silk production by 2022.
- For the first time, there is clear focus on improving production of highest grade quality of silk.
- The implementation strategy is clearly based on convergence at the State level with the schemes of other Ministers like MGNREGS of Rural Development, RKVY & PMKSY of Ministry of Agriculture, for maximizing benefits to the sericulturists.
- The R&D projects pertaining to disease resistant silkworm, host plant improvements, productivity enhancing tools and implements for reeling and waving etc. will be done in cooperation with Ministries i.e. Science and Technology, Agriculture and Human Resource Development (HRD).

## 4 North East Industrial Development Scheme (NEIDS)

**CONTEXT: The Union Cabinet has approved the North East Industrial Development Scheme (NEIDS), 2017 with financial outlay of Rs.3000 crores upto March, 2022.**

### About NEIDS:

- **North East Industrial Development Scheme (NEIDS),** 2017 covers eligible industrial units in the manufacturing and service sectors in Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim.
- **Aim:** To promote industrialization and boost employment and income generation.
- **Time period:** The Scheme is valid from April, 2017 to March, 2022.
- **The total approved outlay** of NEIDS is Rs. 3000 crore.
- The Scheme **does not envisage sanction of projects,** rather, eligible units are registered after following due process.
- **Ministry:** Department of Industrial Policy & Promotion underMinistry of Commerce & Industry

### The scheme provides:

- **Central Capital Investment Incentive** (30% of the investment in plant & machinery with an upper limit of Rs. 5 crore).
- **Central Interest Incentive** (3% interest on working capital for 5 years).
- **Central Comprehensive Insurance Incentive** (Reimbursement of 100% insurance premium for 5 years).

- **Income Tax Reimbursement** of centre's share for 5 years.
- **GST reimbursement** of Central Govt. share of CGST & IGST for 5 years.
- **Employment Incentive** under which additional 3.67% of the employer's contribution to EPF in addition to Govt. bearing 8.33% Employee Pension Scheme (EPS) contribution of the employer in PMRPY.
- **Transport incentive** on finished goods movement by Railways (20% cost of the transportation), by Inland Waterways Authority (20% of the cost of transportation) & by air (33% of cost transportation of air freight) from the station/port/airport nearest to unit to the station/port/airport nearest to the destination point.
- Also, under this scheme, a single unit can avail overall benefits up to Rs. 200 Crores.

### Current status:

- One industrial unit M/s AMBROSIA INDUSTRIES in district Kamrup, Assam has been granted registration under NEIDS, 2017.
- No claims have been raised under the scheme so far and as such, there is no release and utilization of funds under the Scheme.

## 5 Government Redefines MSME

**CONTEXT-** The Cabinet approved a proposal to redefine micro, small, and medium enterprises (MSMEs), **based on their annual turnover**. The move, which replaces earlier classification based on investment in plant and machinery. It is expected to improve ease of doing business. Notably, the government announced a **cut in the tax rate for MSMEs from 30% to 25%**.

- According to the government's new definition, businesses with revenue of as much as **Rs5 crore will be called a micro enterprise,**
- Those with sales between **Rs5 crore and Rs75 crore will be deemed as small** and
- Those with revenue **between Rs75 crore and Rs250 crore will be classified as medium-sized enterprises.**

### Importance and Role of MSMEs in Indian Economy

- The Micro, Small and Medium Enterprises occupies a **strategic importance in terms of output (about 45% of manufacturing output), exports (about 40% of the total exports) and employment (about 69 million persons in over 29 million units throughout the country)** as per the Planning Commission, 2012. It is observed worldwide that as income increases the share of the informal sector decreases and that of the formal SME sector increases.
  - To generate large scale employment.
  - To sustain economic growth and increase exports.
  - Making Growth Inclusive.

## 6 Udyam Sangam-2018 inauguration

- The President inaugurated the Udyam Sangam-2018, being organised by the Ministry of Micro, Small & Medium Enterprises (MSME) **to celebrate the 2$^{nd}$ United Nations Micro, Small and Medium-sized Enterprises Day.**
- It is an important **effort in developing effective eco-systems for MSME sector**.
- It will **provide representatives of finance, training and educational institutions, industry, media, state governments and NGOs an opportunity to engage** in extensive discussions to strengthen the eco-systems in this sector.

## 7 ‘One District One Product’ Summit inaugurated

- The President of India, Shri Ram Nath Kovind, **inaugurated the ‘One District One Product’ Summit in Lucknow, Uttar Pradesh.**
- The scheme aims **to encourage such indigenous and specialized products and crafts in UP that are found nowhere else –** like the ancient and nutritious **‘Kala Namak’ rice, the rare and intriguing wheat-stalk craft.**
- Under the scheme, the state government has set a goal of **providing employment to 25 lakh people in five years** through the financial assistance of Rs. 25,000 crores.
- The scheme **will enhance skills of local people** as well as increase the reach to products.
- It will result in economic progress of artisans of Uttar Pradesh.

## 8 Pharma Promotion Tax Exempt: Tribunal

**CONTEXT-** A recent decision of the Income Tax Appellate Tribunal’s (ITAT) Pune bench allowing pharmaceutical companies to account for their spending on doctors as a deductible expenditure has sparked off a fresh debate on ethics.

- Since the companies are out of the purview of the Medical Council of India (MCI), money spent on promotions, which in some cases could be gifts, travel, hospitality and so on for doctors, besides medical conferences and samples, can be claimed as deductible expenditure. Doctors accepting such promotions may be violating the code of ethics of the MCI.

## 9 Cabinet Identified Champion Services Sectors

**CONTEXT:** The Department of Commerce has proposed the concept to give focused attention to **12 identified Champion Services Sectors** for promoting their development, and realizing their potential.

- A dedicated fund of Rs. 5,000 crores has been proposed to be established to support initiatives for sectoral Action Plans of the Champion Sectors.
- Objective: This initiative is **expected to enhance the competitiveness of India’s service sectors thereby creating more jobs in India, contributing to a higher GDP and export** of services to global markets.
- The share of India’s services sector in global services exports was 3.3% in 2015. Based on this initiative, a goal of 4.2% has been envisaged for 2022.

- These include Information Technology & Information Technology enabled Services (IT &ITeS), Tourism and Hospitality Services, Medical Value Travel, Transport and Logistics Services, Accounting and Finance Services, Audio Visual Services, Legal Services, Communication Services, Construction and Related Engineering Services, Environmental Services, Financial Services and Education Services.

- The Group of Secretaries in their recommendations to the Prime Minister, had identified ten Champion Sectors, including 7 manufacturing related sectors and 3 services sectors, for promoting their development and achieving their potential.
- It was subsequently decided that Department for Promotion of Industry and Internal Trade, would spearhead the initiative for the Champion Sectors in manufacturing and Department of Commerce would coordinate the proposed initiative for the Champion Sectors in Services.
- Accordingly, Department of Commerce, with wide stakeholder consultation coordinated the preparation of draft initial sectoral reform plans for several services sectors and, subsequently the action plan.

## 10 Purchasing Managers' Index (PMI)

- **PMI is an indicator of business activity — both in the manufacturing and services sectors**.
- It is a **survey-based measure that asks the respondents about changes in their perception of some key business variables from the month before**.
- It is calculated separately for the manufacturing and services sectors and then a composite index is constructed.

### What are its implications for the economy?

- The PMI is usually released at the start of the month, much before most of the official data on industrial output, manufacturing and GDP growth becomes available.
- It is, therefore, considered a good leading indicator of economic activity.
- Economists consider the manufacturing growth measured by the PMI as a good indicator of industrial output, for which official statistics are released later.

## 11 Department of Commerce Developing National Logistics Portal

- A National Logistics Portal is being developed by the Ministry of Commerce and Industry to ensure ease of trading in the international and domestic markets.
- The **portal will link all the stakeholders of EXIM, domestic trade and movement and all trade activities on a single platform**.
- **India's logistics sector is highly defragmented andthe aim is to reduce the logistics cost from the present 14% of GDP to less than 10% by 2022**.
- As per the Economic Survey 2017-18, the Indian logistics sector provides livelihood to more than 22 million people and improving the sector will facilitate 10 % decrease in indirect logistics cost leading to the growth of 5 to 8% in exports.
- The portal will be implemented in phases and will fulfil the commitment of the Government of India to enhance trade competitiveness, create jobs, boost India's performance in global rankings and pave the way for India to become a logistics hub.

## 12 National Entrepreneurship Awards 2018

**CONTEXT: The Ministry of Skill Development and Entrepreneurship (MSDE) hosted third edition of the National Entrepreneurship Awards (NEA) on January 4, 2019 at Dr. Ambedkar International Centre, New Delhi.**

- The NEA is a platform focused on driving innovation, ushering in a positive change for youth in entrepreneurship across all the industries, thus differentiating it from other awards programs.
- The awards will acknowledge an Entrepreneur and Entity/ Individual Supporting Entrepreneurs exceptional growth, strategies and products, dedicated customer focus, etc. to inspire and promote growth of entrepreneurs in India.

### Categories

- The awards are classified into **three investment categories- below Rs 1 Lakh, between Rs 1 Lakh to10 Lakhs and betweenRs10 Lakhs to Rs1 Crore- covering small to big first-generation entrepreneurs.**
- This is to **ensure that entrepreneurs from every socio-economic category take part in the award** and they are duly recognised for their meaningful contribution to the economy of the nation.
- The winners received a trophy, certificate, and cash prizes ranging from Rs. 5 to 10 lakhs.

## 13 Incredible India Tourist Facilitator Certification

**CONTEXT: Ministry of Tourism has rolled out online certification programme for Tourist Facilitators, named as Incredible India Tourist Facilitator Certification (IITFC).**

- It will be **available for those interested seeking tourist guide as profession**.
- It has been **developed by M/s Wipro Limited** and the content is **supported by the Indian Institute of Tourism & Travel Management.**

### Indian Institute of Tourism & Travel Management

- IITFC will enable Indian citizens to develop and enhance the skills associated with tourism, and where one can incorporate knowledge about facilitating tourists across the country.
- The certification program comprises of basic and advanced self-paced courses designed in a manner that the users can learn at their own time, space, path and pace.
- Successful completion of this program would enable the learner to become a certified Tourist Facilitator of Ministry of Tourism, Government of India.

**Important Government initiatives for promoting tourism:**

- E-VISA FACILITY for 164 countries.
- E-TICKETING
- INCREDIBLE INDIA 2.0
- AADARSH SMAARAK
- SWADESH DARSHAN
- PRASHAD
- HRIDAY

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# 7

# Infrastructure

## 1 Western Dedicated Freight Corridor (WDFC)

**CONTEXT: A trial run by Indian Railways has successfully been conducted on the newly completed 306-km long section from Madar in Rajasthan to Kishangarh in Haryana of the Western Dedicated Freight Corridor.**

### Western Dedicated Freight Corridor

- It is one of the two DFC projects. It was started in 2006.
- It will **connect national capital Delhi (Dadri) and business capital Mumbai** (port Nhava-Sheva).
- **Executed by:** Dedicated Freight Corridor Corporation of India Limited(DFCCIL)
- **Objective:**
  - **Increase the speed and quantity of freight movement** in western segment.
  - Eventually be linked to the Eastern DFC to form four hubs known as India's Golden Quadrilateral including Delhi, Mumbai, Chennai and Kolkata.

## 2 First Freight Village

**CONTEXT: Varanasi got India's 1st freight village. India will be the first country in Asia to come up with a freight village.**

- A freight village is an area where all **activities relating to transport, logistics and the distribution of goods** both for national and international transit are carried out by various operators.
- **Objective**: To support **economic development** in the hinterland of the multimodal terminal at Varanasi and **reduce logistics cost** in the Eastern Dedicated Freight Corridor.
- **Advantage**: The village will provide **connectivity through all three modes** of transportation. Road, rail connectivity through Eastern Dedicated Freight Corridor, and water connectivity through the country's longest waterway NW1.
- **Developed by**: **Inland Waterways Authority** of India.
- **Composition**: It envisages establishment of multimodal logistics hub in Varanasi to promote the **use of waterway** transport on river Ganga (NW-1) between Haldia and Varanasi and of **rail transport on Eastern Dedicated Freight Corridor** in the North bound direction which facilitates movement of freight from road to water and rail.
- Due to its proximity to the main city, it **will serve as a distribution centre** and as a point of transfer between long distance transport by truck, rail and waterway and short distance distribution with delivery vans.

## 3 Bidder Information Management Systems (BIMS) and Bhoomi Rashi - PFMS linkage

**CONTEXT: Shri Nitin Gadkari launched Bidder Information Management System and Bhoomi Rashi - PFMS Linkage Portals.**

- These are 2 **IT initiatives** of **Ministry of Road Transport and Highways** (MoRTH).
- Objective: Expediting pre construction processes related to-
  - Bidding (Bidder Information Management System) and
  - Land acquisition (Bhoomi Rashi and PFMS linkage).

**BIMS:**

- It is a **data base of information about bidders**- its civil works experience, cash accruals, network and annual turnover.
- The pre-qualification of bidders can be assessed from data already stored in the portal, so that technical evaluation can be carried out much **faster**.
- Objectivity and **transparency** will be maintained.

**Bhoomi Rashi:**

- Developed by MoRTH and National Informatics Centre.
- It is a **database of entire revenue data of country**, right down to 6.4 lakh villages.
- It will **reduce the time taken** for approval and publication of notifications pertaining to land acquisition.

**Public Financial Management System (PFMS):**

- It is integrated with Bhoomi Rashi.
- It is an **online software application**.
- It **facilitates payment** related to compensation for land acquisition.

**Developed and implemented by: Office of Controller General of Accounts (CGA)**

## 4 National E-Mobility Programme

**CONTEXT: Union Minister of State (IC) Power and New & Renewable Energy, launched the National E-Mobility Programme.**

**About the programme:**

- **Aim:** The Programme aims **to provide an impetus to the entire e-mobility ecosystem including vehicle manufacturers, charging infrastructure companies**, fleet operators, service providers, etc.
- **Implemented by:** The Programme will be implemented by **Energy Efficiency Services Limited (EESL)** which will aggregate demand by procuring electric vehicles in bulk to get economies of scale.
- These electric vehicles will replace the existing fleet of petrol and diesel vehicles.

**More on news:**

- India is expected **to save over Rs. 5 crore litres of fuel every year** leading to a reduction of over 5.6 lakh tonnes of annual $CO_2$ emission.
- The **per kilometer cost for an electric car is just 85 paisa against Rs 6.5 for normal cars** and these would also help us achieve autonomy from expensive petroleum imports.

- **"The future is electric"** the Minister said that in most part of the developed world cooking is electric, and many countries have announced dates to phase out their diesel vehicles.
- Calling the **installation of 50 lakh LED street lights by EESL "a very impressive milestone for our country"**, the minister reiterated the path of energy efficiency that the Prime Minister chose for the country on the sidelines of Paris Summit in 2015.
- EESL has issued new tenders of 10,000 e-vehicles and said that it makes sense from point of view of environment and economy both.

### Charging Infrastructure:

- **India aims to develop as a responsible power, with the motto- "Healthier world, healthier country", and long term goal is to leave behind a better world.**
- The Government is focusing on creating charging infrastructure and policy framework so that **by 2030 more than 30 per cent of vehicles are electricity vehicles**.
- It was also highlighted that there would be no need for license for establishing the charging infrastructure in country and the tariff for this would be less than Rs 6.

### About EESL

- Energy Efficiency Services Limited (EESL), **under the Ministry of Power,** Government of India, is **working towards mainstreaming energy efficiency** and is implementing the world's largest energy efficiency portfolio in the country.
- Driven by the mission of Enabling More – more efficiency, more innovation, **EESL aims to creating market access for efficient and future ready transformative solutions** that create a win-win situation for every stakeholder.
- Thus far, EESL has distributed over 29 crore LED bulbs and retrofitted 50 lakh LED streetlights across India through self-sustaining commercial models.
- EESL aims to leverage this implementation experience and exploit new opportunities in overseas market for diversification of its portfolio.
- As on date, EESL has begun its operations in UK, South Asia and South-East Asia.

## 5 Draft National Automotive Policy

**CONTEXT: Ministry of Heavy Industries and Public Enterprises is working for formulating the National Automotive Policy for holistic development of automobile sector in India.**

### Salient Features of the Policy:

- **Rollout a comprehensive long-term (10 year) roadmap** that will **define the emission standards applicable after BSVI** with a target of harmonizing with the most stringent global standards by 2028, across all vehicle segments. This roadmap will in turn enable the industry and support agencies to define the requirement of technologies, testing facilities, skill development and plan long-term investments.
- Roadmap will **define corporate average CO2 g/km targets for all passenger vehicle manufacturers from 2020 onwards**. Also, introduce economic penalties for manufacturers that do not meet the corporate average targets.
- **Set-up a 'Technology Acquisition Fund'** to acquire technologies through licensing agreements, joint ventures or acquisitions.
- Incentivize PPP based industry investments in research and development of commercially viable technologies through a Hybrid Annuity Model (HAM).

**Recent Government Initiatives for the Automobile Sector of India:**

- The Government of India e**ncourages foreign investment in the automobile sector and allows 100 per cent FDI** under the automatic route.
- The Government of Karnataka is going to obtain electric vehicles under **the Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles in India (FAME) Scheme** and set up charging infrastructure across Bengaluru.
- The Ministry of Heavy Industries, Government of India has **shortlisted 11 cities in the country for introduction of electric vehicles (EVs) in their public transport systems** under the FAME (Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles in India) scheme.

## 6 Advanced Motor Fuels Technology Collaboration Programme

**CONTEXT: India has joined Advanced Motor Fuels Technology Collaboration Programme (AMF TCP) as its 16th member.**

- The **primary goal** of joining AMF TCP by Ministry of Petroleum & Natural Gas (MoP&NG) is **to facilitate the market introduction of Advanced motor fuels/ Alternate fuels with an aim to bring down emissions and achieve higher fuel efficiency in transport sector**.
- AMF TCP also **provides an opportunity for fuel analysis, identifying new/ alternate fuels for deployment in transport sector and allied R&D activities** for reduction in emissions in fuel intensive sectors.
- The R&D work in AMF TCP is carried out within individual projects called "Annex".
- Over the years, more than 50 Annexes have been initiated in AMF TCP and a number of fuels have been covered in previous Annexes such as reformulated fuels (gasoline & diesel), biofuels (ethanol, biodiesel etc.), synthetic fuels (methanol, Fischer- Tropsch, DME etc.) and gaseous fuels.
- R&D Institutions of Public sector Oil Marketing companies and Automobile Testing Agencies such as ARAI, CIRT, ICAT etc. have State-of-the-art facilities and resources will also be a contributor to the Annex(s) participated by MoP&NG.
- Government of India has recently notified **National Policy on Biofuels-2018 which focuses on giving impetus to R&D in field of advanced biofuels** such as 2G Ethanol, Bio-CNG, biomethanol, Drop-in fuels, DME etc.
- These advanced fuels can be produced from various kind of wastes such as crop residues, Municipal solid waste, Industrial waste, waste gases, Food waste, plastic etc.
- Though some of these advanced biofuels have successfully been deployed in few countries, India is still awaiting its deployment in transport sector.

## 7 Railways CONCOR begins coastal operations

**CONTEXT**: Container Corporation of India Ltd (CONCOR)'s voyage vessel- SSL Mumbai undertook its **maiden coastal journey from Kandla Port to Tuticorin Port** recently.

**CONCOR**

- It was incorporated in March 1988 under the Companies Act and commenced operation from November 1989.
- From its humble beginning, it is now an **undisputed market leader having the largest network of 81 ICDs/CFSs in India (73 terminals and 8 strategic tie-ups**).
- In addition to **providing inland transport by rail for containers, it has also expanded to cover management of ports, air cargo complexes and establishing cold-chain**.

- It has played an important role of promoting containerization in India through its modern rail wagon fleet, customer friendly commercial practices and extensively used Information Technology.

## 8 Air Sewa - 2.0

**CONTEXT: Ministry of civil aviation has launched the upgraded version of Air Sewa- 2.0 web portal and mobile app.**

### Air Sewa portal

- Air Sewa Portal was **launched in 2016 as one stop solution for hassle free air travel**.
- It operates through an interactive web portal as well as through a mobile app for both android and iOS platforms.
- It includes a **mechanism for grievance redressal, back office operations for grievance handling, flight status/schedule information, airport Information and FAQs**.
- The web portal and application will help to capture air travellers' feedback for policy interventions.

### AirSewa-2.0: Improvements over AirSewa 1.0

- Secure sign-up and log-in with social media
- Chatbot for travelers support
- Improved grievance management including social media grievances
- Real-time flight status and details flight schedule

### Market Size

- The civil aviation industry in the country has emerged as **one of the fastest growing industries in the last three years.**
- India is currently **considered the third largest domestic civil aviation market in the world and expected to become the world's largest domestic civil aviation** market in the next 10 to 15 years.
- India is also expected to displace the UK to become the third largest air passenger market by 2025.

## 9 Airports Privatization

- It has been decided **to lease out six airports viz. Ahmedabad, Jaipur, Lucknow, Guwahati, Thiruvanthapuram and Mangaluru of AAI** in the first phase for development, operation and management under PPP.
- This is expected **to enhance the revenue to AAI and increased economic development in these areas in terms of job creation and related infrastructure**.
- The increase in domestic and international air travel in India combined with congestion at most airports, and the strong traffic growth at the 5 airports which were privatized over a decade ago has attracted the attention of several international operators and investors.
- **PPP in infrastructure projects brings efficiency in service delivery, expertise, enterprise and professionalism** apart from harnessing the needed investments in the public sector.

## 10 Drone regulations developed by Ministry of Civil Aviation

- It has formulated an all-digital process. **The Digital Sky Platform is the first-of-its-kind national unmanned traffic management (UTM) platform that implements "no permission, no takeoff" (NPNT).**
- Users will be required **to do a one-time registration of their drones, pilots and owners**.
- For every flight (exempted for the nano category), users will be required to ask for permission to fly on a mobile app and an automated process permits or denies the request instantly.
- To prevent unauthorized flights and to ensure public safety, any drone without a digital permit to fly will simply not be able to takeoff.
- Drones are **a technology platform which has wide-ranging applications from photography to agriculture, from infrastructure asset maintenance to insurance**.

## 11 Water Aerodrome

**CONTEXT: India is getting its first water aerodromes, seaplanes might soon be a reality.**

- **Water aerodrome:** An area of open water that can be used **by seaplanes or amphibious planes for landing and take-off.**
- **Location (5 states):**
  - **1st Phase:**
    - Chilika Lake (Odisha)
    - Sardar Sarovar Dam (Gujarat)
    - **Sabarmati River (Gujarat)**
  - Future Locations:
    - Maharashtra
    - Andhra Pradesh and
    - Assam
- Ministry of Civil Aviation
- **Objective**:
  - Promote tourism in the nearby **tourist spots.**
  - Connect places of **religious importance**.
  - Enhance **air connectivity**.

## 12 NABH (Nextgen Airports for Bharat) Nirman Initiative

**CONTEXT: The government is augmenting the airport capacity of various airports as part of NABH (NextGen Airports for Bharat) Nirman initiative.**

### NABH Nirman initiative:

- Under this initiative government proposes to expand airport capacity in the country by more than five times to handle a billion trips a year.
- **Three key aspects of NABH Nirman are:**
  - Fair and equitable land acquisition,

- Long-term master plan for airport and regional development and
- Balanced economics for all stakeholders.

- **Focus Areas: improving passenger amenities, promoting cargo handling facilities and early operationalisation of 56 new airports under UDAN** scheme will be his focus areas while simultaneously working on improving regional connectivity and improving passenger services in a big way.
- **Significance of the initiative:**
  - In the last three years, domestic air passenger traffic grew at 18% a year and the airline companies placed orders for more than 900 aircraft.
  - NABH Nirman could take the number of airports in India to 700 from about 125 airports today.

### Ude Desh ka Aam Naagrik (UDAN) scheme:

- The Civil Aviation Ministry launched Regional Connectivity Scheme UDAN (Ude Desh ka Aam Nagrik) in 2017.
- UDAN is an innovative scheme to develop the regional aviation market.
- It is a market-based mechanism in which airlines bid for seat subsidies.
  - **AIM:** This first-of-its-kind scheme globally will **create affordable yet economically viable and profitable flights on regional routes** so that flying becomes affordable to the common man even in small towns.

### Other Features:

- The UDAN scheme seeks to **provide connectivity to un-served and under-served airports** of the country through revival of existing air-strips and airports.
- It aims to **increase ticketing volume from 80 million to 300 million by 2022**.
- On these routes for regional flights **Airfares are capped at 2500 rupees for an hour's flight.**
- Central and State governments and airport operators will provide a financial stimulus in the form of concessions to airlines
- The mechanism of **Viability Gap Funding (VGF) will be provided** to interested airlines to kick-off operations from such airports so that the passenger fares are kept affordable
- Government will provide subsidy to airlines for first three years of operations when they will have exclusive flying rights on the selected routes.
- Once the market in these routes gets jump started, it will operate on a commercial basis as per market forces of supply and demand.
- Interested airline and helicopter operators can start operations on hitherto un-connected routes by submitting proposals to the Implementing Agency.
- **A Regional Connectivity Fund** would also be created to meet the viability gap funding requirements under the scheme.
- Additionally, there would be certain **tax concessions in ATF fuel** from both the Centre and the states and waivers of landing charges from airport operators.
- The UDAN scheme is likely to a give a major fillip to tourism and employment generation in the hinterland.

## 13 Bansagar Canal Project

**CONTEXT: PM inaugurated the 171 km long Bansagar Canal Project in Mirzapur, Uttar Pradesh.**

**About Project:**

- Bansagar Dam is a **multipurpose river valley project**. Its construction work was started in **1978**.
- Built on: **Son river**, Madhya Pradesh
- It is named after **Bana Bhatt**, the renowned Sanskrit scholar of the 7th century, who hailed from this region.
- It is a joint venture (2:1:1) between:
  - Madhya Pradesh
  - Uttar Pradesh and
  - Bihar government
- Location: Dam is in **Shahdol, MP** canal flows through **Mirzapur, UP**.
- Purpose: Boost **irrigation** in the region
- The canal project is a part of PM Krishi Sinchai Yojana.

- Madhya Pradesh will use 2.0 Million Acre Feet (MAF) of water from storage of Bansagar Dam in addition to utilizing 1.0 MAF in upstream and 2.25 MAF downstream of Bansagar Dam for irrigation in the areas of Sone basin in their state. The allocation of Madhya Pradesh is thus 5.25 MAF.
- Uttar Pradesh will use 1.25 MAF of water from river Sone which includes 0.25 MAF from river Kanhar and 1.0 MAF from the storage of Bansagar Dam as well as by lifting water from river Sone.
- Bihar was allocated 7.75 MAF of water from river Sone out of which 1.0 MAF will be from the storage of Bansagar Dam.
- Canals under this project will bring waters from Shahdol district in Madhya Pradesh for Adwa Barrage, Meza Dam and Jirgo reservoir.

## 14 Jal Marg Vikas Project

**CONTEXT: IWAI held a two day long intensive advocacy and communications outreach at Sahibganj and Rajmahal in Jharkhand.**

- The Inland Waterways Authority of India (IWAI) is **constructing a multi modal terminal at Sahibganj in Jharkhand** besides a proposed ship repair facility and a freight village.
- IWAI is also working with State Livelihood Missions for imparting necessary skill training for the youth, boatmen and other community members.

**Significance of Sahibganj Multi-Modal Terminal:**

- It is an important component of the development of the National Waterway-1 from Varanasi to Haldia (1390 km)
- **Employment Creation:** The project is going to create more than 1.5 Lakh direct and indirect employment in 4 states it traverses UP, Bihar, Jharkhand, West Bengal.
- **Terminal facilities:** It will include cargo facilities, berthing space for two vessels, stockyard, conveyor belt system with hoppers, shore protection works, roads, ramps and parking area.
- **Roll-on Roll-off (Ro-Ro) terminal:** A Ro-Ro at Sahibganj will provide critical connectivity with Bihar at Manihari.
- Another Ro-Ro on Ganga at Rajmahal in Jharkhand connects Manickchak in West Bengal.
- **Last mile connectivity to the hinterland of Jharkhand:** It will facilitate transportation of domestic coal from the local mines in Rajmahal area to various thermal power plants located along NW-1.
- Other than coal, stone chips, fertilizers, cement and sugar are other commodities expected to be transported through the terminal.

### IWAI

- Inland Waterways Authority of India (IWAI) is a **statutory authority** and was established on October 27, 1986.
- It is **headquartered in Noida, Uttar Pradesh**. It does the **function of building the necessary infrastructure in Inland waterways, administration of these waterway** and surveying the economic feasibility.

### State of Inland Waterways in India:

- India has an extensive network of inland waterways in the form of rivers, canals, backwaters and creeks. The **total navigable length is 14,500 km**.
- The total cargo moved (in ton kilometers) by the inland waterway is less than 1% of the total inland traffic in India, compared to the 21% figure for United States.
- Cargo transportation in an organized manner is confined to a few waterways in Goa.

### Jal Marg Vikas Project (JMVP):

- The **Jal Marg Vikas Project (JMVP) on NW-1 is being implemented with the financial and technical support of the World Bank**.
- The Jal Marg Vikas Project is under ministry of shipping.
- The Project entails development of fairway with 3 meters depth **between Varanasi and Haldia (Phase-I) covering a distance of 1380 km** at an estimated cost of Rs. 5369 crore with target for completion in six years.
- The JMVP will result in an **environment-friendly, fuel-efficient and cost-effective alternative mode of transportation, especially for bulk goods,** hazardous goods and over-dimensional cargo.
- The National Waterway-1 along with proposed Eastern Dedicated Freight Corridor and National Highway-2, constitutes the **Eastern Transport Corridor of India** connecting the National Capital Region (NCR) with the eastern and north-eastern states and will function as a link to Bangladesh, Myanmar, Thailand, Nepal and other east and south-east Asian countries through the Kolkata Port and Indo- Bangladesh Protocol Route.

## 15 National Waterways projects in North Eastern Region (NER)

**CONTEXT: The Minister of State for Shipping and Finance in a written reply to a question in Lok Sabha today informed that 20 National Waterways out of 111 are in North Eastern Region (NER).**

- **NW-2 (River Brahmaputra) from Dhubri to Sadiya (891 km) is operational** for transport and cruise and cargo vessels are moving on it.

### The present status of facilities created/ to be created in NW-2 is as follows-

- Navigational channel with least available depth of 2.5 m between Bangladesh Border - Neamati, 2.0 m between Neamati - Dibrugarh and 1.5 m between Dibrugarh - Sadiya / Oriumghat are maintained.
- **Multimodal terminal at Pandu** with Low Level and High Level Jetty.
- **Ro-Ro terminal at Dhubri** with RCC Ro-Ro Jetty.
- **Floating terminal at 11 locations on NW-2** i.e. Hatsingimari, Jogighopa, Pandu, Tezpur, Silghat, Biswanathghat, Neamati, Bogibeel, Sengajan, Oakland/ Dibrugarh and Oriumghat.
- Differential Global Positioning System (DGPS) at Dhubri, Jogighopa, Biswanathghat and Dibrugarh for safe navigation.
- Ro-Ro service for providing connectivity between north bank (Dhubri) and south bank (Hatsingimari) of river Brahmaputra. The Ro-Ro service has created a direct link between Assam and Meghalaya enabling trucks/ vehicle to avoid circuitous road route of approx. 220 km through Jogighopa Bridge. The Ro-Ro services between Dhubri and Hatsingimari started w.e.f. 01.07.2017.
- Day navigational aids for safe shipping and navigation in entire stretches of NW-2.

- Night navigational aids for safe shipping and navigation in Bangladesh Border – Pandu and Pandu – Silghat stretches of NW-2.
- River Conservancy Works like bandalling and dredging for maintaining navigable depth in shallow location.
- Fortnightly/ Monthly Thalweg Survey in entire stretches of NW-2.
- Regular cargo service on NW-2 is carried out by IWAI through departmental tug and 400 tonne capacity barge (taken from IWT Assam).

**Waterway Projects under implementation in NER:**

- **Channelization of navigational route between Burhaburhi to Hatsingimari in Bangladesh Border – Pandu stretch** through Water Resource Department, Govt. of Assam. The expected date of completion is by August 2018.
- Two more Ro-Ro routes have been identified between
  - **Neamati to Kamlabari** at an estimated cost of Rs. 215 cr. with length of 12.7 km by waterway (which otherwise takes 410 km of travel by road) to be operationalised by December 2018, and
  - **Maijan (Dibrugarh) to Sengajan** at an estimated cost of Rs. 182 cr. and length of 24.7 km by waterway (which otherwise takes 640 km of travel by Road) to be operationalised by August 2019.
- Procurement of 2 Self-Propelled Cutter Suction Dredgers (SPCSDs) by February 2020.

Fairway development works commenced on new NW-16 (river Barak) in 2017-18 for Phase-I from Silchar to Bhanga with scheduled completion in September, 2019.

**National Waterways:**

- There are **111 National Waterways** in the country today, after 106 waterways were declared as National Waterways, adding to the list of 5 existing NW, in 2016.
- National Waterway-1: Ganga-Bhagirathi-Hooghly River System (Haldia - Allahabad).
- National Waterway 2:Brahmaputra River (Dhubri - Sadiya).
- National Waterway 3:West Coast Canal (Kottapuram - Kollam), Champakara and Udyogmandal Canals.

## 16 Declaration of irrigation projects as National Projects

- The Advisory Committee of the Ministry of Water Resources, River Development and Ganga Rejuvenation has accepted two major irrigation/multipurpose projects and four flood management schemes/master plans.
- The **Kaleshwaram Project of Telangana** with an estimated cost of Rs. 80190.46 Crores involves diversion of 195 TMC (5522 Million Cubic Meter) of Godavari water to irrigate about 18.25 lakh acres of land in 13 districts (out of total 31 districts) of Telangana.
- This project will stabilize about 18.82 lakh acres of land under different projects of the state.
- The project will provide 40 TMC (1133 MCM) of drinking water to Hyderabad, Secundarabad and villages enroute and 16 TMC (453 MCM) of industrial water.

## 17 Portal launched for real-time information on National Waterways

- Inland Waterways Authority of India (IWAI) launched a **new portal LADIS – Least Available Depth Information System.**
- An assured depth of waterway is required for seamless movement of vessels.
- If real time information is made available regarding LADs in stretches of various NWs, it will help transporters by guiding them on the suitability of time of movement.

- Initially LAD information will be available for NW-1, NW-2, Indo-Bagladesh Protocol route and NW-3, along with the date of survey. The facility will be expanded to other NWs also.

## 18 Revised PPP Port Concessions

**CONTEXT: The government has approved a revised model concession pact for projects based on public private partnership (PPP) design at major ports to make the investment climate more investor friendly.**

- The revised Model Concession Agreement (MCA) includes **providing an exit route to developers by way of divesting their equity up to 100% after completion of two years** from the Commercial Operation Date (COD), similar to the MCA provisions of the highways sector.
- The amendments in the MCA **envisage constitution of the Society for Affordable Redressal of Disputes - Ports (SAROD- PORTS) as a disputes resolution mechanism** similar to the provision available in the highways sector.

**'Public-Private Partnerships**

- Public-private **partnerships between a government agency and private-sector company can be used to finance, build and operate projects**, such as public transportation networks, parks and convention centers.

**PPP advantages:**

- Financing a project through a public-private partnership can allow a project to be completed sooner or make it a possibility in the first place.
- Ensure higher quality and timely provision of public services;
- Mostly investment projects are implemented in due terms and do not impose unforeseen public sectors extra expenditures;
- A private entity is granted the opportunity to obtain a long-term remuneration;
- Private sector expertise and experience are utilized in PPP projects implementation;
- Appropriate PPP project risks allocation enables to reduce the risk management expenditures; and
- In many cases assets designed under PPP agreements could be classified off the public sector balance sheet.

## 19 Solar Charkha Mission

**CONTEXT: President launched Solar Charkha Mission under which Government will disburse subsidy of Rs 550 crore to artisans, generating employment in rural areas.**

**About:**

- It is an **employment generating venture**, started by central government.
- Rural people will get **training and employment by producing cloth**.
- The looms and spindles will be completely **powered by solar energy**.
- People who start their solar powered cloth production unit will be able to **sell the product to central as well as state government**. Khadi Commission of India will also purchase the product and supply it to governments departments directly.
- Mission by: Ministry of Micro Small and Medium Enterprise. **Khadi and Village Industries Commission** would implement the mission.

- Extent: It will **cover 50 clusters across country** and each cluster will employ 400 to 2,000 artisans.
- MSME will offer necessary parts and solar plates. It will also provide modern charkhas and looms with which cloth can be manufactured.

- The mission will generate employment in rural areas and will contribute to the green economy.
- It also **aims at linking five crore women across the country** to the initiative.
- The mission is expected to **create one lakh jobs during the first two years**.
- The Indian MSME sector provides maximum opportunities for both self-employment and wage-employment outside the agricultural sector.
- The sector generates around 100 million jobs through over 46 million units situated throughout the geographical expanse of the country.

## 20 Patratu Super Thermal Power Plant

**CONTEXT: PM laid foundation stone for the first phase of Patratu Super Thermal Power Plant.**

- Location: Patratu, Ramgarh district, **Jharkhand**.
- The project is **74:26 joint venture** with:
  - Jharkhand Government and
  - Patratu Vidyut Utpadan Nigam Limited (subsidiary of NTPC).
- Primary fuel: **Coal**
- Capacity: 4,000 MW in two phases:
  - Phase 1: **2,400 MW capacity from 3 units of 800 MW** capacity each.
  - Phase 2: 1,600 MW capacity from 2 units of 800 MW capacity each.
- Technologies used:
  - Dry ash disposable system
  - Zero liquid discharge system
  - Air-cooled condenser
  - Rail loading facility for transporting ash
  - High-efficiency electrostatic precipitator
  - Flue gas desulfurization
  - NOx emission control system
- Jharkhand:
  - This project will allocate 85 per cent of the power to Jharkhand.
  - Help in the economic growth of the region.

## 21 National Energy Storage Mission

**CONTEXT: In February 2018, an Expert Committee under the chairpersonship of Secretary, Ministry of New and Renewable Energy, was constituted to propose draft for setting up National Energy Storage Mission (NESM) for India.**

- The Expert Committee referred has proposed a draft NESM with **objective to strive for leadership in energy storage sector by creating an enabling policy and regulatory framework** that encourages manufacturing, deployment, innovation and further cost reduction.

- **NITI Aayog and Rocky Mountain Institute's** joint report on India's Energy Storage Mission has proposed **three stage solution** approach i.e.
  - Creating an environment for battery manufacturing growth;
  - Scaling supply chain strategies; and
  - Scaling of battery cell manufacturing.
- Energy Storage is one of the most crucial & critical components of India's energy infrastructure strategy and also for supporting India's sustained thrust to renewables.

**Key areas for energy storage application include:**

- Integrating renewable energy with distribution and transmission grids;
- Setting Rural micro grids with diversified loads or stand-alone systems; and
- Developing Storage component of electric mobility plans.

## 22 Kudankulam Nuclear Power Plant (KNPP)

**CONTEXT: Construction for Unit 3 of Kudankulam Nuclear reactor launched.**

- Background: An Inter-Governmental Agreement on the project was signed in **1988** by the Prime Minister of **India**, Rajiv Gandhi and the **Soviet** head of state, Mikhail Gorbachev, for the construction of two reactors.
- It is the single **largest nuclear power station** in India.
- Location: **Tirunelveli, Tamil Nadu**
- Contractors:
  - Technical design, construction supervision, training for operation and supply of equipment and fuels: **Atomstroyexport**, a subsidiary of Rosatom (Russian State Nuclear Energy Corporation)
  - Constructor and Operator:**Nuclear Power Corporation of India** (NPCIL)
  - Configuring the machines: **Bharat Heavy Electricals**.
- Technology used: Advanced version of Russian-developed **pressurised water reactor (PWR) nuclear technology**, VVER-1000 type reactors, also known as water-water power reactors.
- Capacity: Total capacity of 6,000MW
  - Phase1: **2 units** of PWR of capacity **1,000 MW each**.
  - Phase2: 4 units of same.
- It is **India's first** nuclear plant to use **imported PWR** technology (VVER-1000 type reactors). The existing nuclear power plants in India use pressurised heavy water reactor or boiling water reactor technology.

## 23 Srinagar - Alusteng - Drass - Kargil - Leh Transmission System

**CONTEXT: The 220 kV Srinagar- Alusteng - Drass- Kargil – Leh Transmission System was dedicated to the nation on February 3, 2019 by the Prime Minister. With this, Ladakh is now connected to the National Grid.**

- It is a flagship project of the Union Government under the **Prime Minister's Reconstruction Plan (PMRP)** which was aimed **to improve reliability and quality of power supply in Ladakh** region of J&K by connecting with National Grid.

- Under this project, four new modern Gas Insulated Sub-stations of 220/66 Kilovolt (kV) were built at Drass, Kargil, Khaltsi and Leh to help ensure 24x7 quality power in all weather conditions.
- The total funding of Rs 2266 crore to complete the project was provided by the Central Government and Jammu & Kashmir Government in the ratio of 95:05, respectively.
- The project has been **completed by the Power Grid Corporation of India Limited (POWERGRID), a Navratna Company of Government of India**, under Ministry of Power.
- The implementation of this project was also aimed to supply power to the people of Ladakh in harsh winters and evacuation of surplus power of Kargil & Leh Hydel stations of NHPC in summers.
- The project will result in **minimizing the massive use of diesel generating sets during winters,** and thus will help in protection of clean environment of the region.

- The **National Grid** is **owned, operated, and maintained by state-owned POWERGRID**. It is **one of the World's Largest Power Transmission Utility**, and has a wide network of150,874 circuit kilometers transmission lines, with 238 Sub-stations and transformation capacity of 351,106 MVA. The union territories of Andaman and Nicobar Islands and Lakshadweep are not connected to the National Grid.

## 24 Development of renewable energy

- The Government has set a target **of installing 40 GW of grid connected rooftop solar capacity in the country including Delhi and National Capital Region (NCR) by year 2022**.
- A **target of installing 175 GW of renewable energy capacity by the year 2022 has been set, which includes 100 GW from solar, 60 GW from wind, 10 GW from bio-power and 5 GW from small hydro-power.**
- The Government is promoting development of solar energy in the country by providing various fiscal and promotional incentives such as accelerated depreciation, waiver of Inter State Transmission System (ISTS) charges and losses, financing solar rooftop systems as part of home loan, and permitting Foreign Direct Investment up to 100 per cent under the automatic route.
- The Capacity Utilization Factor (CUF) of solar power projects is less than thermal, hydro, nuclear, wind and bio-mass power projects.

## 25 Additional Strategic Petroleum Reserves established

- Establishment of **additional 6.5 Million Metric Tonne (MMT) Strategic Petroleum Reserve (SPR) facilities at two locations**, i.e. **Chandikhol in Odisha and Padur in Karnataka has been approved.**
- The SPR facilities at Chandikhol and Padur will be underground rockcaverns and will have capacities of 4 MMT and 2.5 MMT respectively.
- The in principle approval need to take up the project under PPP model to reduce budgetary support of Government of India.
- The total 5.33 MMT capacity under Phase-I of the SPR programme is currently estimated to supply approximately 10 days of India's crude requirement according to the consumption data for FY2016-17.
- Cabinet's approval for establishing additional 6.5 MMT Strategic Petroleum Reserve facilities will provide an additional supply of about 12 days and is expected to augment India's energy security.

## 26 TRAI Interconnect Rule

**CONTEXT: The Telecom Regulatory Authority of India (TRAI) has issued new inter connectivity regulations mandating service providers to enter into an interconnection agreement "on non-discriminatory basis" within 30 days of receiving a request from another operator.**

- The 'Telecom Interconnection Regulations 2018', which will come into effect from February 1, 2018, also provide for a daily penalty of up to Rs.1 lakh per service area for operators violating the new norms.
- The new regulations cover important aspects of interconnection such as interconnection agreement, provisioning of initial interconnection and augmentation of points of interconnections, disconnection of ports, and financial disincentive on interconnection issues. The regulations will apply to all the service providers offering telecom services in India.

### Meaning of Interconnection

- "Interconnection means the physical and logical linking of public electronic communications networks used by the same or a different undertaking in order to allow the users of one undertaking to communicate with the users of the same or another undertaking, or to access services provided by another undertaking."

### Interconnection is needed because:

- No single operator can own or lease all the network required to switch calls to and from all possible locations.
- No operator has ever owned or leased all the network components for international calls.

### TRAI

- The Telecom Regulatory Authority of India (TRAI) was, thus, established with effect from 20th February 1997 by an Act of Parliament, called the Telecom Regulatory Authority of India Act, 1997, **to regulate telecom services, including fixation/revision of tariffs for telecom services which were earlier vested in the Central Government.**

## 27 The TRAI launches integration & availability of TRAI Mobile Apps on UMANG platform

- TRAI's Mobile Apps namely **DND 2.0 & MyCall shall be available on Umang Platform**.
- **UMANG (Unified Mobile Application for New-age Governance**) is developed **by National e-Governance Division (NeGD),** Ministry of Electronics and Information Technology (MeitY).
- UMANG **provides a single platform for all Indian Citizens to access pan India e-Gov services ranging from Central to Local Government bodies and other citizen centric services.**
- **MyCall is an intuitive and user friendly application for Crowd sourced Voice Call Quality Monitoring.** The Application helps Mobile phone users to rate their experience about voice call quality in real time and help TRAI gather consumer experience data along with Network data.
- **DND (Do Not Disturb) Services App enables smart phone users to register their mobile number under DND and report spam messages or calls** to avoid Unsolicited Commercial Communication (UCC)/Telemarketing Calls/SMS.

## 28 Cabinet Approves Easing of Spectrum Cap

**CONTEXT: The Union Cabinet has approved two key measures in telecom sector to facilitate investments, consolidation in the sector and enhancing ease of doing business. These include restructuring the deferred payment liabilities of spectrum auction of telecom service providers and revising the limit of the cap for spectrum holding for telecom service providers.**

### Revision of Limits of Cap for Spectrum Holding

- Based upon the recommendations of TRAI and Telecom Commission, the Cabinet approved the revision of limits of cap for spectrum holding which are as follows:
- The overall spectrum cap is **revised from the current limit of 25% to 35%.**
- The current **intra-band cap is removed**. Instead, **there is a cap of 50% on the combined spectrum holding in the sub-1 GHz bands** (700 MHz, 800 MHz and 900 MHz bands).
- There will be **no cap for individual or combined spectrum holding in above 1 GHz band**.
- The revised spectrum caps limits may be revisited after Final Acts of World Radio communication Conference (WRC) 2019.
- TRAI had recommended revision in the existing limits of cap for spectrum holding taking into consideration the technological advancement, efficient use of spectrum, measures to facilitate consolidation etc.
- With the restructuring of the deferred payment liability, the cash flow for the telecom service providers will increase in the immediate timeframe providing them some relief. Revising the limit for the spectrum cap holding will facilitate consolidation of telecom licensees and may encourage the participation in the future auction.

## 29 Strategic Investment Fund under NIIF

**CONTEXT: Finance Ministry in talks with investors to set up strategic investment fund under NIIF**

- NIIF stands for National Investment and Infrastructure Fund.
- Objective:
  - To **invest in equity** and equity-linked instruments.
  - To focus on **green field and brown field investments** in the core infrastructure sectors.
- Three funds have been established by the Government under the NIIF platform:
  - NIIF Master Fund
  - NIIF Fund of Funds
  - NIIF Strategic Fund

## 30 O-SMART scheme

**CONTEXT: The Cabinet Committee on Economic Affairs has given its approval for the umbrella scheme "Ocean Services, Technology, Observations, Resources Modelling and Science (O-SMART)".**

- Time period: for implementation during the period from 2017-18 to 2019-20 at an overall cost of Rs.1623 crore.
- The **scheme encompasses a total of 16 sub-projects addressing ocean development**

**activities such as Services, Technology, Resources, Observations and Science**.

### Significance:

- The services rendered under the O-SMART will **provide economic benefits to a number of user communities in the coastal and ocean sectors, namely, fisheries, offshore industry, coastal states, Defence, Shipping, Ports etc.**
- Currently, five lakhs fishermen community are receiving this information daily through mobile which includes allocation of fish potential and local weather conditions in the coastal waters.
- This will help in reducing the search time for fishermen resulting savings in the fuel cost.
- Implementation of O-SMART will help in addressing issues relating to Sustainable Development Goal-14, which aims to conserve use of oceans, marine resources for sustainable development.
- This **scheme also provides necessary scientific and technological background required for implementation of various aspects of Blue Economy**.
- The State of Art Early Warning Systems established under the O-SMART Scheme will help in effectively dealing with ocean disasters like Tsunami, storm surges.
- The technologies being developed under this Scheme will help in harnessing the vast ocean resources of both living and non-living resources from the seas around India.

### The important deliverables during the next 2 years envisage include:

- Strengthening of Ocean Observations and Modelling
- Strengthening of Ocean Services for Fishermen
- Setting up Marine Coastal Observatories for monitoring marine pollution in 2018
- Setting up Ocean Thermal Energy Conversion Plant (OTEC) in Kavaratti
- Acquisition of 2 Coastal Research Vessels for Coastal research
- Continuation of Ocean Survey and Exploration of Minerals and Living Resources
- Technology Development for Deep Ocean Mining- Deep Mining System and Manned Submersibles
- Setting up Six Desalination Plants in Lakshadweep

### Background:

- In accordance of the Ocean Policy Statement enacted in November 1982, the Ministry has been implementing a number of multi-disciplinary projects in the field of ocean development primarily to:
  - provide a suite of Ocean Information services,
  - Develop technology for sustainable harnessing the ocean resources,
  - Promote front-ranking research and
  - Conduct ocean scientific ocean surveys.
- The programs/policies of Ministry of Earth Sciences(MoES) are being pursued through its **autonomous institutes**, viz. National Institute of Ocean Technology, Indian National Centre for Ocean Information Services, National Centre for Antarctic and Ocean Research, and attached offices, Centre for Marine Living Resources and Ecology, National Centre for Coastal Research and other national institutes.
- **A fleet of research vessels** viz., Technology Demonstration vessel SagarNidhi, Oceanographic Research Vessel SagarKanya, Fisheries and Oceanographic Research Vessel SagarSampada and Coastal Research Vessel SagarPurvi have been acquired to provide required research support.
- During the period, several major milestones under various programs have been accomplished which include:
  - **According pioneer status on deep-sea mining of Poly-Metallic Nodules [PMN] in an area of 75,000 square kilometers in the Central Indian Ocean [CIO]** allotted by International Sea Bed Authority [ISBA] for exploration of PMN,
  - Allotment of 10,000 sq.km in the Indian Ocean for exploration of hydrothermal sulphides.

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# 8

# Reports/Committees/ Summits/Indexes

## 1 Ease of Doing Business Rankings for States

**CONTEXT: Andhra Pradesh (98.42%) tops ease of doing business rankings for states, Telangana second, Haryana stood third.**

- It is the **annual** ease of doing business index of states and union territories of India based on the completion percentage scores of **action items points of annualBusiness Reforms Action Plan (BRAP)** under the make in India initiative.
- Objective: To trigger competition among states to **attract investments and improve business** climate.
- **Prepared by**: **World Bank** and **Department of Industrial Policy and Promotion** (DIPP)
- **Parameters**: Construction permit, labour regulation, environmental registration, access to information, land availability, and single window system.
- **4 categories:**
  - Top achievers - Score of over 95%
  - Achievers - Score between 90-95%
  - Fast movers - Score between 80-90%
  - Aspirers - Score below 80%

## 2 State startup ranking report

**CONTEXT: The Department of Industrial Policy and Promotion (DIPP) announced results of the first ever States' Start-up Ranking 2018 at an event in New Delhi recently.**

- The Department of Industrial Policy and Promotion unveiled a framework that includes **seven pillars with 38 pointers to rank states based on measures the regions** have taken to foster entrepreneurship.
- The ranking framework was launched **by Union Minister of Commerce and Industry**.
- The **key objective of the Startup States and Union Territory Ranking Framework is to encourage States and Union Territory to take proactive steps towards strengthening the Startup ecosystems at the local level.**
- The Ranking Framework will measure the impact of each step initiated at the local level for building a strong Startup ecosystem.
- The Ranking Framework will also enable continuous learning through the dissemination of good practices.

### Identification

- States have been identified as leaders across **various categories such as Start-up policy leaders, incubation hubs, seeding innovation, scaling innovation, regulatory change champions, procurement leaders, communication champions, North-Eastern leader, and hill state leader.**
- On the basis of performance in these categories, the States have been recognised as the Best Performer, Top Performers, Leaders, Aspiring Leaders, Emerging States and Beginners, as follows:

| Category | State/states |
|---|---|
| **Best Performer** | **Gujarat** |
| Top Performers | Karnataka, Kerala, Odisha, and Rajasthan |
| Leaders | Andhra Pradesh, Bihar, Chhattisgarh, Madhya Pradesh, and Telangana |
| Aspiring Leaders | Haryana, Himachal Pradesh, Jharkhand, Uttar Pradesh, and West Bengal |
| Emerging States | Assam, Delhi, Goa, Jammu & Kashmir, Maharashtra, Punjab, Tamil Nadu, and Uttarakhand |
| Beginners | Chandigarh, Manipur, Mizoram, Nagaland, Puducherry, Sikkim, and Tripura |
| Champions | Fifty-one officers from States and Union Territories have been identified as “Champions”, who have made significant contributions towards developing their State’s Start-up ecosystem. |

### Selection process and methodology

- DIPP consulted all stakeholders of the Start-up ecosystem and came up with 7 key reform areas as the basis of the States’ Start-up ranking framework. An online portal was launched, which was instrumental in enabling States seamlessly submit their initiatives across these reform areas.
- A total of 27 States and 3 Union Territories participated in the exercise.
  - Evaluation committee comprising independent experts from the Start-up ecosystem assessed the responses across various parameters.
- Many parameters involved getting feedback from beneficiaries. More than 40,000 calls were made in 9 different languages to connect with beneficiaries to get a real pulse at the implementation levels.

### Significance:

- Start-ups are very important for the country as they create jobs and India resides in its states and start-ups with their innovative ideas will be able to solve social, agricultural and service sector problems of the country.

## 3 Atal Ranking of Institutions on Innovation Achievements (ARIIA) launched by M/o HRD

- To **ensure that Innovation is primary fulcrum of all higher education institutions (HEIs),** Ministry of Human Resource Development, is introducing ARIIA **to systematically rank education institutions and universities primarily on innovation related indicators**.
- ARIIA considers all major indicators which are commonly used globally to rank most innovative education institutions/ universities in the world.
- ARIIA ranking will certainly **inspire Indian institutions to reorient their mind-set and build**

**ecosystems to encourage high quality research, innovation and entrepreneurship**.

- More than quantity, ARIIA will focus on quality of innovations and will try to measure the real impact created by these innovations nationally and internationally.
- Moreover, ARIIA will set tone and direction for institutions for future development for making them globally competitive and in forefront of innovation.

## 4 CriSidEx, India's First MSE Sentiment Index

**CONTEXT- CriSidEx is India's first sentiment index for micro and small enterprises (MSEs) developed jointly by CRISIL & SIDBI.**

- CriSidEx is a composite index based on a diffusion index of 8 parameters and measures MSE business sentiment on a scale of 0 (extremely negative) to 200 (extremely positive). The parametric feedback was captured through a survey of 1,100 MSEs.
- CriSidEx will have two indices, **one for the 'survey quarter'** and **another for the 'next quarter'.** Once a trend emerges after few rounds of the survey, provide independent time series data.
- The crucial benefit of CriSidEx is that **its readings will flag potential headwinds and changes in production cycles and thus help improve market efficiencies.** And by capturing the sentiment of exporters and importers, it will also offer actionable indicators on foreign trade.

## 5 Report of task force on shell companies:

**CONTEXT: The Task Force on Shell Companies has taken pro-active and coordinated steps to check the menace of shell companies.**

- The 'Task Force' was set up in February, 2017 by the Prime Minister's Office under the joint Chairmanship of the Revenue Secretary and Secretary, MCA
- **Mandate:** It was setup with a mandate **to check in a systematic way, through a coordinated multi-agency approach, the menace of companies indulging in illegal activities** including facilitation of tax evasion and commonly referred to as 'Shell Companies'.
- **Members:** Department of Financial Services, CBDT, CBEC, CBI, ED, SFIO, FIU-IND, RBI, SEBI, DG GSTI and DG-CEIB are its Members.

### Details:

- A list of 18 key parameters, including beneficial ownership and the nature of business dealings, **to determine if a company has been created to launder money or exploit regulatory arbitrage**, has been created by the task force.

> - A shell company has been defined as a company that lacks beneficial ownership, is inconsistent in big-ticket transactions, or does repetitive transactions with no apparent business purpose.
> - Any company that transfer large suns to a related party, and makes disproportionate investments in shares of other companies or one with dubious directors could be termed shell entities.
> - Further, companies whose shares quotes a high premium to their face value despite having nominal share capital too may be included in the category of shell entities.

- The major achievements of the Task Force include the **compilation of a database of shell companies by SFIO.**
- This database, as on date, comprises of 3 lists, viz the **Confirmed List, Derived List and Suspect List**.

- With the concerted efforts of the Ministry of Corporate Affairs, Department of Financial Services and Indian Banks Association the ex- directors / authorized signatories of the struck-off companies have been restricted from operating the bank accounts of these companies and they cannot withdraw any amount from these bank accounts, other than for specified purposes, till the company is restored u/s 252 of the Companies Act.
- To help the genuine corporates in regularizing their pending returns**, the Condonation of Delay Scheme, 2018** was brought in.
- It was effective from 1.01.2018 to 1.05.2018. A total of 13,993 companies benefitted from the scheme.
- **The Task Force is the appellate authority** for this purpose.
- Central Economic Intelligence Bureau is **the Nodal Agency** for this purpose.
- **Establishment of an independent regulator for the auditing profession**,.
- **Fraud as defined in section 447 of the Companies Act, 2013** has been **made a predicate offence under Prevention of Money Laundering Act, 2002**.
- The Government expects that its efforts to clean up the registry will create a transparent and compliant corporate ecosystem in India, promote the cause of 'ease of doing business' and enhance the trust of the public.

### Background:

- The existence of black money creates imbalances in the economy, finances terror and crimes like money laundering etc., puts the honest at a disadvantage, deprives the State of the much needed revenues and ultimately adversely affects the poor of the country.
- The Government has launched a sustained campaign in the last 4 years against black money and has taken several bold steps including:
- constitution of the 'Special Investigation Team on Black Money',
- enactment of the 'The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015',
- Income Declaration Scheme, 2016,
- Benami Transactions (Prohibition) Amendment Act, 2016 and
- The demonetization scheme.
- One such measure was the setting up of a 'Task Force' in February, 2017 by the Prime Minister's Office.

## 6 State of Working India 2018 report

- **Prepared by the Centre for Sustainable Employment**, **Azim Premji University, Bengaluru**.
- Even as GDP growth rates have risen, the **relationship between growth and employment generation has become weaker over time:**
- In the 1970s and 1980s, when GDP growth was around 3-4 per cent, employment growth was around 2 per cent per annum.
- **Since the 1990s, and particularly in the 2000s, GDP growth has accelerated to 7 per cent but employment growth has slowed to 1 per cent or even less**.
- As a result the rate of unemployment among the youth and higher educated has reached 16 per cent.
- **Nationally, 67 per cent of households reported monthly earnings of up to ₹10,000 in 2015**. In comparison, the minimum salary recommended by the Seventh Central Pay Commission (CPC) is ₹18,000 per month.
- Labour productivity in organised manufacturing increased by six times over the past three decades but wages increased by only 1.5 times.
- Women are 16 per cent of all service sector workers but 60 per cent of domestic workers.

## 7 Global Wage Report 2018

- Published **by International Labour Organisation**.
- **Global wage growth** in 2017 was not only lower than in 2016, but fell to its lowest growth rate since 2008, remaining far below the levels obtaining before the global financial crisis. It has **declined from 2.4 per cent in 2016 to just 1.8 per cent in 2017.**
- Using average (mean) hourly wages to estimate the gender pay gap, as suggested in the UN's SDG indicator 8.5.1, the report finds that **– based on data for 73 countries that cover about 80 per cent of the world's employees – the (weighted) global gender pay gap stands at around 16 per cent.**

## 8 ILO report on wage inequality in India

- **Real average daily wages in India almost doubled in the first two decades after economic reforms**, but low pay and wage inequality remains a serious challenge to inclusive growth.
- The ILO has called for **stronger implementation of minimum wage laws and strengthening of the frameworks for collective bargaining** by workers.
- This is essential to combat persistent low pay in some sectors and to bridge the wage gaps between rural and urban, male and female, and regular and casual workers.
- The **rise in average wages was more rapid in rural areas, and for casual workers**.
- **Daily wages in urban areas (₹384) also remain more than twice as high as those in rural areas (₹175),** the report said.
- Regional disparities in average wages have increased over time, with wages rising more rapidly in high-wage States than in low-wage ones.

## 9 World Economic Forum (WEF) "Future of Work in India" report

- The study shows that **technology-led job growth benefits men more than women** and has found that one in three companies preferred hiring men, only one in 10 companies wanted to hire more women.
- It was prepared **by WEF and Observer Research Foundation (ORF) after surveying 770 companies, from micro-sized firms to those employing more than 25,000 workers.**

## 10 Multidimensional Poverty Index 2018

**CONTEXT: The United Nations Development Programme (UNDP) and the Oxford Poverty and Human Development Initiative (OPHI) have recently released the 2018 Multidimensional Poverty Index (MPI).**

- The MPI looks at **the multifaceted nature of poverty and provides the most comprehensive** view of the various ways in which 1.3 billion people worldwide experience poverty in their daily life.
- Multidimensional Poverty Index (MPI) identifies people's deprivations across **three key dimensions – health, education and living standards.**
- MPI covers 105 countries in total, home to 75% of the world's population, or 5.7 billion people. Of this proportion, **1.3 billion are identified as multi-dimensionally poor, and half of them are younger than 18 years old**.
- The latest data further reveals the vast majority of the multidimensional poor **– 1.1 billion people**

**– live in rural areas** around the world, where poverty rates are four times higher than among those living in urban areas.

- **83% of the world's poor live in South Asia and Africa.**

### India's performance

- India has made momentous progress in reducing multidimensional poverty, **bringing down its poverty rate from 55% to 28% in ten years.**
- Between **2005-06 and 2015-16, more than 271 million people have come out of the clutches of poverty in India**.
- However, India still has the **largest number of people living in multidimensional poverty in the world- around 364 million people**.
- India's scale of multidimensional poverty reduction over the decade from 2005-06 to 2015-16 – from 635 million poor persons to 364 million– can be compared to the speedy pace of China's poverty reduction, which occurred over more than 20 years.
- Among states, **Jharkhand had the greatest improvement, with Arunachal Pradesh, Bihar, Chhattisgarh, and Nagaland only slightly behind**. However, Bihar is still the poorest state in 2015/16, with more than half of its population in poverty.
- Across nearly every state, poor nutrition is the largest contributor to multidimensional poverty. Not having a household member with at least six years of education is the second largest contributor. Insufficient access to clean water and child mortality contribute least.

### Relative performance of India

- Among the South Asian countries, **only Maldives boasts lower MPI of 0.007 than India (0.121).**
- Nepal, Bangladesh, Pakistan, Bhutan and Afghanistan all boast higher incidences of multidimensional poverty.
- After India (364 million people), the countries with the largest number of people living in multi-dimensional poverty are Nigeria (97 million), Ethiopia (86 million), Pakistan (85 million), and Bangladesh (67 million).

## 11 UN report on Mortality (World and India)

**CONTEXT: More than six million children under 15 years of age died in 2017 as per new mortality estimates released by a combined report of UNICEF, the World Health Organization (WHO), the United Nations Population Division and the World Bank Group.**

- For India, **under five mortality rate**, for the first time has been estimated **at 39 deaths per 1,000 live births, the same as the global average.**

### ABOUT Worldwide:

- For the children anywhere born, most risky period of life is first month.
- A baby born in sub-Saharan Africa or in South Asia was nine times more likely to die in the first month than a baby born in a high-income country.

### For children under 5 years:

- Most children under 5 die due to preventable or treatable causes such as **complications during birth, pneumonia, diarrhoea, neonatal sepsis and malaria.**
- Progress towards saving newborns has been slower than for children under five years of age since 1990.
- Globally, in 2017, **half of all deaths under five years of age took place in Sub-Saharan Africa, and another 30% in Southern Asia**.
- Within countries, disparities persist - Under-five mortality rates among children in rural areas are, on average, 50% higher than among children in urban areas.

- Without urgent action, 56 million children under five will die from now until 2030 – half of them newborns.

**For children aged between 5 and 14 years**

- Injuries become a more prominent cause of death, especially from drowning and road traffic.
- Within this age group, regional differences exist, with the risk of dying for a child from sub-Saharan Africa 15 times higher than in Europe.

**India:**

- India's share of global child deaths (under 15), for the first time, equals its share in the global birth cohort.
- **India accounts for 18 per cent of global births, and now also 18 per cent of global child deaths following a steady decline from 22 per cent in 2012**.
- The under-five mortality of the girl child is 2.5 per cent higher (40 deaths per 1,000 live births) than the under-five mortality of the boy child (39 deaths per 1,000 live births).
- This gender gap has reduced significantly given that the difference was nearly 10 per cent in 2012.

## 12 NITI Aayog Released SDG India Index: Baseline Report 2018

- It comprehensively documents the **progress made by India's States and Union Territories towards implementing the 2030 SDG targets**.
- The ***SDG India Index,*** which was developed in collaboration **with the Ministry of Statistics & Programme Implementation (MoSPI), Global Green Growth Institute and United Nations** in India.
- NITI Aayog has the **twin mandate to oversee the implementation of SDGs in the country, and also promote Competitive and Cooperative Federalism** among States and UTs.
- The SDG India Index acts as a bridge between these mandates, aligning the SDGs with the Prime Minister's clarion call of ***Sabka Saath, Sabka Vikas***, which embodies the five Ps of the global SDG movement – people, planet, prosperity, partnership and peace.

## 13 FDI CONFIDENCE INDEX

- **The AT Kearney Foreign Direct Investment (FDI) Confidence Index**, created in 1998, is an annual survey of the business executives that ranks countries which are likely to attract the most FDI in the next three years.
- The Index is calculated as a weighted average of the number of low, medium and high responses to questions on the possibility of making a direct investment in a market over the next three years.
- **India was ranked 11th in 2018, down from 8 th in 2017 and 9th in 2016**.
- Fall in India's rankings may be **due to teething troubles in implementation of goods and services tax (GST) and Government's demonetisation decision in 2016**.
- These policies may have deterred investors in the short term as they have disrupted business activity and weighed on economic growth.

## 14 Consumer Confidence Survey 2018 : RBI

**CONTEXT: Reserve Bank released the results of the September 2018 round of its Consumer Confidence Survey (CCS).**

- The survey **seeks qualitative responses from households, regarding their sentiments on general economic conditions, overall price situation, employment, income, spending, scenario** etc.
- Consumer confidence is a key driver of economic growth and is widely considered a leading economic indicator of household spending on consumption.
- Confident consumers buy more goods and services, providing a boost to the Indian economy. Consumers tend to increase consumption when they feel confident about the current and future economic situation of the country and their own financial conditions.

**The survey was conducted in some major cities.**

- The agency M/s Hansa Research Group Pvt. Ltd., Mumbai has been engaged to conduct the field work of this round of the survey on behalf of the Reserve Bank of India.

## 15 First All India Rural Financial Inclusion Survey by NABARD

- Agriculture (farming) **generates only 23% of rural income i.e. not even quarter of rural household incomes in India.**
- It estimates that **total number of rural households in India at 21.17 crore**. Its definition of “rural” is broad, covering revenue villages and semi--urban centres with population of less than 50,000.
- The highest share of this (Rs 3,504) was accounted for by wage labour (both farm and non-farm), followed by government or private service jobs (Rs 1,906).
- The Survey reinforces trend that has gathered momentum since start of this century of increasingly less ‘Krishi’ in ‘Bharat.

## 16 India at G-20

**CONTEXT: India presented a nine-point agenda at the second session of the G-20 Summit on international trade, international financial and tax systems held in Buenos Aires, Argentina, in December, 2018.**

**Nine points agenda on fugitive ECONOMIC OFFENDERS:**

- **Strong and active cooperation across G-20 countries** to deal comprehensively and efficiently with the menace economic offenders.
- **Cooperation in the legal process** such as effective **freezing of the proceeds of crime**, **early return of the offenders and efficient registration of the proceeds of crime** should be enhanced and streamlined.
- Joint effort by G-20 countries to form a mechanism that **denies the entry and safe havens to all fugitive economic offenders.**
- Principles of United Nations Convention Against Corruption (UNCAC), United Nations Convention Against Transnational Organised Crime (UNOTC), especially related to “International Cooperation” should be fully and effectively implemented.
- **Financial Action Task Force (FATF)** should be called upon to assign priority and focus to establishing international co-operation that leads to timely and comprehensive exchange of information between the competent authority and FIUs.
- FATF should be tasked to **formulate a standard definition of fugitive economic offenders**
- FAFTF should also **develop a set of commonly agreed and standardized procedures related to identification, extradition and judicial proceedings** for dealing with fugitive economic offenders to provide guidance and assistance to G-20 countries subject to their domestic law.
- Common platforms should be set up for sharing experiences and best practices including successful cases of extradition gaps in existing systems of extradition and legal assistance etc.

- G-20 Forum should consider initiating work on locating properties of economic offenders who have a tax debt in the country of their residence for its recovery.

## 17 India to Chair Kimberley Process

**CONTEXT: The Kimberley Process Certification Scheme (KPCS) Plenary 2018, was held in Brussels, Belgium.**

- **EU handed over the Chairmanship of KPCS to India from 1st January, 2019**.
- India was the Vice-Chair during the period of 2017-2018.

### Kimberley Process (KP):

- It is a **binding agreement that imposes extensive requirements on every participant to remove conflict diamonds from the global supply chain**.
- The KP is underpinned by the United Nations mandate.

### Conflict diamonds:

- The KP defines conflict diamonds as 'rough diamonds used to finance wars against governments' - around the world.

### India's Role

- India is the **founding member of KPCS** and is actively involved in KP activities **to ensure that almost 99% of the diamond trade in the world is conflict free.**
- India is at the forefront in addressing the issue of differentiation between Natural Diamonds and Lab Grown Diamonds and ensures responsible business in this area.
- India chaired the Ad hoc Committee on Review and Reform (AHCRR).

## 18 Global Business Summit 2019

- Global Business Summit 2019 was **held in New Delhi**. It was the fifth edition of the three-day Summit and was inaugurated on 22nd February 2019.
- The Global Business Summit 2019 was **aimed at unfolding the myriad contours of the world economy and defining the factors that will lead the Indian economy to newer heights** by way of a carefully crafted plenary session and numerous parallel sessions & round table discussions that form part of the of the GBS experience.

## 19 India to Join EBRD

**CONTEXT: The Union Cabinet chaired by the Prime Minister has approved India's Membership for European Bank for Reconstruction & Development (EBRD).**

- Membership of EBRD would enhance India's international profile and promote its economic interests. Access to EBRD's Countries of Operation and sector knowledge.
- India's investment opportunities would get a boost.
- It would increase the scope of cooperation between India and EBRD through co-financing opportunities in manufacturing, services, Information Technology, and Energy.
- This would contribute to an improved investment climate in the country.

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# 9

# Miscellaneous

## 1 Delhi Dialogue

**CONTEXT: Minister of External Affairs Smt. Sushma Swaraj hosted the 10th edition of Delhi Dialogue in July 2018. This year theme was "Strengthening India-ASEAN Maritime Cooperation".**

- It is an **annual conference of leaders of India and ASEAN countries to discuss how to intensify and broaden political, strategic, economic and civil society interaction**.
- It started in 2009.
- It has entered into the lexicon of India's 'Look East' policy.
- Purpose:
  - **Checking the dominance of China**: The growing Chinese assertiveness coupled with its military strength, especially its naval power projection capabilities, has set off varied reaction among its neighbours in East and South East Asia.
  - **Fulfilment of energy demand**: India's economic growth is highly dependent on sustained supply of energy resources. ASEAN countries, particularly Myanmar, Vietnam and Malaysia can potentially contribute to India's energy security.
  - **North-east and CLMV Countries:** Initiatives such as the Mekong Ganga Cooperation would enhance connectivity between North-East India and CLMV countries resulting in socio-economic development and also encourage people to people contacts.

## 2 Marshall Islands will Launch the World's First Legal Tender Cryptocurrency

**Context: The Marshall Islands is launching the world's first sovereign cryptocurrency that can be used as legal tender. It is creating its own digital currency in order to raise some hard cash to pay bills and boost the economy.**

- Aptly called **Sovereign (SOV), the digital currency is developed in partnership with Israeli startup Neema.** The cryptocurrency will be the nation's second federally recognized legal tender, on par with the US dollar.
- **Venezuela became the first country to launch its own cryptocurrency when it launched the virtual Petro, backed by crude oil reserves.** The Marshall Islands' SOV will be different because it will be recognized in law as legal tender, effectively backed by the government.

### Marshal Islands

- The Marshall Islands is an island country located near the equator in the Pacific Ocean, slightly west of the International Date Line. Geographically, the country is part of the larger island group of Micronesia.
- The Marshall Islands include the Ratak (sunrise chain) and Ralik (sunset chain), two parallel chains of 29 coral atolls, thousands of tiny islets, and hundreds of very small low-lying islands, all scattered over a wide area of the Pacific Ocean.
- The Kwajalein Atoll, with a huge central lagoon, is the largest coral atoll on the planet. The U.S maintains a strong military presence on Kwajalein, and from here controls a missile testing range.
- The Marshall Islands is closely aligned with the U.S. under a Compact of Free Association and uses the dollar as its currency. Under the compact, the U.S. provides the Marshall Islands with about $70 million each year in assistance.

## 3 Seychelles launches world's first sovereign blue bond

- The **blue bond** is a **debt instrument** issued by governments, development banks or others to raise capital from impact investors **to finance marine and ocean-based projects that have positive environmental, economic and climate benefits**.

### Why did Seychelles decide to issue a Blue Bond?

- Like many small island states, **Seychelles' economy is highly dependent on the ocean and on fisheries for food, nutrition and livelihoods; marine habitats**, and other blue economy sectors such as tourism.
- After tourism, the fisheries sector is the country's most important industry, contributing significantly to annual GDP and employing 17% of the population.

## 4 Venezuela launches crypto-pegged forex rate

- Venezuela has announced a new single rate for its new **crypto linked currency that is pegged to Petro**. Under the latest guidelines issued by the Maduro administration.
- **Since 2003 Venezuela has had strict currency controls, identified by economists as a major cause of its economic crisis**, which has spawned hyperinflation and rendered the bolivar currency near worthless.

## 5 National Data Centre

- The Centre set up the country's biggest data centre in Bhopal with a capacity to host five lakh virtual servers.
- It was set up by the National Informatics Centre (NIC), under the Ministry of Electronics and Information Technology (MeitY).
- This will be the fifth National Data Centre after the ones at Bhubaneswar, Delhi, Hyderabad and Pune.

## 6 Anti – Dumping duty imposed

- The Revenue Department in the Finance Ministry has imposed **anti-dumping duty on import of 'Ofloxacin', a pharma product used in treatment of certain infections from China**.
- **Ofloxacin is a broad-spectrum antibiotic** used to treat a variety of conditions such as **bronchitis, pneumonia, gonococcal infection, and certain types of infectious diarrhea**
- An anti-dumping duty is a protectionist tariff that a domestic government imposes on foreign imports that it believes are priced below fair market value.

## 7 Economic Nobel Prize

- The **Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2018** was divided equally between **William D. Nordhaus and Paul M. Romer**.
- William D. Nordhaus - **for integrating climate change into long-run macroeconomic analysis**
- Paul M. Romer - **for integrating technological innovations into long-run macroeconomic analysis**

## 8 Understanding India's Blacklist

**CONTEXT: The grant of an Indian visa to Canadian national Jaspal Atwal, who was convicted on charges of attempt to murder, triggered a controversy during the visit of Prime Minister Justin Trudeau.**

- While the Ministry of External Affairs clarified that Atwal's name was removed from the blacklist in July last year, Canadian authorities maintained that he is a reformed man, and that the government was engaging with other individuals who had not been involved with separatist or extremist activities in recent years.

**Blacklist**

- **It is a list containing the names of Indian citizens and foreigners against whom a "look out circular" (LOC) has been issued.**
- **This consolidated list is maintained by the Foreigners Division of the Ministry of Home Affairs (MHA).**
- **It is sent to all Indian diplomatic missions across the world, as well as to immigration check-posts within the country.**
- **At present, there are nearly 30,000 individuals, including foreign nationals, in the blacklist database of the MHA. The list was pruned from 38,000 in 2016.**

## 9 Identification of Benami Properties

- Prohibition of Benami Property Transactions Act 1988 as amended by **the *Benami* Transaction (Prohibition) Amendment Act, 2016 seeks to prohibit the *Benami* Transactions irrespective of the method by which the *Benami* Property is acquired.** Such *Benami* Transactions include transactions in respect of movable as well as immovable properties.
- The Government of India has taken various steps to identify Benami Properties. The Income-tax Department (ITD) has set-up 24 dedicated Benami Prohibition Units (BPUs) across India.

- These BPUs are involved in gathering information and matching the same with the data available for identifying the Benami Properties and taking effective action as per the provisions of Prohibition of Benami Property Transactions Act 1988 as amended by the *Benami* Transaction (Prohibition) Amendment Act, 2016.

## 10 IL&FS Crisis

- **Infrastructure Leasing & Financial Services Ltd. (IL&FS) is an infrastructure development company (NBFC),** which **provides finance and loans for major infrastructure projects**.
- It has a complex structure with 169 subsidiaries and its shareholding has broad-based institutional investors.
- The **State Bank of India (SBI), LIC (largest shareholder), ORIX (Japan), Abu Dhabi Investment Authority and Greenspring Associates have stakes in the company**.
- The company is **classified as systematically important NBFC** and describes itself as the pioneer of public private partnerships.
- IL&FS have **raised a huge amount through Commercial Papers (CP)** and its redemption time has approached.
- The interest rates have soared for its short-term borrowings.
- Additionally, some of IL&FS's construction projects have faced cost overruns amid delays in land acquisition and approvals.

## 11 National Investment and Infrastructure Fund (NIIF) makes its First Investment

- National Investment and Infrastructure Fund (NIIF) is a fund created by the Government of India **for enhancing infrastructure financing in the country**.
- This is **different from the National Investment Fund**.
- NIIF is envisaged **as a fund of funds with the ability to make direct investments as required**.
- The NIIF is being operationalized by **establishing three Alternative Investment Funds (AIFs) under the SEBI Regulations.**

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