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BANKING & FINANCIAL SECTOR

1 Operation Twist

Context: The Central Bank announced that it will conduct simultaneous sale and purchase of Rs. 10,000 crore of government securities of varying tenor. This move is on the lines of US Federal Reserve's Operation Twist.

About:

- The Reserve Bank of India (RBI) announced **simultaneous sale and purchase of government bonds**. RBI will sell short-term bonds of Rs 10,000 crore, it will also purchase long-term securities of the same value.
- **Operation Twist of United States:** RBI's move resembles the 2011 Operation Twist of the US Federal Reserve Bank. It was intended to make long-term borrowing cheaper and spur bank lending. The Fed had swapped short-term bonds for longer-term debt.
- **Difference with the US version:** US version of the Operation Twist had started mid-2011 and lasted till late-2012. In case of RBI it is not clear if this is a one-time exercise or part of continuing operations.
- **Aim:** The hope is that with yields coming down, banks will cut lending rates given that lending to the government is deemed to be the safest, and if that comes down, so should the remaining rates as well.

> - The **US Federal Reserve was the first central bank** that attempted such an exercise of buying and selling government securities at the same time. This happened in 1961.
> - At that time, **the "twist" was a new dance craze sparked by singer Chubby Checker**. Since then the name for such an exercise carried out by a central bank has stuck.

Benefits of RBI's Operation Twist

- **Yield anomaly corrected**: With RBI's Operation Twist the net liquidity in the system will remain unchanged, but the anomaly between the yields of short and long-term bonds will be corrected.
- As RBI will buy long-term bonds, its demand will go up and yields will go down and the opposite will happen when it sells bonds.
- Through this, the central bank is narrowing out the differential between the short- and long-term yields, and will flatten the yield curve.
- **Spur private borrowing:** The simultaneous sale and purchase of government bonds may aid governments borrowing plan by making it cheaper. It is expected to dampen term premium to stimulate private sector borrowing.

- With the long-term yields coming down, government will be able to borrow money cheaper against its bonds, as well as induce demand for private sector loans.

2 Why is RBI aligning accounting year with a fiscal year?

Context: The Reserve Bank of India (RBI) is aligning its July-June accounting year with the government's April-March fiscal year in order to ensure more effective management of the country's finances.

About:

- When it commenced operations on April 1, 1935, with Sir Osborne Smith as its first Governor, the RBI followed a January-December accounting year.
- On March 11, 1940, however, the bank changed its accounting year to July-June.
- Now, after nearly eight decades, the RBI is making another switch: the next accounting year will be a nine-month period from July 2020 to March 31, 2021, and thereafter, all financial years will start from April, as it happens with the central and state governments.

Why is the system being changed?

- The **Bimal Jalan Committee on Economic Capital Framework (ECF)** of the RBI had proposed a more transparent presentation of the RBI's annual accounts, and a change in its accounting year to April-March from the financial year 2020-21.
- It said the RBI would be able to provide better estimates of projected surplus transfers to the government for the financial year for budgeting purposes.
- It is also expected to result in better management of the transfer of dividend or surplus to the government.
- Moreover, as governments, companies, and other institutions follow the April-March year, it will help with effective management of accounting.

Economic capital framework

- Economic capital framework refers to the risk capital required by the central bank while taking into account different risks.
- The economic capital framework reflects the capital that an institution requires or needs to hold as a counter against unforeseen risks or events or losses in the future.

3 NBFC Crisis

Context: Non-Banking Financial Companies (NBFC) are facing severe liquidity issues which have been attributed to their mismanagement of asset liability mixes. It is important to assess the situation and look at possible solutions, because if not tackled, the non-bank crisis can have a contagious effect on the economy.

Background:

- **Non-Banking Financial Companies (NBFC)** and some **housing companies** are facing liquidity issues. Troubles began when major **shadow bank IL&FS Group unexpectedly defaulted.**
- IL&FS was a systemically important finance company with a very large balance sheet.

- IL&FS defaulting on its interest and loan repayments **set off a panic reaction from lenders** across the spectrum, which also led to the **crash in the stock markets**.
- It prompted a broader shock that made it hard for many companies to **refinance their debts**.
- **NBFCs** are thus increasingly finding it **hard to access funding**.
- **History:** A few years ago banks were constrained by new regulations and the weight of **bad loans** on their books, thus **outsourcing part of their lending activity to shadow banks**. The share of NBFCs in overall credit rose sharply to over 20% from 10% a mere seven years ago.
  - These non-banks played a key role in ensuring **credit to risky sectors** such as real estate, even while ensuring that banks did not have to bear the risk.
  - However, these shadow banks were much more **under-capitalized** and **under-regulated** compared to the traditional banks.
  - And at the slightest hint of trouble (the IL&FS default), the shadow banking sector came under a cloud, making it difficult for shadow banks to recover the debts.
  - This created a **liquidity squeeze in sectors such as real estate** that were dependent on the shadow banks.

Why did IL&FS default?

- The problem with IL&FS was that it had been **borrowing very short-term money** through commercial papers (CP) and certificates of deposits (CDs) **to invest in infrastructure projects, which have very long** and sometimes very **uncertain gestation periods.**
- It increased vulnerability to **asset-liability mismatches** (ALM; this refers to the fact that these lenders have short-dated borrowings and long-dated assets).
- In the wake of **demonetization** in 2016, the lack of **cash eroded** liquidity for several months, thereby **delaying loan recoveries**. The system was just about recovering from the effects of demonetization when IL&FS collapsed.
- When the cash flows from its many road and other **infrastructure projects did not complete** on time, IL&FS found itself with a severe mismatch in its borrowing and lending tenors.
- This resulted in the inevitable default and the fallout **spilling onto other NBFCs and mutual funds (MFs).**

Why is NBFC as a sector affected?

- Most large NBFCs are well capitalised, but have got exposed due to excessive short-term borrowing (CDs and CPs).
- **The IL&FS default signalled the end of easy money** — that is, using cheaper, short term market instruments to fund longer-term assets.
- The logjam acquired crisis proportions when many NBFCs were forced to sell profitable assets to generate cash to repay maturing debts.
- The defaults came around the same time as liquidity in **banking sector as a whole also got stressed.** Banks, which were already reeling under the weight of past debts, became exceedingly **risk-averse to lend to NBFCs**.
- Shying to set a precedent, RBI did not give NBFCs necessary leeway of a liquidity window but instead resorted to slashing rates.
- Since **NBFCs also do not have access to RBI's liquidity operations**, which are restricted to commercial banks, a temporary systemic mismatch, which should have been nipped in the bud, snowballed into a crisis.

4 Insolvency and Bankruptcy Code

Context:

- The Supreme Court upheld the Insolvency and Bankruptcy Code (IBC), backing the government's efforts to deal with the bad-debt burden of banks.
- The Court rejected challenges put forth by the promoters of defaulting companies barred by the law from regaining control of their firms.
- This ruling has far-reaching implications for the promoters of big defaulting companies on the block such as Essar Steel and Bhushan Power & Steel.

Insolvency and Bankruptcy Code

- The code **has four pillars of institutional infrastructure**.
- **The first pillar** of institutional infrastructure is a class of regulated persons, the '**Insolvency Professionals**'. They would play a key role in the efficient working of the bankruptcy process. They would be regulated by 'Insolvency Professional Agencies.
- **The second pillar** of institutional infrastructure is a new industry of `**Information Utilities'.** These would store facts about lenders and terms of lending in electronic databases. This would eliminate delays and disputes about facts when default does take place.

Classification of financial creditors

- The Code defines **two types of creditors**: (I) **financial creditors**, who have extended a loan or financial credit to the debtor, and (ii) **operational creditors**, who have provided goods or services to the debtor, the payment for which is due.
- **Financial creditors could be secured or unsecured**. Secured creditors are those whose loans are backed by collateral (security).

- **The third pillar** of institutional infrastructure is in **adjudication**. The **NCLT** will be the forum **where firm insolvency will be heard** and **DRTs** will be the forum **where individual insolvencies will be heard.** These institutions, along with their Appellate bodies, viz., NCLAT and DRATs will be adequately strengthened so as to achieve world class functioning of the bankruptcy process.
- **The fourth pillar** of institutional infrastructure **is a regulator**, '**The Insolvency and Bankruptcy Board of India'.** This body will have regulatory over-sight over the Insolvency Professional, Insolvency Professional agencies and information utilities.

The Insolvency and Bankruptcy Code (Second Amendment) Bill, 2018 – Key features:

- Allottees under a real estate project should be treated as financial creditors (debate is open for want of clarity over secured/unsecured creditors).
- The voting threshold for routine decisions taken by the committee of creditors has been reduced from 75% to 51%.
- During the insolvency resolution process, a committee consisting of financial creditors will be constituted for taking decisions (by voting) on the resolution process.
- The Code prohibits a person from being a resolution applicant if his account has been identified as a non-performing asset (NPA) for more than a year.
- The Code also bars a guarantor of a defaulter from being an applicant.
- A resolution applicant may withdraw a resolution application, from the National Company Law Tribunal (NCLT), after such process has been initiated. Such withdrawal will have to be approved by a 90% vote of the committee of creditors.
- The ineligibility criteria for resolution applicants regarding NPAs and guarantors will not be applicable to persons applying for resolution of MSMEs.

5 External Benchmark Rates

Context: The Reserve Bank of India has made it mandatory for all banks to link all new floating rate loans (i.e. personal/retail loans, loans to MSMEs) to an external benchmark with effect from 1st October 2019.

About:

- The move is aimed at faster transmission of monetary policy rates.
- Banks can choose from one of the four external benchmarks — repo rate, three-month treasury bill yield, six-month treasury bill yield or any other benchmark interest rate published by **Financial Benchmarks India Private Ltd.**
- At present, interest rates on loans are linked to a bank's marginal cost of fund-based interest rate, known as the **Marginal Cost of Lending Rate (MCLR).**
- Existing loans and credit limits linked to the MCLR, base rate or Benchmark Prime Lending Rate, would continue till repayment or renewal.
- Those customers wanting to switch to the repo-linked rate can do so on mutually acceptable terms.
- Adoption of multiple benchmarks by the same bank is not allowed within a loan category.
- The **interest rate** under the external benchmark shall be **reset at least once every three months.**

Marginal Cost of Lending Rate	Repo-Linked Loan
Linked to bank's cost of funds	Linked to RBI's lending rate
Takes 4-6 months to move after RBI rate cut	Responds immediately to RBI rate cut
RBI rate cuts not fully passed on to borrowers	Rate cuts are automatically passed on
Resets annually for most banks	Reset every three months
Changes by 5-10 bps	Usually changes 25bps or more
Revised every month	Reviewed bi-monthly
Low volatility	Higher volatility
100bps=1% | RBI's lending rate to banks	

Fixed vs Floating Interest Rate

- The **fixed interest rate** on loan means repayment of loans in fixed equal instalments over the entire period of the loan. In this case, the **interest rate doesn't change** with market fluctuations.
- Floating interest rate by name implies that the rate of interest **varies with market conditions.**

Financial Benchmarks India Private Ltd

- It was incorporated on 9th December 2014 under the Companies Act 2013.
- It was recognised by the Reserve bank of India as an **independent Benchmark administrator** on 2nd July 2015.
- The main objective of the company is to act as the administrators of the Indian interest rate and foreign exchange benchmarks and to introduce and implement policies and procedures to handle the benchmarks.
- It is located in **Mumbai.**

Background:

- The **transmission of policy rate changes** to the lending rate of banks **under the current MCLR framework has not been satisfactory**.

- RBI in its August Policy, 2019 pointed out that although it had brought down the repo rate by 75 basis points, the weighted average MCLR of banks had come down by only 29 basis points.
- Banks argue that the MCLR formula is calculated based on the cost of funds and thus it comes down only gradually after a repo rate cut.
- There is a strong likelihood that RBI will cut rates further to spur demand.
- **The external benchmark was first proposed by the former governor Urjit Patel in 2018.** The norms for external benchmark linking of interest rates was scheduled to be operational from April 1, but owing to protest by the banks, the same was deferred.

Marginal Cost of Lending Rate

- It came into effect in April 2016.
- It is a benchmark lending rate for floating-rate loans.
- This is the minimum interest rate at which commercial banks can lend.
- This **rate is based on four components—**the marginal cost of funds, negative carry on account of cash reserve ratio, operating costs and tenor premium.
- MCLR is linked to the actual deposit rates. Hence, when deposit rates rise, it indicates the banks are likely to hike MCLR and lending rates are set to go up.

6 RBI Annual Report

Context: RBI has released annual report for FY19.

About:

- The report, which is released every year, analyses the working and operations of the RBI and suggests measures to improve the economic performance.
- Release of the new economic capital framework under which RBI will transfer 1.76 trillion surplus to the government.
- Reviving consumption demand and private investment remains the top priority in the current fiscal.
- RBI, cautioned that a broad-based cyclical downturn is underway in several sectors—manufacturing, trade, hotels, transport, communication and broadcasting, construction, and agriculture.
- The delayed onset and skewed distribution of the south-west monsoon may pose downside risks to crop production and rural consumption demand.
- The central bank has forecast India's GDP to grow at 6.9% for FY20—in the range of 5.8-6.6% during the first half of the year and 7.3-7.5% in the second half.
- The annual report pointed out that throughout the year, protectionist policy pronouncements and actions dominated the global political arena.
- Another conduit through which trade wars and other sources of global spillovers impacted India during 2018-19 is the intertwining of the finance and confidence channels.
- Viable external financing can become an additional consideration for holding adequate precautionary buffers.

7 Regulatory Sandbox

Context: The Reserve Bank of India released draft 'Enabling Framework for Regulatory Sandbox', enabling framework for regulatory sandbox for fintech firms, including an indicative list of relevant products and services and fit-and-proper criteria for participants in the RS.

About:

- **What is regulatory sandbox?**
  - In the computer science world, a sandbox is a closed testing environment designed for experimenting safely with web or software projects.
  - The concept of regulatory sandbox is used in a similar manner in the digital economy arena: testing grounds for new business models that are not protected by current regulation, or supervised by regulatory institutions.
  - The indicative list of products, services and technologies where this concept could be applicable includes retail payments, money transfer services, marketplace lending, mobile technology applications, data analytics and application program interface (API) services.
- **Why it is used?**
  - The first and foremost use of this conceptis that it fosters "learning by doing".
  - It will provide the requisite regulatory guidance to increase efficiency, manage risks and create new opportunities for consumers.
  - Users of a sandbox can test the product's viability without the need for a larger and more expensive roll-out. If the product appears to have the potential to be successful, the product might then be authorised and brought to the broader market more quickly.

8 Ponzi Scheme

- It is a form of fraud in which belief in the success of a **non-existent enterprise** is fostered by the payment of **heavy returns** to the first investors from money invested by later investors.
- The scheme leads victims to believe that profits are coming from product sales or other means, and they remain unaware that the later investors are the source of their returns.
- A Ponzi scheme can maintain the illusion of a sustainable business as long as new investors contribute to funds and as long as most of the investors do not demand full repayment and still believe in the non-existent assets of the enterprise.
- The scheme traces its origin to a person named Charles Ponzi, who became notorious for using the technique in the 1920s.

What are the characteristics of Ponzi scheme?

- **High investment returns with little or no risk**: Every investment carries some degree of risk, and investments yielding higher returns typically involve more risk. The Ponzi schemes give guaranteed investment opportunity which is suspicious.
- **Overly consistent returns**: Investment values tend to go up and down over time, especially those offering potentially high returns. A Ponzi scheme continues to generate regular positive returns regardless of overall market conditions and hence is considered suspicious.
- **Unregistered investments**: Ponzi schemes typically involve investments that have not been registered with state regulators.

- **Unlicensed sellers:** Most Ponzi schemes involve unlicensed individuals or unregistered firms.
- **Secretive or complex strategies:** The investments in Ponzi schemes cannot be understood and do not give complete information.
- **Difficulty receiving payments:** Clients have failures to receive a payment or have difficulty cashing out their investments in these schemes. The scheme's promoters routinely encourage participants to "roll over" investments and sometimes promise even higher returns on the amount rolled over.

9 RBI's Financial Stability Report

Context: The Reserve Bank of India recently released the 19th issue of the Financial Stability Report (FSR).

About:

- The RBI since **2010** is publishing **India Financial Stability Report, biannually,** to assess financial stability scenario in the country. Financial stability is now one of the three important objectives of monetary policy besides price stability and credit support.
- The FSR reflects the collective assessment on risks to **financial stability** and the resilience of the financial system of India. The Report also discusses issues relating to development and regulation of the **financial sector**.

Key Points of the FSR 2019

- **Global and Domestic Macro-Financial Risks**
- Geopolitical developments like BREXIT, Gulf Crisis and Trade tensions like US- China Trade War, are taking a toll on business and consumer confidence.
- Due to reduced private consumption and widening current account deficit, domestic economy was hit.

Financial Institutions: Performance and risks

- **Banks**: Credit growth of scheduled commercial banks (SCBs) **picked up**, with public sector banks (PSBs) registering near **double digit growth**. The non-performing asset (NPA) cycle **seems to have turned** around as macro stress tests show gross non-performing assets (NPAs) may **decline to 9 percent** in March 2020, from 9.3 percent in March 2019.
- **NBFCs**: Non-banking financial companies (NBFC) sector are now **under greater market discipline** as the better performing companies continued to raise funds while those with asset – liability mismatch were subjected to higher borrowing costs.
- **Financial Sector:** Regulation and developments
- The revised **prudential framework on stressed assets** issued by the Reserve Bank is expected to act as incentive for early adoption of a resolution plan (RP).
- Securities and Exchange Board of India (SEBI) has introduced Guidelines for Enhanced Disclosures by **Credit Rating Agencies.**
- The **Insolvency and Bankruptcy Board of India (IBBI**) is showing **steady progress** in the resolution of stressed assets.

10 Utkarsh 2022

Context: The Reserve Bank of India (RBI) board, which met in New Delhi, finalised a three- year roadmap to improve regulation and supervision, among other functions of the central bank.

About:

- It is a three-year road map for medium term objective to be achieved for improving regulation, supervision of the central bank
- This medium term strategy — named Utkarsh 2022 — is in line with the global central banks plan to strengthen the regulatory and supervisory mechanism
- It is a roadmap to improve regulation and supervision, currency management and payment system etc.
- An internal committee was formed, which was anchored by outgoing Deputy Governor Viral Acharya, to identify issues that needed to be addressed over the next three years.

Need for Utkarsh/Objectives:

- Worldwide, all central banks strengthen the regulatory and supervisory mechanism, everybody is formulating a long-term plan and a medium-term plan. So, the RBI has also decided it will formulate a pragramme to outline what is to be achieved in the next three years.
- The idea is that the central bank plays a proactive role and takes preemptive action to avoid any crisis highlighting the IL&FS debt default issue and the crisis of confidence the non-banking financial sector faced in the aftermath.
- Further,the board has also approved the RBI's budget for the July 2019 to June 2020 period.
- The objective of the policy is to improve regulation and supervision of the central bank.

11 Merger of Banks

Context: Finance Minister Nirmala Sitharaman had recently announced a slew of banking reform measures, including merger of 10 public sector banks into four entities.

Background:

- After the second half of 2018, the global economic growth continues to get weaken in advanced as well as emerging market economies.
- Several forces responsible for this slowdown are: escalations of trade tensions, uncertainty over BREXIT, volatile crude prices, slowing down of Chinese Economy etc.

Current Merger Decision

Banks to be merged	Size of merged entity	Total business
Punjab National Bank, Oriental Bank of Commerce and United Bank	2nd Largest PSB	₹ 18 Lakh cr.
Canara Bank and Syndicate Bank	4th Largest PSB	₹ 15.2 Lakh cr.
Union Bank, Andhra Bank and Corporation Bank	5th Largest PSB	₹ 14.6 Lakh cr.
Indian Bank and Allahabad Bank	7th largest PSB	₹ 8.08 Lakh cr.

Benefits of Merger

- **Competetive: The consolidation of PSBs helps in strengthening its presence globally, natio**nally and regionally. This will also end the unhealthy and intense competition going on even among public sector banks as of now.

- **Capital and Governance**: The government's intention is not just to give capital but also give good governance. Hence, post-consolidation, boards will be given the flexibility to introduce the chief general manager level as per business needs. They will also recruit chief risk officer at market-linked compensation to attract the best talent.
- **Efficiency:** It has the potential to reduce operational costs due to the presence of shared overlapping networks. And this enhanced operational efficiency will reduce the lending costs of the banks.
- **Technological Synergy**: All merged banks in a particular bucket share common Core Banking Solutions (CBS) platform synergizing them technologically.
- **Self-Sufficiency**: Larger banks have a better ability to raise resources from the market rather than relying on State exchequer.
- **Recovery:** The loan tracking mechanism in PSU banks is being improved for the benefit of customers.
- **Monitoring**: With the number of PSBs coming down after the process of merger – capital allocation, performance milestones, and monitoring would become easier for the government.
- Consolidation helps in improving the professional standards.
- After mergers, bargaining strength of bank staff will become more and visible.
- Bank staff may look forward to better wages and service conditions in future.The wide disparities between the staff of various banks in their service conditions and monetary benefits will narrow down.
- The burden on the central government to recapitalize the public sector banks again and again will come down substantially.
- This will also help in meeting more stringent norms under BASEL III, especially capital adequacy ratio.

Challenges

- **Decision Making**: The banks that are getting merged are expected to see a slowdown in decision making at the top level as senior officials of such banks would put all the decisions on the back-burner and it will lead to a drop in credit delivery in the system.
- **Geographical Synergy**: During the process of merger, the geographical synergy between the merged banks is somewhat missing. In three of the four merger cases, the merged banks serve only one specific region of the country.
- However, the merger of Allahabad Bank (having a presence in East & North region) with the Indian Bank (having a presence in South) increases its geographical spread.
- **Slowdown in Economy**: The move is a good one but the timings are not just apt. There is already a slowdown in the economy, and private consumption and investments are on a declining trend. Hence, there is a need to lift the economy and increase the credit flow in the short-term, & this decision will block that credit in the short-term.
- Weak Banks: A complex merger with a weaker and under-capitalized PSB would stall the bank's recovery efforts as the weaknesses of one bank may get transferred and the merged entity may become weak.
- When a big bank books huge loss or crumbles, there will be a big jolt in the entire banking industry. Its repercussions will be felt everywhere Mergers will result in clash of different organizational cultures. Conflicts will arise in the area of systems and processes too.

12 Digital Payments: Trends, Issues and Opportunities in India

Context: According to a survey conducted by ACI Worldwide and YouGov 42% Indians prefer digital payments over cash during shopping.

Backgrond:

- According to NITI AYOG, the digital payments market In India is all set to grow to $1 trillion by 2023 led by growth in mobile payments, which are slated to rise from 10 billion in 2017–18 to10 billionin 2017–18 to190 billion by 2023.
- In the light of such a tremendous growth of digital payments, the regulations and security of the users' data has become a challenge for the government.
- Accordingly, a committee on Digital Payments was constituted by Department of Economic Affairs, Ministry of Finance in August 2016 under the Chairmanship of **Ratan P. Watal** to recommend medium term measures of promotion of Digital Payments Ecosystem in the country. The Committee submitted its final report to Hon'ble Finance Minister in December 2016.
- On the basis of recommendations a group of stakeholders from different Departments of Government of India and RBI was constituted in NITI Aayog under the chairmanship of **Ratan P. Watal** to facilitate the work relating to development of a metric for Digital Payments which was the most important recommendation of Watal committe. This group prepared a document on the measurement issues of Digital Payments. Accordingly, a booklet titled "Digital Payments: Trends, Issues and Challenges" was released in July 2017.

Digital Payment - Definition

The Payment and Settlement Act, 2007 has defined Digital Payments as any "electronic funds transfer" that is any transfer of funds which is initiated by a person by way of instruction, authorization or order to a bank to debit or credit an account maintained with that bank through electronic means and includes point of sale transfers; automated teller machine transactions, direct deposits or withdrawal of funds, transfers initiated by telephone, internet and, card payment.

13 Enhancing Insurance Coverage for Bank Deposits

Context: Reserve Bank of India (RBI)'s capping of withdrawals from the Punjab and Maharashtra Cooperative (PMC) Bank at Rs1,000 has led to hardships for people who want to withdraw their deposited money from the bank. It also brought into focus, once again, the deposit insurance cover provided by the Deposit Insurance and Credit Guarantee Corporation (DICGC).

About:

- According to RBI, deposit insurance in India covers 92% of the total number of accounts but only 28% of the total banking deposits.
- **The Deposit Insurance and Credit Guarantee Corporation** (DICGC) provide insurance cover to deposits in all commercial banks.
- Deposit Insurance and Credit Guarantee Corporation (DICGC), a wholly owned subsidiary of Reserve Bank of India was in operation since 1962 for this purpose.
- The Corporation insures all bank deposits, such as savings, fixed, current, and recurring.
- There are some exceptions like deposits of foreign governments, deposits of Central/ State Governments, deposits of State Land Development Banks with State co-operative banks, and inter-bank deposits.

- The Financial Resolution and Deposit Insurance (FRDI) Bill, which was junked by the government last year, had argued a higher share of deposit insurance for depositors. It had also said that financial firms are different and hence an orderly winding-up process of a financial institution be put in place.

14 Revised Banking Regulation Act

Context: Recently, Union Cabinet approved amendments to the Banking Regulation Act to empower the central bank to have greater control over cooperative banks.

About:

- Union cabinet cleared **changes in Banking Regulation Act** to give **RBI wider powers.**
- **Ambit:** The amendments will apply to all **urban co-operative banks** and **multi-state cooperative banks.**
  - They will **not be applicable to rural cooperatives.**
- **Objective:** This was done in order to **prevent malpractices, ensure better regulation and prevent frauds** such as the one seen at Punjab and Maharashtra Co-operative Bank Ltd (PMC).
  - Amendment to Banking Regulation Act **aims to strengthen cooperative banks** and avoid PMC Bank like crisis.
- **PMC scam:** Due to PMC scam lakhs of customers faced difficulties in withdrawing their money due to restrictions imposed by the RBI.
  - Urban cooperative banks reported nearly 1,000 cases of fraud worth more than 220 crore in past five fiscal years.
- **Current Regulations:** Cooperative banks are currently under dual control of Registrar of Cooperative Societies and RBI.
  - The **role of registrar of cooperative societies includes incorporation, registration,** management, audit, supersession of board and liquidation.
  - **RBI is responsible for regulatory functions** such maintaining cash reserve and capital adequacy, among others.
- **New Changes:** The administrative role will continue to be done by the Registrar of Cooperative Societies.

Implications

- **Audit under RBI norms:** Cooperative banks will be brought under the regulation of the RBI. They will be audited according to RBI's norms.
  - Cooperative banks will now be required to meet **stricter capital norms**.
  - The amendments will now give **legislative powers to the central bank.**
- **Appointments with permission of RBI:** Appointments of chief executives will also require permission from the banking regulator, as is the case for commercial banks.
- **RBI takeover in case of stress:** Central bank can supersede the board and take control, in consultation with state government, if any cooperative bank is under stress.
- **Improve financial stability**: To strengthen the Cooperative Banks, amendments to the Banking Regulation Act will help increase professionalism, enable access to capital and improving governance and oversight for sound banking through the RBI.
  - Observing the new changes will help strengthen financial stability.

Additional Measures

- **Increased deposit insurance**: In order to ensure that depositors' money is safe, Budget 2020 permitted the Deposit Insurance and Credit Guarantee Corporation (DICGC) to increase deposit insurance coverage for a depositor, which is now Rs 1 lakh, to Rs 5 lakh per depositor.

Facts about Cooperatives

- **Rural cooperatives are under state-policies:** RBI has considerable control over urban cooperative bank but has a limited control over the rural cooperative banks which are guided by state-level policies.
- **Assets of rural cooperatives are higher:**As per RBI's Trends and Progress in Banking Report, as of March-end 2018, rural co-operative banks accounted for 64.7 percent of the total assets of cooperatives.
  - **Rural cooperatives are also more in number** as compared to urban cooperative banks.

15 Bharat Bill Payment System (BBPS)

Context: RBI has expanded the scope and coverage of Bharat Bill Payment System (BBPS) to include all categories of billers who raise recurring bills and payments (except prepaid recharges) as eligible participants, on a voluntary basis.

Significance:

- At present, the facility of payment of recurring bills through BBPS is available only in five segments i.e. direct to home (DTH), electricity, gas, water and telecom.
- Expansion of biller categories would increase the user base of Bharat Bill Pay along with providing an efficient, cost-effective alternative to existing systems and enhance consumer confidence and experience.

BBPS

- The Bharat Bill Payment System (BBPS) is an RBI conceptualised system driven by National Payments Corporation of India (NPCI).
- It is a one-stop payment platform for all bills, providing an interoperable and accessible "Anytime Anywhere" bill payment service to customers across the country.
- Payments through BBPS may be made using cash, transfer cheques and electronic modes. Bill aggregators and banks, who will function as operating units, will carry out these transactions for the customers.

NPCI

- National Payments Corporation of India (NPCI) is an umbrella organization for all retail payments system in India.
- It was set up with the guidance and support of the Reserve Bank of India (RBI) and Indian Banks' Association (IBA) under the provisions of the Payment and Settlement Systems Act, 2007.
- It has been incorporated as a "Not for Profit" Company under the provisions of Section 8 of Companies Act 2013. .

Portfolio of NPCI includes:

- **RuPay:** RuPay is a domestic card scheme of India.
- **National Common Mobility Card:** Rupay Contactless

- **BHIM**: BHIM is a mobile app to act as Client software for the Unified Payments Interface.
- **Unified Payments Interface**: Unified Payments Interface is a real-time interbank payment system for sending or receiving money.
- **Bharat Bill Payment System**
- ***99# USSD**: An USSD channel service for UPI mobile banking.
- National Financial Switch: Network of shared automated teller machines in India.
- Aadhaar Enabled Payment System
- **Bharat QR:** A common QR code developed by NPCI in collaboration with Mastercard and Visa for ease of payments and interoperability.
- **National Electronic Toll Collection:** National Payments Corporation of India (NPCI) has developed the National Electronic Toll Collection (NETC) program to meet the electronic tolling requirements of the Indian market. It provides an electronic payment facility to customer to make the payments at national, state and city toll plazas by identifying the vehicle uniquely through a FASTag

16 Negative Rate Policy

Negative rate policy – once considered only for economies with chronically low inflation such as Europe and Japan – is becoming a more attractive option for some other central banks.

How does it work?

- Under a negative rate policy, financial institutions are required to pay interest for parking excess reserves with the central bank. That way, central banks penalise financial institutions for holding on to cash in hope of prompting them to boost lending.

Merit of negative rates

- Lowers borrowing costs.
- Help weaken a country's currency rate by making it a less attractive investment than that of other currencies.
- A weaker currency gives a country's export a competitive advantage and boosts inflation by pushing up import costs.

Demerits of Negative rates

- Negative rates put downward pressure on the entire yield curve.
- Narrow the margin of financial institutions earning from lending.
- If prolonged ultra-low rates can hurt the health of financial institutions too much, they could hold off on lending and damage the economy.
- There are also limits to how deep central banks can push rates into negative territory – depositors can avoid being charged negative rates on their bank deposits by choosing to hold physical cash instead.

17 Advisory Board for Banking Frauds (ABBF)

- The **Central Vigilance Commission (CVC)** has constituted an 'Advisory Board for Banking Frauds (ABBF)' to examine bank fraud of over ₹50 crore and recommend action.

- Headquartered in Delhi, the Reserve Bank of India (RBI) will provide required secretarial services, logistic and analytical support along with the necessary funding to the board.
- **Composition:** Besides the chairman, the Board consists of three other members. The tenure of the Chairman and members would be for a period of two years from 21st August, 2019.

Functions:

- The board's jurisdiction would be confined to those cases involving the level of officers of General Manager and above in the Public Sector Banks in respect of an allegation of fraud in a borrowal account.
- It would function as the first level of examination of all large fraud cases before recommendations or references are made to the investigative agencies by the respective public sector banks (PSBs).
- Lenders would refer all large fraud cases above ₹50 crore to the board and on receipt of its recommendation or advice, the bank concerned would take further action in such matter.
- The Central Bureau of Investigation may also refer any case or matter to the board where it has any issue or difficulty or in technical matters with the PSB concerned.
- It would also periodically carry out frauds analysis in the financial system and give inputs for policy formulation related to the fraud to the RBI.

18 Prepaid Payment Instruments (PPIs)

- Prepaid payment instruments are those which facilitate purchase of goods and services against the value stored on such instruments. Value stored on them is paid by the holder using a medium (cash, debit card, credit card etc).
- These are generally issued in the form of smart cards, mobile wallets, paper vouchers, internet accounts/wallets.

Features:

- Prepaid payment instruments (PPIs) come with a pre-loaded value and in some cases a pre-defined purpose of payment.
- They facilitate the purchase of goods and services as well as inter-personal remittance transactions such as sending money to a friend or a family member.
- These payment instruments are licensed and regulated by the Reserve Bank of India.
- There are three types of PPIs—closed system PPIs, semi-closed system PPIs and open system PPIs.
- The most common example of a closed system PPI is a brand-specific gift card. Such cards, physical or otherwise, can be used only at specific locations, and cannot be used to transfer funds from one account to another.

19 Currency Chest

Context: The Reserve Bank of India (RBI) has released guidelines for banks to set up new currency chests.

About:

- Currency chests are branches of selected banks authorised by the RBI to stock rupee notes and coins.

- The responsibility for managing the currency in circulation is vested in the RBI.
- The central bank advises the Centre on the number of notes to be printed, the currency denominations, security features and so on.
- The number of notes that need to be printed is determined using a statistical model that takes the pace of economic growth, rate of inflation and the replacement rate of soiled notes.
- The Government has, however, reserved the right to determine the amount of coins that have to be minted.

20 Repco Bank

- Union Home Minister received a dividend cheque of Rs 15.26 crore from the representatives of the Repco Bank, a multi-state cooperative finance and development bank controlled by the Home Ministry.
- **The Repco Bank is a multi-state cooperative society established in 1969 by the central government for rehabilitation of repatriates from Myanmar and Sri Lanka.**
- It is operated only in the South Indian states of Andhra Pradesh, Karnataka, Kerala and Tamil Nadu.
- As on March 31, 2019 the government of India held 49.15 per cent of the share capital, four southern state governments held 6.24 per cent and the remaining 45 per cent was held by individual repatriates.

21 SWIFT (Society for Worldwide Interbank Financial Telecommunications)

Context: The Reserve Bank of India (RBI) has imposed a penalty on seven banks for delayed implementation of SWIFT-related operational controls.

About:

- **SWIFT is a cooperative society under Belgian law owned by its member financial institutions with offices around the world.**
- SWIFT messaging system is a messaging network that financial institutions use to securely transmit information and instructions through a standardized system of codes. Under SWIFT, each financial organization has a unique code which is used to send and receive payments.
- SWIFT does not facilitate funds transfer: rather, it sends payment orders, which must be settled by correspondent accounts that the institutions have with each other.
- **The SWIFT is a secure financial message carrier — in other words, it transports messages from one bank to its intended bank recipient.**
- SWIFT India is a joint venture of top Indian public and private sector banks and SWIFT (Society for Worldwide Interbank Financial Telecommunication). The company was created to deliver high quality domestic financial messaging services to the Indian financial community.

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2

PUBLIC FINANCE

1 Financial Stability & Development Council (FSDC)

Context: Recently, a meeting of the Sub-Committee of the Financial Stability and Development Council (FSDC) headed by RBI Governor Shakti Kant Das was held to in Mumbai.

More on news:

- The Sub-Committee reviewed the major developments on the global and domestic fronts that impinge on the financial stability of the country.
- It discussed ways to address challenges pertaining to the quality of credit ratings; and interlinkages between housing finance companies and housing developers.
- It also deliberated on interlinking of various regulatory databases and National Strategy for Financial Inclusion (NSFI).
- It reviewed the functioning of State Level Coordination Committee (SLCCs) in various States / Union Territories (UTs), activities of its various Technical Groups, and a thematic study on financial inclusion and financial stability.

What are the functions of FSDC?

- As the name of the council itself states about its functions, the FSDC is responsible for Financial stability and the Development of Financial Sector in India.
- Other than these two functions, FSDC is also responsible for Inter-regulatory coordination, financial literacy and financial inclusion within the country.
- No funds are allocated separately to the council for undertaking its activities.

What is Financial Stability and Development Council?

- It is an apex regulatory body constituted by the Government of India.
- FSDC was created after the global financial crisis of 2008 when some similar institutions were created in some other countries.
- FSDC has replaced the High-Level Coordination Committee on Financial Markets, which was facilitating the regulatory coordination functions prior to setting up of FSDC, though it was not a formal body.
- **It was constituted on the recommendations of the Raghuram Rajan Committee on Financial Sector Reforms in 2008. The FSDC is an autonomous body which deals with the financial regularities in the entire financial sector of India.**

Who are the members of FSDC?

- The Finance Minister of India is the chairman of Financial Stability and Development Council.

Members from Regulatory Bodies

- RBI Governor (RBI Governor is also the head of FSDC Sub-committee).
- Chairman of Securities and Exchange Board of India i.e. SEBI.
- Chairman of Insurance Regulatory and Development Authority of India i.e. IRDAI.
- Chairman of Pension Fund Regulatory and Development Authority i.e. PFRDA.
- Chairman of Insolvency and Bankruptcy Board of India i.e. IBBI.

Members from Government Departments

- Finance Secretary or Secretary of Department of Economic Affairs.
- Secretary of Department of Financial Services.
- Secretary of Ministry of Corporate Affairs.
- Chief Economic Advisor, Ministry of Finance.
- Secretary of Ministry of Electronics & Information Technology i.e. MeitY. (Included in May 2018 by the Government of India through a Gazette notification. The reason to add was increased focus of the government on the digital economy).

2 Need for an independent Fiscal Council

Context: The most standout feature of this year's Union Budget discussion has been the concern with the credibility of the budget numbers.

About:

- It has been observed that revenues are systematically overestimated while spending is systematically underestimated in the budget.
- The NK Singh committee on fiscal responsibility and budget management had recommended setting up an independent fiscal council to keep tabs on and better manage public debt.
- Countries with independent fiscal councils tend to produce relatively more accurate budget forecasts and stick better to fiscal rules, research suggests.
- The over-ambitious revenue targets combined with the lack of transparency in tax administration lead overzealous tax men to exceed their brief in a quest to fulfil unrealistic targets.
- Also, a 2017 CAG report found that the tax department had resorted to 'irregular' and 'unwarranted' methods to meet targets.
- Thus, the FRBM report has recommended establishing a fiscal council to advise and assess government's spending and fiscal policy,

Background:

- The FRBM Review Committee headed by NK Singh was appointed by the government to review the implementation of FRBM.
- In its report submitted in January 2017, titled, 'The Committee in its Responsible Growth: A Debt and Fiscal Framework for 21st Century India', the Committee suggested that a rule based fiscal policy by limiting government debt, fiscal deficit and revenue deficits to certain targets is good for fiscal consolidation in India.
- Fiscal councils are now part of the institutional fiscal apparatus of over 80 countries, including several emerging and developing economies.
- Also, in past, it has been observed, that the finance ministry tends to overstate revenue projections and understate expenditures.

- One way to such problems is to institute an independent and statutory watchdog to oversee the state of public finances and to come up with its own assessments, if not its own projections, of government revenues and expenditures.
- In 2018, the D.K. Srivastava committee on fiscal statistics established by the National Statistical Commission (NSC) also suggested the establishment of a fiscal council that could co-ordinate with all levels of government to provide harmonized fiscal statistics across governmental levels and provide an annual assessment of overall public sector borrowing requirements.

3 Dividend Distribution Tax

Context: Budget 2020 abolished the Dividend Distribution Tax (DDT).

About:

- **Budget 2020** has proposed to make dividend income from shares and mutual funds taxable in the hands of recipients at the applicable income tax slab rates to the individual.
- Called the **Dividend Distribution Tax (DDT),** it was hitherto levied on dividend income before distribution by the company or mutual fund house.
- Dividend distribution tax is the tax imposed by the Indian Government on Indian companies **according to the dividend paid to a company's investors**.
- **Dividend** is the **return given by a company to its shareholders out of profits earned by the company** in a particular year.
- Dividend constitutes **income in the hands of the shareholders** which ideally should be subject to income tax. However, the income tax laws in India provide for an exemption of the dividend income received from Indian companies by the investors by levying DDT on the company paying the dividend.
- Previously, in addition to corporate tax, companies had to pay DDT at the time of distributing profits to its shareholders.
  - The effective DDT rate is **56 per cent**.
  - Although the government recently reduced the effective corporate tax rate to 25.17/17.16 per cent, **once DDT was factored in**, the effective tax rate for corporates became 37.93 per cent.

4 Goods & Services Tax Appellate Tribunal

Context: The Union Cabinet has approved the creation of National Bench of the Goods and Services Tax Appellate Tribunal (GSTAT).

About:

- **Goods and Services Tax Appellate Tribunal**
  - 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 the recommendation of Council, an Appellate Tribunal known as the Goods and Services Tax Appellate Tribunal for hearing appeals against the orders passed by the Appellate Authority or the Revisional Authority.
- It will be presided over by its president. It will consist of a technical member from the Centre and a representative of the States.

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.

What is GST?

- GST is an Indirect Tax which has replaced many Indirect Taxes in India. The Act came into 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.

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

What is 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.

5 E-Way Bill

Context:

- The government's decision to make some changes to the E-way bill system effective **November 16, 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.

About:

- **What is an 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 by the 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 before commencement 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-way bill 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.
- **Whether the e-way bill is required for all the goods that are being transported?**
  - 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.
- **National Informatics Centre has categorised e-way bills into four types:**
  - **Regular** as mentioned above
  - **Bill to /Ship to**: Sometimes, the tax payer raises the bill to somebody and sends the consignment to somebody else as per the business requirements. There is a provision in the e-way bill system to handle this situation, called as 'Bill to' and 'Ship to'.
  - **Bill from and Dispatch from**: Sometimes, the supplier prepares the bill from his business premises to consignee, but moves the consignment from some others' premises to the consignee as per the business requirements. This is known as 'Billing From' and 'Dispatching From'.
  - Combination of both (2) and (3) mentioned above.

6 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.
- The issue of high ITC was flagged at the meeting of the Group of Ministers (GoM) which was set up by the GST Council to look into the reasons for revenue shortfall being faced by a large number of states.
- Availing ITC ideally should not result in loss of revenue but there could be possibility of misuse of the provision by unscrupulous businesses by generating fake invoices just to claim tax credit.

About:

- **What is Input Tax Credit (ITC)?**
  - ITC 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 credit across an entire supply chain a seamless process.

- **How does ITC WORK?**

 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 1180 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.

7 Participatory Notes

Context: Investments through participatory notes (P-notes) in the Indian capital market stood at Rs 79,088 crore in August-end, registering the third consecutive month-on-month decline.

About:

- **What are Participatory Motes (P- Notes)?**

P-notes are issued by registered foreign portfolio investors (FPIs) to overseas investors who wish to be a part of the Indian stock market without registering themselves directly after going through a due diligence process.

- **Who issues P- Notes and what is the process?**
  - Participatory notes are issued by brokers and FIIs registered with SEBI. The investment is made on behalf of these foreign investors by the already registered brokers in India.
  - For example, Indian-based brokerages buy India-based securities and then issue participatory notes to foreign investors. Any dividends or capital gains collected from the underlying securities go back to the investors.
  - The brokers that issue these notes or trades in Indian securities have to mandatorily report their PN issuance status to SEBI for each quarter. These notes allow foreign high networth individuals, hedge funds and other investors to put money in Indian markets without being registered with SEBI, thus making their participation easy and smooth.
- **Advantages of participatory notes**
  - **Anonymity:** Any entity investing in participatory notes is not required to register with SEBI, whereas all FIIs have to compulsorily get registered. It enables large hedge funds to carry out their operations without disclosing their identity.
  - **Ease of trading:**Trading through participatory notes is easy because they are like contract notes transferable by endorsement and delivery.
  - **Tax saving:**Some of the entities route their investment through participatory notes to take advantage of the tax laws of certain preferred countries.
  - P-Notes also aid in **saving time and costs** associated with direct registrations.
- **Disadvantages of P-notes**
  - Because of the anonymous nature of the instrument, the investors could be beyond the reach of Indian regulators.

- P- Notes are being used in money laundering with wealthy Indians, like the promoters of companies, using it to bring back unaccounted funds and to manipulate their stock prices.

- **Why SEBI is not in favour to ban P-Notes?**
  - P- Notes are used globally in many markets.
  - According to SEBI's and government's views, P-Notes are legitimate instruments that are required for normal financial transactions and are prevalent in all the larger markets.
  - In an attempt to ban, P-Notes in 2007 due to a surge in capital flows and excess liquidity, markets crashed immediately which recognised the importance of P-Notes in Indian economy.

8 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.

About:

- **Status Paper on Debt Management**
  - The Government has been publishing an annual Status Paper on Government Debt since 2010-11, which provides a detailed analysis of the Government's debt position.
  - The present Status Paper for 2017-18 is eighth in this series and 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 cost over 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 are market borrowings, small savings, State provident funds, external assistance and short term borrowings.

- **Debt to GDP**
  - Fiscal consolidation effort of the Centre under the umbrella of Fiscal Responsibility and Budget Management (FRBM) Act, resulted in reduction of total liabilities from 47.5 per cent of GDP in March, 2014 to 45.9 per cent of GDP in March, 2017.
  - The increase in liabilities in March, 2018 is primarily on account of special securities issued for recapitalisation of PSBs.
  - The increase in General Government Debt (GGD)-GDP ratio from 67.1% (2013-14) to 68.2% (2017-18) is primarily on account of higher borrowing by the States.

- **External Debt**
  - 8% of total Central Government debt at end-March 2018 was denominated in Indian currency.
  - External debt constituted 2.9 per cent of GDP at end-March 2018, implying low currency risk to GoI debt portfolio and its impact on balance of payments remains insignificant.
  - The limited external debt is entirely from official sources, providing safety from volatility in the international capital markets.

- **Internal Debt**
  - The share of marketable securities in total internal debt, which was at 43 per cent of public debt (35.8 per cent of total liabilities) in 2000-01 increased to 93.0 per cent (82.1 per cent of total liabilities) at end-March 2018.
  - The Government has also progressively moved towards alignment of administered interest rates with the market rates; revisions in interest rates on small savings schemes, General Provident Fund and similar funds, etc. are undertaken on a quarterly basis.
  - Most of the public debt in India is contracted at fixed interest rates, with only around 1.8 per cent of internal debt being at floating rate at end-March 2018, insulating debt portfolio from interest rate volatility and providing certainty and stability to budget in terms of interest payments.
- **Government Securities**
  - The largely domestic and institutional investor profile contributes to stable demand for government securities. Ownership pattern of dated securities indicates a gradual broadening of market over time.
  - The commercial banks remain the dominant holders even as their share declined from 61 per cent at end-March 2001 to 42.7 per cent at end-March 2018, which may partly be attributed to reduction in SLR requirements (from 25 per cent of NDTL of banks to current requirement of 19.50 per cent).

The Insurance Companies and Provident Funds account for 23.5 per cent and 5.9 per cent respectively, of government securities; creating stable demand for long-term securities.

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.

9 Exchange Traded Fund

Context: Edelweiss AMC recently got the government's permission to launch India's first bond ETF (exchange traded fund) which will invest in central public sector undertakings.

About:

- Soon, **Bond ETFs** will be another investment vehicle available to retail investors providing **access to bonds of state-run enterprises.**
- Bond ETFs are similar to how **equity ETFs** invest in line with indices covering specific baskets like the **Nifty50, Nifty Next 50 and Nifty Quality 30,** among others

- While bond ETFs are **not new in India**, they have not been very popular. At present, only three **GSec ETFs** are available, all with miniscule assets and **poor trading volumes.**
- The entry of newer bond ETFs comes **at a time when** traditional bond funds are only just emerging from a painful period of multiple **credit defaults**. **Investors are wary.**
- Bond ETFs claim to be different from traditional bond funds by **offering high liquidity, transparency and lower costs.**
- The cost angle is the most distinguishing facet of bond ETFs. Being **passively managed** products, these charge a **much lower fee** than actively managed bond funds. Sometimes even less than 0.5%.
- In the debt segment, there is not much the fund manager can do to **enhance returns**. Any strategy that can optimise costs is the need of the hour.
- **Globally,** Bond ETFs have reported a **healthy growth** over the last decade. The size of Global Bond ETFs now accounts for over **$1 trillion** assets under management (AUM) out of total $4 trillion AUM across various ETFs.
- The **key objectives of launching Bond ETF** are:
- To suffice borrowing needs of CPSEs
- To increase retail participation
- To deepen the bond market and increase liquidity

What are ETFs?

- An exchange-traded fund (ETF) is a **marketable security**, meaning it has an **associated price that allows it to be easily bought and sold.**
- ETFs are in many ways similar to mutual funds; however, they are listed on exchanges and **ETF shares trade throughout the day** just like ordinary stock.
- ETFs offer **low expense ratios and fewer broker commissions** than buying the stocks individually.
- ETFs can **contain all types of investments** including stocks, commodities, or bonds; some offer domestic holdings only, while others are international.

What are Bond ETFs?

- Bond ETFs are a type of ETF that **exclusively invests in bonds.** Bond ETFs **invest in various fixed-income securities** such as corporate bonds, treasuries, municipal, international, high-yield, etc.
- Bond ETFs are passively managed and trade, **much like stock ETFs** on major stock exchanges. This helps **promote market stability by adding liquidity and transparency** during times of stress.
- Bond ETFs allow ordinary investors to gain **passive exposure to benchmark bond indices** in an inexpensive way.
- Investors of bond ETFs are exposed to the **risk of interest rate changes**.
- Bond ETFs are typically of **two types:** They either track a specific maturity bucket like short, medium or long term or they track a target maturity where they invest in bonds with similar maturity as the product.
- **Target Maturity Bond ETFs:** They provide predictable returns like Fixed Maturity Plans (FMPs), if they are held till maturity.

10 Off-Budget Accounting

Context:

- The Comptroller and Auditor General (CAG) of India has pulled up the government for increased use of off-budget financing for schemes and subsidies in its Compliance of the Fiscal Responsibility and Budget Management (FRBM) Act report for FY17.
- This practice of off- budgeting masks the true extent of fiscal and revenue deficits.
- The CAG of India recommended that the government to institute a policy framework for off-budget financing, which, should include a disclosure about its rationale and objective to Parliament.

About:

- Off-Budget Accounting refers to expenditure that's not funded through the budget. In terms of revenue spending, off-budget financing was used for covering the fertilizer bills through special banking arrangements; food subsidy bills of the Food Corporation of India through borrowings.
- Such off-budget financing are not part of calculation of the fiscal indicators despite fiscal implications. Governments across the world use this to escape budget controls.

Background:

- **Fiscal Responsibility and Budget Management (FRBM) Act:**
  - The objective of this Act is to ensure inter-generational equity in fiscal management, long-term macroeconomic stability by achieving sufficient revenue surplus, better coordination between fiscal and monetary policy, and transparency in fiscal operation of the Government.
  - The FRBM Bill was to bind future governments to a pre-specified fiscal policy framework which is an entirely anti-democratic measure.
  - The FRBM Act which became effective from July 5, 2004 mandated the Central Government to eliminate revenue deficit by March 2009 and subsequently build up a revenue surplus. The Act also mandated the Central Government to reduce fiscal deficit to an amount equivalent to 3% of GDP by March 2009.
  - The FRBM Act provides for greater transparency in fiscal operations, quarterly review for fiscal situation and regulating direct borrowing and control expenditure to effect fiscal discipline.

Analysis

- **Why is it Problematic?**
  - Off-budget financing by its nature isn't taken into account when calculating fiscal indicators. But the cost is borne by the budget through some mechanism or the other.
  - Such financing tends to hide the actual extent of government spending, borrowings and debt and increase the interest burden.

- **Report by CAG**
  - It said that off-budget financing was being used by the government (in the fiscal 2016-17) to defer fertiliser arrears, food subsidy bills and outstanding dues of Food Corporation of India (FCI).
  - Off-budget financing includes mechanisms like market borrowing and ways and means advances, which are outside the purview of parliamentary oversight for e.g., Special banking arrangements were used to conceal the deferment of fertiliser subsidies.
  - Spending on irrigation was masked by borrowing by the National Bank for Agriculture and Rural Development (NABARD).

- Railway expenditure was covered by borrowing by the Indian Railway Finance Corporation, and spending on power projects by the Power Finance Corporation.
- Though these provides flexibility in meeting requirement of capital intensive projects, it would pose fiscal risk in the long term, in case the entity that raises the funds fails to meet debt servicing.
- Despite this, the government resorts to off-budget methods of financing to meet its revenue and capital requirements.
- The quantum of such borrowings is huge and current policy framework lacks transparent disclosures and management strategy for comprehensively managing such borrowings.

11 Fiscal Slippage Caused by Government Schemes

Context:

- 15th Finance Commission headed by Chairman N.K. Singh held a detailed meeting with Reserve Bank of India (RBI) Governor Shaktikanta Das and deputy governors.
- The RBI has voiced its concern over government schemes such as income support schemes, Uday scheme (revival package for power distribution companies) and farm loan waivers as such schemes lead to fiscal slippages.
- The central bank noted that outstanding debt as percentage of GDP had been rising despite moderation in interest payment as percentage of revenue receipts.

About:

- **Income support schemes:**
  - In the Interim Budget presented in February, the government announced a cash transfer scheme (PM-KISAN), for small and marginal farmers with landholdings of up to two hectare, of 6,000. The government had allocated Rs. 75,000 crore towards the scheme for financial year 2020.
  - Odisha's Krushak Assistance for Livelihood and Income (KALIA), inclusive of landless households, proposes to transfer Rs. 5000 to every family in every cropping seasons for five seasons.
  - Telangana's Rythu Bandhu scheme grants Rs. 4000 per acre per farmer each season to purchase agricultural inputs.
  - Jharkhand Mukhya Mantri Krishi Yojna proposes to grant Rs. 5000 per acre per farmer for Kharif crops.
  - The Bhavantar Bhugtan Yojana by the state government of Madhya Pradesh transfers the price differential between the crop's minimum support price and the selling price, to the beneficiaries account.
- **Uday scheme:**
  - Ujjwal Discom Assurance Yojana (UDAY) is the financial turnaround and revival package for electricity distribution companies of India (DISCOMs) initiated by the Ministry of Power with the intent to find a permanent solution to the poor financial health and operational efficiency of India's debt-ridden power distribution companies.
  - It allows state governments, which own the DISCOMs, to take over 75 percent of their debt and pay back lenders by selling bonds. DISCOMs are expected to issue bonds for the remaining 25 percent of their debt.

12 Masala Bonds

Context:

- **Kerala** became the first state to tap into masala bond market by listing the Kerala Infrastructure Investment Fund Board (KIIFB)'s masala bond worth Rs 2,150 crore in London Stock Exchange (LSE)'s International Securities Market (ISM).
- It has a fixed interest rate of 9.72% per annum. Through this government focuses to get multinational corporations to invest in the state.

About:

- **What are masala bonds?**
  - The first Masala bond was issued by the World Bank- backed IFC in November 2014 when it raised 1,000 crore bond to fund infrastructure projects in India.
  - Later in August 2015 International Financial Cooperation for the first time issued green masala bonds and raised Rupees 3.15 Billion to be used for private sector investments that address climate change in India.
  - In July 2016 HDFC raised 3,000 crore rupees from Masala bonds and thereby became the first Indian company to issue masala bonds.
  - In the month of August 2016 public sector unit NTPC issued first corporate green masala bonds worth 2,000 crore rupees.
  - **Masala bonds are those bonds issued outside India but denominated in Indian Rupees, rather than dollar or the local currency.**
  - **They are used by the companies to raise funds.** Till now Indian companies have been raising debt from overseas markets for decades through bond offerings, which have been denominated in dollar or other currencies.
  - Any corporate, body corporate and Indian bank is eligible to issue Rupee denominated bonds overseas.
  - The objective of these bonds is to fund infrastructure projects in India, fuel internal growth via borrowings and internationalise the Indian currency.
  - RBI mandates that the money raised through such bonds cannot be used for real estate activities other than for development of integrated township or affordable housing projects.
  - It also can't be used for investing in capital markets, purchase of land and on-lending to other entities for such activities.
- **How Masala Bonds help in supporting the rupee?**
  - The bonds are directly pegged to the Indian currency. So, investors will directly take the currency risk or exchange rate risks. If the value of Indian currency falls, the foreign investor will have to bear the losses, not the issuer which is an Indian entity or a corporate.
  - If foreign investors eagerly invest in Masala Bonds or bring money into India, this would help in supporting the rupee.
  - The issuer of these bonds is shielded against the risk of currency fluctuation, typically associated with borrowing in foreign currency. Besides helping in diversifying funding sources, the costs of borrowing via masala bonds could also turn out to be lower than domestic markets.
- **Where can these bonds be issued and who can subscribe?**
  - The Rupee denominated bonds can only be issued in a country and subscribed by a resident of such country that is a member of financial action task force and whose securities market regulator is a member of International Organisation of Securities Commission.

- While residents of such countries can subscribe to the bonds, it can also be subscribed by multilateral and regional financial institutions where India is a member country.

13 Corporate Tax Rate Cuts

Context: In its boldest gambit yet to stir up the economy, the government has issued an ordinance to reduce the corporate tax rate for domestic firms and new manufacturing units by 10 to 12 percentage points, effectively bringing India's tax rates on par with its competing Asian peers.

Background

- The Indian economy is currently going through its worst deceleration in six years. The earliest markers of an economy's health are found in car showrooms, retail malls and the rapidity of activity in farms. Recent months' data related to these suggests that the Indian economy is going through a slowdown.
- The latest measures are by far the biggest, and the boldest step to revive the Indian economy, which until recently, was feted as a global growth engine. The goal is to turn India into an investors' hub, demonstrate the government's intent to walk the talk on economic management, restore investors' confidence and boost sentiments and demand.

Tax rate changes

- The government has slashed the corporate income tax rate from 30 percent to 22 percent for all companies. Inclusive of cess and surcharges the effective corporate tax rate in India now comes down to corporate tax to 25.17 per cent.
- Newer companies, which are set up after October 1, 2019, will be subjected to an even lower effective tax rate of 17 percent.
- The new rates bring India closer, in some cases lower, to the rates prevalent in many of the emerging and industrialised countries. The new corporate income tax rates in India will be lower than USA (27 percent), Japan (30.62 percent), Brazil (34 percent), and Germany (30 percent) and is similar to China (25 percent) and Korea (25 percent).

14 OECD Tax Proposal (BEPS 2.0)

Context: OECD has proposed a new multilateral framework on taxation of new-age companies such as Netflix, Uber, Google and Facebook, which have a large customer base in developing countries like India as well as the EU.

About:

- The **OECD tax proposal** aims to prevent digital Multinational Enterprises **(NNEs)** artificially **showing profits in low-tax countries instead of where deal happens.**
- The proposal requires them to pay tax wherever they have significant **consumer-facing activities (market)** and **where they generate their profits**, and **not based on** jurisdiction of their **physical presence.**
- The new OECD proposal brings together common elements of three competing proposals from member countries:
  - A user participation proposal;
  - A marketing intangibles proposal and;
  - A significant economic presence proposal (as proposed by India).

- **OECD tax proposal:** The proposal would re-allocate some profits and corresponding taxing rights to countries and jurisdictions **where MNCs have their markets**. It would ensure that MNEs conducting significant business in places where they do not have a physical presence, are taxed as per the following new unified rules:
  - Where tax should be paid ("nexus" rules; which are largely dependent on sales)
  - What portion of profits should be taxed ("profit allocation" rules)
- The proposal **is based on the work of OECD/G20** Inclusive Framework on Base Erosion and Profit Sharing **(BEPS).**
- Discussions on the new proposal are in pipeline (as of November 2019) and all countries must agree for the rules to be enforced.

Base Erosion and Profit Sharing (BEPS):

- Base erosion and profit shifting (BEPS) refers to tax planning strategies used by multinational enterprises that exploit gaps and mismatches in tax rules to avoid paying tax. Developing countries' higher reliance on corporate income tax means they suffer from BEPS disproportionately.
- BEPS practices cost countries USD 100-240 billion in lost revenue annually. Working together within OECD/G20 Inclusive Framework on BEPS, over 130 countries and jurisdictions are collaborating on the implementation of 15 measures to tackle tax avoidance, improve the coherence of international tax rules and ensure a more transparent tax environment, fit for purpose for the global economy of the 21st Century.

Objectives of the new OECD tax proposal

- The idea of the proposal is to address the **tax challenges arising from digitalisation of the economy** and the rise of **complex, global corporate tax structures.**
- **Changing nature of work**, including automation, artificial intelligence and the rise of the gig economy, can **erode tax revenues** so severely that it may **difficult to provide essential state** services by 2040.
- The initiative aims to advance toward a **consensus-based solution** to overhaul the rules-based international tax system by 2020.
- The ultimate goal is to **ensure that all MNEs pay their fair share of tax.**
- The proposal aims to **balance** adherence to the **arm's-length principle with formula based solutions.**
- Failure to reach agreement by 2020 would greatly increase the risk that countries will act unilaterally, with negative consequences on an already fragile global economy.
- The proposal is part of wider efforts to restore **stability and certainty in the international tax system**, **address possible overlaps** with existing rules and **mitigate the risks of double taxation.**
- Beyond the specific elements on reallocating taxing rights, a **second pillar** of the work aims to **resolve remaining BEPS issues**, **ensuring a minimum corporate income tax on MNE profits.**
- Together, the OECD anticipates that these proposals will lead to a significant increase in **global tax revenues.**

15 'eBkray' - Online Auction Platform for Assets Attached by Banks

Context: eBkray is an e-auction platform to enable online auction of attached assets by banks.

Indian Banks Auctions Mortgaged Properties Information (IBAPI) portal

It is an initiative of Indian Banks Association under the policy of the Department of Financial Services, Ministry of Finance to provide a platform to provide details of mortgaged properties to be auctioned online by Banks, starting with PSBs.

- The eBkray platform provides navigational links to all **PSB e-auction sites**, property search feature and presents single-window access to information on properties up for e-auction, comparison of similar properties, and also contains videos and photographs of the uploaded properties.
- Buyers can use IBAPI portal to search and get properties details and participate in the auction process. Presently 21 banks are onboard on this portal
- Currently, there are 2,457 residential, 576 commercial, 333 industrial and 18 agricultural properties are available on eBkray platform among others.
- PSBs have attached assets worth over Rs 2.3 lakh crore in the last three fiscal years.

Objectives of eBkray

- To enhance user experience through seamless access to information by the search based on the type and location of the property put up for e-auction by the banks in India.
- To enable online auction of attached assets transparently and cleanly for the improved realization of value by banks.
- It will provide navigational links to all Public Sector Banks (PSBs) e-auction sites, property search feature and will present single-window access to information on properties up for e-auction, comparison of similar properties, as well as contains videos and photographs of uploaded properties.
- The platform also helps the buyer to easily navigate to the bank e-auction site after a notified property is selected. It also helps the user to search property using State-wise, District-wise and bank-wise details.

Need

- There has been information asymmetry when bank attached assets are auctioned which will come to an end with the launch eBkray.
- Simplify auction process

16 Merchant Discount Rate (MDR)

Context: All businesses with turnover worth Rs 50 crore or above need to mandatorily provide certain electronic payment modes facilities like RuPay debit cad, BHIM-UPI (Unified Payments Interface), BHIM-UPI QR Code and UPI QR code. People making payments via these electronic modes will not need to pay any charge including MDR (Merchant Discount Rate) fee.

MDR:

- Merchant Discount Rate is a **fee charged from a merchant by a bank for accepting payments from customers** through credit and debit cards in their establishments.

- MDR compensates the card issuing bank, the lender which puts the PoS terminal and payment gateways such as Mastercard or Visa for their services.
- MDR charges are usually shared in pre-agreed proportion between the bank and a merchant and is expressed in percentage of transaction amount.

17 Core Investment Companies (CICs)

Context:

- The Reserve Bank had constituted a **working group to review the regulatory and supervisory framework for core investment companies**.
- The six-member working group was headed by **Tapan Ray**, non-executive chairman, Central Bank of India and former secretary, Ministry of Corporate Affairs.

CICs:

- CICs are **non-banking financial companies with asset size of ₹100 crore and above which carry on the business of acquisition of shares and securities,** subject to certain conditions.
- CICs, which are **allowed to accept public funds, hold not less than 90% of their net assets in the form of investment in equity shares,** preference shares, bonds, debentures, debt or loans in group companies.
- **Investments of CIC in the equity shares** (including instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue) in group companies constitutes not less than 60% of its net assets.
- **Exemption**: CICs having asset size of below Rs 100 crore are exempted from registration and regulation from the RBI, except if they wish to make overseas investments in the financial sector.

18 Predatory Pricing

Context: The Confederation of All India Traders (CAIT), a trade body representing brick-and-mortar retailers, has been urging the Commerce and Finance Ministers to launch a probe into the deep discounting practices of e-commerce players for 'predatory pricing'

About:

- Predatory pricing is the act of a market leader lowering its prices below its costs to gain an unfair advantage. The predator incurs short-term losses to hurt other players and drive them out of the market. Later, with fewer competitors, the predator can raise prices to recoup losses.
- Such behaviour is considered anti-competitive and can be taken up by competition or industry regulators for review.
- Predatory pricing should not be confused with normal, competitive price wars. For instance, a firm that reduces costs below that of its competitors could offer products with lower prices.
- Similarly, smaller or new players offering temporary, deep discounts would not be considered predatory since they may not have the effect of driving larger firms out of the market.

19 Adjusted Gross Revenue (AGR)

Context: The Supreme Court has upheld the definition of Adjusted Gross Revenue (AGR) calculation as stipulated by the Department of Telecommunications. This means that telecom companies will have to pay up as much as Rs 92,642 crore to the government.

AGR

- Adjusted Gross Revenue (AGR) is **the usage and licensing fee that telecom operators are charged** by the Department of Telecommunications (DoT).
- It is divided into spectrum usage charges and licensing fees, pegged between 3-5 percent and 8 percent respectively.
- As per DoT, the charges are calculated based on all revenues earned by a telco – including non-telecom related sources such as deposit interests and asset sales. Telcos, on their part, insist that AGR should comprise only the revenues generated from telecom services.

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3

GROWTH & DEVELOPMENT

1 Thalinomics

Context: The Economic Survey 2020 coined a new term called 'Thalinomics' and the government pitched the term as "economics for the common man".

About:

- The Economic Survey 2020 made a unique attempt to **quantify the cost incurred** in putting together **one complete home-made meal** — the healthy Indian thali.
- Thali prices represent the total money spent on preparing dishes for a meal in a household.
- **Thalinomics** captures the **economics of a plate of food in India.**
- **Rise in Affordability:** Despite recent concerns about rising food prices, the Economic Survey has stated that for a worker, a **vegetarian thali is 29% more affordable** since 2006-07. And affordability of a **non-vegetarian thali improved by 18 per cent.**
- It also looked at an industrial worker's **ability to pay for two thalis a day** for his/her household of **five individuals.**
- **Conclusion:** Basically the survey attempts to calculate the **cost that an average worker incurs based on his actual plate of food in India.**
- And on calculating that cost, the survey concludes that **works were able to save due to moderation in prices** of items that form part of a regular Indian thali.

Food inflation trends

- Food inflation based on CPI declined to a low of 0.1% in 2018-19 against 1.8% in 2017-18, 4.2% in 2016-17 and 4.9% in 2015-16. However, the government revised the inflation projection from 3.5-3.7% in the second half of 2019-20 to 4.7-5.1%.

2 Second Delta Ranking of the Aspirational Districts Programme

Context:

- NITI Aayog has released the second delta ranking of the Aspirational Districts Programme (ADP).
- The ranking measured the incremental progress made by districts between June 1, 2018 and October 31, 2018.

About:

- **What is Aspirational Districts programme?**
  - It aims to expeditiously improve the socio-economic status of 115 districts from across 28 states. The three core principles are - **Convergence** (of Central & State Schemes), **Collaboration** (among citizens and functionaries of Central & State Governments including district teams), and **Competition** among districts.
- **How does it approach the development of these districts?**
  - The programme focuses on 5 main themes - **Health & Nutrition**, **Education**, **Agriculture** & **Water Resources Financial Inclusion** & **Skill Development,** and **Basic Infrastructure,** which have direct bearing on the quality of life and economic productivity of citizens.
- **Institutional arrangement for collaboration, coordination and competition**
  - It is a product of collective effort in which States are the main drivers. At GOI level, programme is anchored by NITI Aayog.
  - In addition, individual Ministries have assumed responsibility to drive progress of districts.
  - For each district, a central **Prabhari officer** of the rank of Additional Secretary/Joint Secretary has been nominated.
  - An Empowered Committee under the convener-ship of CEO, NITI Aayog has been notified to ensure convergence in schemes and address specific issues brought out by Prabhari officers.
  - States have been requested to form a committee under Chief Secretary to implement the programme. States can also have nominated officers and State level Prabhari off
- **How will the progress of these districts be monitored?**
  - **Real-time monitoring & ranking with 49** key performance indicators (81 data points) have been identified across 5 themes, in consultation with Ministries.
  - The dashboard is designed, developed, and maintained by the Planning Department of the **Government of Andhra Pradesh**.
  - The ranking of districts is dynamic and would reflect the **incremental (delta)** improvement made month on month.

3 National Entrepreneurship Awards

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.
- A total of 43 awards were presented, including 39 awards for Young Entrepreneurs in different sectors and 4 awards for Entrepreneurship Ecosystem Builders.

About::

- 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.

Ministry of Skill Development and Entrepreneurship (MSDE):

- MSDE was formed in November, 2014 by the Government of India to focus on enhancing employability by bridging the gap between demand and supply of skilled workforce through skill development and expansion of youth entrepreneurship education and capacity.
- To stay relevant in ever-changing skill market, it aims to build the new skills and innovative thinking not only for existing jobs but also for jobs that are to be created.

4 NSSO Data and MCA21

Context: A National Sample Survey Office (NSSO) report has highlighted deficiencies in key government database of Indian companies.

About:

- A technical study conducted by the NSSO between June 2016 to June 2017, examined parts of the corporate affairs ministry's database, found **that 37% of the companies could either not be traced, had shut down or were wrongly classified in terms of what sector they belonged to**.

NSSO:

- The National Sample Survey Office (NSSO) headed by a Director General is responsible for conduct of large scale sample surveys in diverse fields on All India basis.
- Primarily data are collected through nation-wide household surveys on various socio-economic subjects, Annual Survey of Industries (ASI), etc.
- National Sample Survey Office (NSSO), Ministry of Statistics and Programme Implementation (MOSPI), Government of India, has been conducting nationwide integrated large scale sample surveys, employing scientific sampling methods, to generate data and statistical indicators on diverse socio-economic aspects.

MCA 21:

- is an e-Governance initiative of Ministry of Company Affairs (MCA), Government of India that enables an easy and secure access of the MCA services to the corporate entities, professionals and citizens of India.

5 SEZ Bill 2019

Context: The Special Economic Zone (SEZ) Bill, 2019 has been recently passed by both Houses of the Parliament.

Background:

- A Special Economic Zone is a geographical region that has economic laws that are more liberal than a country's prevailing economic laws. In India SEZs are specifically delineated, duty-free enclaves that can be deemed as foreign territory for the purposes of trade operations, duties and tariffs. They can be set up by any private or public, Joint or exclusively State-owned, or even foreign-owned company, anywhere in India. A multi-product SEZ is required to have 1000 hectares while the single product SEZ can be set up in as little 100 hectares.

Analysis of 2019 Bill:

- The Bill amends the SEZ 2005 Act. It also replaces the SEZ (Amendment) Ordinance, 2019, that was promulgated in March.
- The Act does not permit 'trusts' to set up units in SEZs. Now, the amendment will enable trusts to be considered for grant of permission to set up units in SEZs.
- Now, the Central Government has more flexibility to include any entity in the definition of "Person" from time to time. This will facilitate investments in SEZ.
- According to the law, an individual, a Hindu divided family, a company, co-operative society or a firm fall in the definition of a "person".

Major Poverty Alleviation Programs in India:

- **Integrated Child Development Scheme (ICDS)**
  - Launched in 1975, the scheme is the foremost symbol of country's commitment to its children and nursing mothers, as a response to the challenge of providing pre-school non-formal education on one hand and breaking the vicious cycle of malnutrition, morbidity, reduced learning capacity and mortality on the other.
- **MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act)**
  - It was enacted in 2005, which provides a legal guarantee for 100 days of employment in every financial year to adult members of any rural household willing to do public work-related unskilled manual work at the statutory minimum wage.
  - The Ministry of Rural Development (MRD) is monitoring the entire implementation of this scheme in association with state governments
- **National Food Security Act, 2013**
  - It was enacted with the objective to provide for food and nutritional security in human life cycle approach, by ensuring access to adequate quantity of quality food at affordable prices to people to live a life with dignity.
- **Deendayal Upadhyay Antyodaya Yojana (DAY)**
  - The scheme was launched in 2014 for upliftment of urban and rural poor through enhancement of livelihood opportunities through skill development and other means.

6 Pradhan Mantri Awas Yojana-Urban

Context: The government has received complaints of banks either not sanctioning or delaying disbursement to applicants of the Credit Linked Subsidy Scheme (CLSS) under the Pradhan Mantri Awas Yojana-Urban (PMAY-U)

More on News:

- Some complaints have been received about **Primary Lending Institutions (PLIs)** not sanctioning of credit linked subsidy or delaying the subsidy under CLSS component of PMAY-U.

- Complaints against the banks were sent to the two nodal agencies — **National Housing Bank** and **Housing and Urban Development Corporation Ltd. (HUDCO)**, which take up the grievances with the banks.
- The agencies had sensitised the banks about implementation of the scheme through training, and State-level banker's committee meetings.

Category of PLI	
Public Sector Banks Private Sector Banks Regional Rural Banks Co-Operative Banks	Housing Finance Companies Small Finance Bank Non Banking Finance Company - Micro Finance Institution

Pradhan Mantri Awas Yojana (Urban) Programme:

- It was launched by the **Ministry of Housing and Urban Poverty Alleviation (MoHUPA)**. It envisions provision of Housing for All by 2022, when the Nation completes 75 years of its Independence.
- Beneficiaries include **Economically weaker section** (EWS), **low-income groups** (LIGs) and **Middle Income Groups (MIGs)**.
- "Housing for All" Mission for urban area is being implemented during 2015-2022 and this Mission will provide central assistance to implementing agencies through States and UTs for providing houses to all eligible families/beneficiaries by 2022.
- Mission will be implemented as Centrally Sponsored Scheme (CSS) except for the component of credit linked subsidy which will be implemented as a Central Sector Scheme.
- The Mission seeks to address the housing requirement of urban poor including slum dwellers through following programme verticals:
- Slum rehabilitation of Slum Dwellers with participation of private developers using land as a resource
- Promotion of Affordable Housing for weaker section through credit linked subsidy
- Affordable Housing in Partnership with Public & Private sectors

7 $5 Trillion Economy

Context:

- Prime Minister had announced the target of a **$5 trillion economy** for India by 2024. This will make India the **third-largest economy** in the world.
- The focus of plans will be on boosting services sector contribution to 3trillion, manufacturing to 3trillion, manufacturing to 1 trillion and Agriculture to $ 1 trillion.

Analysis:

- **What is a $5-trillion economy?**
  - Essentially **$5-trillion economy** is the size of an economy as measured by the annual Gross Domestic Product (GDP).
  - The GDP of an economy is the total monetary value of all goods and services produced in an economy within a year.

- GDP is a way among countries (economies) to keep score about who is ahead.
- In 2014, India's GDP was 1.85 trillion. In 2018, it is 1.85 trillion. In 2018, it is2.7 trillion and India is the **sixth-largest** economy in the world.
- Apart from the monetary definition, a $ 5 Trillion Economy calls for pulling all the economic growth levers—**investment**, **consumption**, **exports**, and across all the three sectors of **agriculture**, **manufacturing** and **services**.
- It also means improving all three sectors of the economy, India will more likely achieve its ambitious **Sustainable Developmental Goals (SDGs)**.

8 Blue Economy

Context: Commitment to the development of the Blue Economy has been expressed by a mention in the budget speech. This has laid the foundation and will provide the initial traction to create the space for implementation of the strategy.

About:

- The development of the Blue Economy can play a critical role in nation building.
- It would enhance the GDP, not just by exploitation of under-water resources but by developing it as a platform for infrastructure expansion into the ocean, especially when there is a shortage of space on land.
- The idea is to expand port activities on the sea rather than on land.

Scopes of growth and development

- The sub-sectors includes blue trade in both goods and services, including the development of marine services (such as port services, ship repair, maritime finance and insurance , marine ICT and digitisation)
- Blue investment (port and transloading in mid-seas, coastal-to-hinterland connectivity)
- Blue SMEs — a sub-category of the SMEs as defined by the Ministry of Small and Medium Enterprises (MSME)
- Blue manufacturing (development of dedicated industrial parks, as is being envisaged under the Sagarmala, protection risks of coastal natural calamities, etc.)
- Some time-tested paradigms of PPPs (Public Private Partnerships) will be ideal for the growth and development of the sector.
- A mechanism to coordinate the efforts of the coastal districts/municipalities/panchayats, coastal state governments, and the Union government will need to be established.

Meaning of the term "Blue Economy"

- **'Blue Economy' is the integration of ocean economy development with values of social inclusion and environmental sustainability, along with dynamic and innovative business models.**
- For India, however, blue economy extends beyond being merely an economic and environmental proposition. It presents India with an unprecedented opportunity to meet its national objectives, strengthen connectivity with neighbours, and exert influence in the surrounding regions.

9 Economic Census

Context: Puducherry launched its seventh Economic Census.

About:

- **Economic census** is the complete count of all establishments engaged in **non agricultural economic activities** located within the geographical boundary of India.
- The economic census provides **disaggregated information** on various operational and structural variables of all establishments of the country.
- One of the main aims of the Economic Census is preparation of a **National Business Register** which can be linked with existing databases at the central and state government levels.
- The seventh census would witness the use of **Information Technology** for data collection.
- **Ministry of Statistics and Programme Implementation** carries out economic census every five years. The ministry has partnered with **CSC e-Governance Services India Limited**, a Special Purpose Vehicle under the **Ministry of Electronics and Information**.

Significance

- It is a unique initiative in the sense that it will set a **precedent for the entire country** for carrying out a large-scale survey work like this.
- Also, **planning of schemes** would become more effective with availability of accurate data.

10 Corporate Social Responsibility

Context: Recently, Parliament has passed amendments to the Companies Act, 2013 to strengthen laws governing corporate social responsibility (CSR).

About:

- **Corporate Social Responsibility (CSR) is a self-regulating business model that helps a company be socially accountable.**
- It is also called corporate citizenship.
- By practicing CSR, companies can be conscious of the kind of impact they are having on all aspects of society including economic, social, and environmental.

Current provisions governing CSR:

- The laws governing CSR come under the Companies Act, 2013, and became effective on 1 April 2014.
- These laws state that companies with a net worth of ?500 crore or revenue of ?1,000 crore or net profit of ?5 crore during the immediately preceding fiscal should spend 2% of their average net profit in the last three years on activities related to social development such as sanitation, education, eradication of hunger, poverty and malnutrition, conservation of heritage, art and culture, and vocational training such as setting up grooming outlets or training centres for sewing.
- If a company is unable to fully incur the CSR expenditure in a given year, it could carry this amount forward and spend it in the next 12 months, in addition to the money for that year.

New changes proposed:

- Under the new laws, any unspent amount will have to be deposited into an escrow account within 30 days of the end of that fiscal.
- This amount will have to be spent within three years from the date of its transfer, failing which it will be put into a fund, which could even be the Prime Minister's Relief Fund.
- The government also plans to include a specific penal provision in the Companies Act in case of non-compliance with CSR. Companies violating CSR norms will attract fines ranging from Rs 50,000 to Rs. 25 lakh, with the officers concerned liable for imprisonment of up to three years.

- Listed firms need to disclose their CSR activities, amount spent and framework created to ensure adherence to norms.
- Companies need to have a CSR team that provides a regular progress report and updates to the CSR committee of the board. The committee is given a report of the activities undertaken each quarter, along with targets and reasons for variance, if any. All this is needed to be submitted to the corporate affairs ministry.

11 Gig Economy

Context: The struggle for gig workers' rights took a big step forward this week when the California legislature passed a law classifying many such workers — including Uber and Lyft drivers — as "employees."

- **Gig Economy**
  - In a gig economy, temporary, flexible jobs are commonplace and companies tend toward hiring independent contractors and freelancers instead of full-time employees.
  - A gig economy undermines the traditional economy of full-time workers who rarely change positions and instead focus on a lifetime career.
  - The gig economy can benefit workers, businesses, and consumers by making work more adaptable to the needs of the moment and demand for flexible lifestyles.
  - At the same time, the gig economy can have downsides due to the erosion of traditional economic relationships between workers, businesses, and clients.

12 Ayushman Bharat Scheme Empowering Several Indians

Context: Prime Minister highlighted the progress made by the government's flagship Ayushman Bharat programme under which 50 lakh beneficiaries have been treated free of cost. It is described as an "important milestone" towards a healthy India.

About:

- Ayushman Bharat Yojana, also known as the Pradhan Mantri Jan Arogya Yojana (PMJAY), is a scheme that aims to help economically vulnerable Indians who are in need of healthcare facilities.
- The Ayushman Bharat Yojana - National Health Protection Scheme, which has now been renamed as Pradhan Mantri Jan Arogya Yojana, plans to make secondary and tertiary healthcare completely cashless.
- PM Jan Arogya Yojana beneficiaries get an e-card that can be used to avail services at an empanelled hospital, public or private, anywhere in the country. With it, you can walk into a hospital and obtain cashless treatment.

Salient Features

- Ayushman Bharat - National Health Protection Mission will have a defined benefit cover of Rs. 5 lakh per family per year.
- Benefits of the scheme are portable across the country and a beneficiary covered under the scheme will be allowed to take cashless benefits from any public/private empanelled hospitals across the country.

- Ayushman Bharat - National Health Protection Mission will be an entitlement based scheme with entitlement decided on the basis of deprivation criteria in the SECC database.
- The beneficiaries can avail benefits in both public and empanelled private facilities.
- To control costs, the payments for treatment will be done on package rate (to be defined by the Government in advance) basis.
- One of the core principles of Ayushman Bharat - National Health Protection Mission is to co-operative federalism and flexibility to states.
- For giving policy directions and fostering coordination between Centre and States, it is proposed to set up Ayushman Bharat National Health Protection Mission Council (AB-NHPMC) at apex level Chaired by Union Health and Family Welfare Minister.
- States would need to have State Health Agency (SHA) to implement the scheme.
- To ensure that the funds reach SHA on time, the transfer of funds from Central Government through Ayushman Bharat - National Health Protection Mission to State Health Agencies may be done through an escrow account directly.
- In partnership with NITI Aayog, a robust, modular, scalable and interoperable IT platform will be made operational which will entail a paperless, cashless transaction.

13 Moody's cut India's Rating from Stable to Negative

Context: Ratings agency Moody's has reacted predictably to the turbulence in the economy by revising the outlook on its sovereign rating for India from stable to negative.

About:

- Moody's Investor Service changed its outlook for India's sovereign rating(Baa2) from stable to negative, saying that the domestic economic downturn could be structural.
- The agency's action does not amount to a rating downgrade, but comes as a caution against policy inaction. Moody's credit rating of Baa2, the second-lowest investment grade score, is better than those of other agencies, such as S&P and Fitch, who have assigned the lowest investment grade to India with a stable outlook.
- However, the Union finance ministry said that India's potential growth rate remains unchanged, as evident from the assessment by the International Monetary Fund (IMF) and other multilateral organizations that continue to hold a positive outlook on India.
- The government has undertaken a series of financial sector and other reforms to strengthen the economy as a whole. Government of India has also proactively taken policy decisions in response to the global slowdown. These measures would lead to a positive outlook on India and would attract capital flows and stimulate investments
- India has often criticized the methodology followed by rating agencies.
- India's ratings were upgraded to Baa2 from Baa3 in 2017 citing progress on 'economic and institutional reforms' by the Narendra Modi Governmnet.
- Moody's said India's potential gross domestic product (GDP)growth and job creation will remain constrained unless reforms are advanced to directly reduce restrictions on the productivity of labour and land, stimulate private sector investment, and sustainably strengthen the financial sector.

14 Labour Reforms

Context: Industrial Relations Code was introduced in the Parliamentary by Minister of Labour.

Background

- Labour reforms essentially mean taking steps in increasing production, productivity, and employment opportunities in the economy in such a manner that the interests of the workers are not compromised.
- Essentially, it means skill development, retraining, redeployment, updating knowledge base of workers-teachers, promotion of leadership qualities, etc. Labour reforms also include labour law reforms.
- Labour laws are concerned with the trade union rights of the workers, industrial relations and job security and policies relating to wages, bonus and other incentive schemes.
- Labour reforms are of great important as the laws enacted in the labour market aim at regulating the market, protecting employment and ensuring social security of workers.

Problems of Labour Market in India

- **Indian labour market is characterised by a sharp dichotomy.**
  - Organised sector is stringently regulated while the unorganized sector is virtually free from any outside control and regulation with little or no job security.
- **Poor Social Security**
- **Multiplicity of Archaic Labour Laws**
  - Labour Laws govern trade unions, industrial relations, and job security
  - Labour is a concurrent subject and more than 40 Central laws more than 100 state laws govern the subject.
- **Trade Union Issues**
  - **Frequent Strikes**
  - Inter-union rivalry and political rivalries are considered to be the major impediments to have a sound industrial relation system in India.
  - Indian labour laws are highly protective of labour, and labour markets are relatively inflexible. As usual, these laws are applicable in the organised sector only.
- **Rigid Laws**
- **Unskilled labour**
- **Gender gap**
- **Low labour Productivity:**

Agenda for labour Reforms

- **Consolidation and simplification** of numerous States' and Centre labour laws
- **Streamlining of Minimum Wages** in the country and ensuring they reach the beneficiaries.
- **Introduction of fixed term employment**, to curb tendency for employing (socially insecure) contract labour.

Steps Taken by Government

- **Four Labour Codes aims at** simplification, amalgamation and rationalisation of Central Labour Laws

- **Child labour (prohibition and Regulation) Amendment Act, 2016** provides complete ban on employment of children below 14 years of age.
- **Maternity Benefit Amendment Act, 2017** has increased paid maternity leave from 12 weeks to 26 weeks
- The **2nd National Commission of labour** had recommended simplification, amalgamation and rationalisation of Central Labour Laws. The central government is compressing of 44 central labour laws into four 'codes' or broad categories — wages, social security, industrial relations and occupational health and safety.

15 Indian Railways Reforms: A single cadre for Railways Management

Context: Recently, the Cabinet recently approved to trim the Railway Board and merge service cadres.

Background

- The Cabinet recently approved **trimming of the Railway Board**, the powerful body that governs the Indian Railways. From **nine**, the Board will now have only **five Members**.
- The Cabinet also decided to merge all **central service cadres of Railways officers into a single Indian Railways Management Service (IRMS)**. Now, any eligible officer could occupy any post, including Board Member posts, irrespective of training and specialisation, since they will all belong to IRMS.
- The five members of the Board, other than a Chairman-cum-CEO, will now be the Members Infrastructure, Finance, Rolling Stock, Track, and Operations and Business Development. The Board will also have independent members, who will be industry experts with at least 30 years of experience, but in non-executive roles, only attending Board meetings.
- The move has led to protests from serving civil servants, prompting the Railway Board to reach out to them to allay their concerns.

Present System in Railways

- The Indian Railways is governed by a pool of officers, among whom engineers are recruited after the Indian Engineering Service Examination, and civil servants through the Civil Services Examination. The civil servants are in the Indian Railway Traffic Service (IRTS), Indian Railway Accounts Service (IRAS) and Indian Railway Personnel Service (IRPS). The engineers are in five technical service cadres — Indian Railway Service of Engineers (IRSE), Indian Railway Service of Mechanical Engineers (IRSME), Indian Railway Service of Electrical Engineers (IRSEE), Indian Railway Service of Signal Engineers (IRSSE) and the Indian Railway Stores Service (IRSS).
- Until the 1950s, the Railways system was run by officers from just three main streams: Traffic, Civil Engineering, and Mechanical. The other streams emerged as separate services over time.

16 Ways to Measure Poverty in India

Context: American President praised India for having lifted "over 270 million people out of poverty" in "a single decade", and said that "12 Indian citizens are lifted out of extreme poverty every single minute of every single day".

Background

- Poverty can be defined as a condition in which an individual or household lacks the financial resources to afford a basic minimum standard of living.

- Economists and policymakers estimate "absolute" poverty as the shortfall in consumption expenditure from a threshold called the "poverty line".
- The official poverty line is the expenditure incurred to obtain the goods in a "poverty line basket" (PLB).
- Poverty can be measured in terms of the number of people living below this line (with the incidence of poverty expressed as the head count ratio). The "depth" of poverty indicates how far the poor are below the poverty line.
- Six official committees have so far estimated the number of people living in poverty in India
  - The working group of 1962
  - V N Dandekar and N Rath in 1971
  - Y K Alagh in 1979
  - D T Lakdawala in 1993
  - Suresh Tendulkar in 2009
  - C Rangarajan in 2014
  - The government did not take a call on the report of the Rangarajan Committee; therefore, poverty is measured using the Tendulkar poverty line.
  - As per this, 21.9% of people in India live below the poverty line.

- **What does the basket of goods include?**
  - The PLB comprises goods and services considered essential to a basic minimum standard of living — food, clothing, rent, conveyance, and entertainment.
  - The price of the food component can be estimated using calorie norms or nutrition targets.
  - Until the 1990s, the calorie norms method was used — it was based on the minimum number of calories recommended by the Indian Council of Medical Research (ICMR) for a household of five members.
  - However, this method does not consider the different food groups that are essential for health — this is why the Tendulkar Committee targeted nutritional outcomes.
  - The Lakdawala Committee assumed that health and education is provided by the state — therefore, expenditure on these items was excluded from the consumption basket it proposed.
  - Since expenditure on health and education rose significantly in the 1990s, the Tendulkar Committee included them in the basket.
  - As a result of revisions to the basket and other changes in the method of estimation, the percentage of people living below the poverty line in 1993-94 rose from 35.97% to 45.3%.

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4

EXTERNAL SECTOR

1 Economic impact of Coronavirus

Context: Oxford Economics warned that the spread of Coronavirus to regions outside Asia could cost the global economy 1.3% off global growth in 2020, the equivalent of $1.1tn in lost income.

- **Chinese Economy:** China has become an indispensable **part of the global business**. Due to the spread of Coronavirus, various economic activities in China have taken a hit. Businesses are dealing with **lost revenue** and **disrupted supply chains** due to China's **factory shutdowns**. Travel to and from China has also been restricted.
  - According to a Reuter's poll of economists, **China's economic growth expected to slow to 4.5% in the first quarter of 2020 –** the slowest pace since the financial crisis.
  - **Countries most hit:** Based on the value of its exportsto mainland China and Hong Kong relative to GDP, **Taiwan is likely to be the hardest hit**, followed by **Vietnam, Malaysia, and South Korea.**
- **Trade and commerce:** Chinese economy accounts for **16% of global output**. China has grown into the world's factory, churning out products such as **iPhone, cars, luxury products** and driving demand for commodities like **oiland copper**.
  - **Factory shutdowns** are **causing a shortage of products and parts from China,** affecting companies around the world, including **Apple and Nissan**.
  - **Unavailability of workers**: Factories delayed opening after the Lunar New Year as workers stayed home to help reduce the spread of the virus.
  - **Electronics, consumer goods, chemicals, auto components and pharmaceuticals** are seen as the most **vulnerable sectors.**
  - **Pharmaceuticals**: Prices of some bulk drugs have already risen.
- **Global Supply Chains**: There is a threat to global supply chains (GVCs**). Qualcomm (QCOM**), the world's biggest maker of smartphone chips, warned of **uncertainty around demand for smart-phones**, and supplies needed to produce them.
  - Auto parts shortages have **forced Hyundai (HYMTF)**to **close plants in South Korea** and caused **Fiat Chrysler (FCAU**) to make **contingency plans for plants in Europe.**
  - **Automobile sector:** Car plants across China have been ordered to remain closed, preventing global automakers Volkswagen, Toyota (TM), Daimler (DDAIF), General Motors (GM), Renault (RNLSY), Honda (HMC) and Hyundai (HYMTF) from resuming operations in **world's largest car market.**
- **Oil Industry**: The petrochemical sector serves as the **backbone for various other manufacturing and non-manufacturing sectors** such as infrastructure, automobile, textiles and consumer

durables. **China is the world's biggest oil importer**. With Coronavirus hitting manufacturing and travel, the International Energy Agency (IEA) has predicted **the first drop in global oil demand in a decade, causing a drop in oil prices.**

- **Crude-dependent sectors:** Sectors such as **aviation, shipping, road and rail transportation** are likely to gain from a sudden drop in crude oil prices.
- **Benefit to oil-importing nations:** Major oil importers such as India will get a better bargain with reduced oil prices.

2 Remission of Duties & Taxes on Export Product (RoDTEP)

Context: Recently, government launched a new scheme called Remission of Duties and Taxes on Export Product (RoDTEP).

About:

- **Remission of Duties and Taxes on Export Product (RoDTEP):** RoDTEP is a Rs 50,000-crore exports programme which is supposed to **replace Merchandise Exports From India Scheme (MEIS).**
- **Operation delayed:** The operation of RoDTEP was recently delayed. MEIS would remain in force till March 31, 2020.
  - RoDTEP was first set to roll-out from 1st January 2020, but recently its roll-out was delayed to next fiscal.
  - This delay was done at the behest of **exporters' request to grant them more time** to prepare for a transition from MEIS to the new scheme, given the **operational challenges.**
  - The next **foreign trade policy** will contain the broad contours of RoDTEP.

RoDTEP scheme

- **Reimburse input taxes and duties:** RoDTEP is expected to adequately incentivize exporters by reducing duties paid on exports and will initiate the refund of various taxes to exporters.
- **WTO compliant:** The new scheme is supposed to reimburse all taxes and duties paid on inputs consumed in exports in sync with the WTO norms.
  - The MEIS, exporters have persistently complained, doesn't offset all the taxes, so the new scheme will be beneficial to them when it's implemented.
- **Automatic refund-route:** The new scheme will have a fully automated route for Input Tax Credit (ITC) in the GST to help increase exports in India.
- **Avoid double taxation:** ITC is provided to set off tax paid on the purchase of raw materials, consumables, goods or services that were used in the manufacturing of goods or services. This helps in avoiding double taxation and the cascading effect of taxes
- **Attempt to reverse export fall:** It is expected to adequately incentivize exporters by reducing duties paid on exports and will initiate the refund of various taxes to exporters. Measures in the new scheme include:
  - Easier priority-sector lending norms for exports
  - Greater insurance cover under ECGC
  - Lower premium for MSMEs to avail of such cover
- **Costly to the government:** Since potential revenue forgone in the current MEIS is around Rs 40,000 crore a year, RoDTEP is expected to cost the government an additional Rs 10,000 crore annually.

3 US-China Trade War

Context:

- Recently, the US President Donald Trump's administration raised import tariffs on $200 billion of Chinese imports from 10% to 25%, effectively making them 25% more expensive for US consumers.
- China said it will raise tariffs on $60 billion worth of U.S. goods from June 1, in retaliation to this U.S. tariff hike. The new rates will target a number of American imports with tariffs ranging from 5% to 25%. In addition, China may stop purchasing U.S. agricultural products and energy, reduce Boeing orders and restrict the bilateral service trade.
- Further, US Trade Representative has published plans to increase tariffs on another 3805 Chinese imports valued at $300 billion hence covering almost all of China's import products.

Analysis:

- **Impact on US economy:**
  - Tariffs imposed on Chinese goods, in theory, make US-made products cheaper than imported ones, and encourage consumers to buy American. This will boost the consumption of domestic products and increase the profits of American manufacturers rather than Chinese manufacturers.
  - The increased tariffs by China could hamper the US export industry, as the products of these US industries will now have to compete will locally available cheaper products of China.
- **Impact on Chinese Economy:**
  - The biggest Chinese import sector impacted by the fresh round of tariff hikes is the $20 billion-plus category of Internet modems, routers, and other data transmission devices segment.
  - This is followed by about $12 billion worth of printed circuit boards used in a vast array of US-made products.
  - Furniture, lighting products, auto parts, vacuum cleaners, and building materials also face higher levies.
- **Impact on India:**
  - The US manufacturers are setting up their bases in India, in addition to already existent bases in China. This will provide them an alternative source for export of their products to deal with such trade wars like situations. For India, this will be beneficial as it would create more jobs for us.
  - There is a possibility that China could soon start flooding excess steel and aluminium into India's market after this raised tariffs on Chinese products by US.
  - Besides the steel sector, products in other sectors like mobile phones, refrigerators, washing machines, ACs, water purifiers, and possibly electric vehicles will now see increased investment flow directed towards India.
  - The Indian consumers will get the products at a cheaper rate but the domestic producers of India will have to compete with the Chinese imports or else face loss.
  - With this increased tariffs on Chinese products by the US, the Indian producers will get an opportunity to fill this generated gap and penetrate in the US market. This will increase their trade and profit.
  - Besides this, there will be a short-term impact on the stock markets. The benchmark Sensex at the Bombay Stock Exchange has been falling in line with global markets that have been spooked by the escalating trade war between the US and China.
  - The increased tariffs will lower the demand of Chinese products in American market thereby decreasing the profits earned by the Chinese companies.

4 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.

- **What is 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.
  - 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**.
  - Most Favoured Nation status is given to an international trade partner to ensure non-discriminatory trade between all partner countries of the WTO.
  - A country which provides MFN status to another country has to provide concessions, privileges, and immunity in trade agreements. It is the first clause in the General Agreement on Tariffs and Trade (GATT).
  - 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.

5 Financial Action Task Force

Context: During the Financial Action Task Force (FATF) Week in Paris, India had lobbied hard to get the global financial body to blacklist Pakistan for non-compliance in curbing terror financing.

More on News:

- Indian security agencies have prepared a dossier to show the culpability of Pakistan in the Pulwama terror strike, which was the worst such attack in J&K in decades.
- Pakistan was placed on the 'grey list' in June last year and was lobbying hard to be removed from this list at the meeting.
- Pakistan has to complete its action plan until May 2019. If the country does not meet the targets by October, it could be blacklisted.

FATF

- It was established in July 1989 by a Group of Seven (G-7) Summit in Paris, initially to examine and develop measures to **combat money laundering**.
- In October 2001, the FATF expanded its mandate to incorporate efforts to **combat terrorist financing**, in addition to money laundering.
- Since its inception, the FATF has operated under a fixed life-span, requiring a specific decision by its Ministers to continue.
- The current mandate of the FATF (2012-2020) was adopted at a Ministerial meeting in April 2012.
- Its secretariat is housed administratively at the OECD.
- FATF was not formed as a formal international organisation. Rather, the FATF is a task force composed of member governments who agree to fund the FATF on temporary basis with specific goals and projects.

Objectives of the FATF:

- To set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.
- To monitor countries' progress in implementing the FATF Recommendations; reviews money laundering and terrorist financing techniques and counter-measures;
- To promote the adoption and implementation of the FATF Recommendations globally.

How many countries are there in the FATF?

- The FATF, which reportedly comprises 36 countries and two regional organisations (European Commission and Gulf Cooperation Council), works to identify national-level vulnerabilities with the aim of protecting the international financial system from misuse.

What are the Black List and Grey List?

Those are two types of list that FATF maintains.

- **Black list** is given to the countries that FATF considers as uncooperative tax havens. These countries are known as Non-Cooperative Countries or Territories (NCCTs).
- **Grey list** is a warning given to the country that it might come in Black list. But even when a country comes under Grey list it faces many problems like :
  - Problem in getting loans
  - Economic sanctions
  - Reduction in trade.

6 Growing India-US Trade Conflict

Context:

- Recently, USA and Indian officials met in New Delhi to discuss the trade relationship between their countries.
- India has a $22-billion trade surplus with the US and this aspect is particularly annoying to the Trump administration.

About:

- Under Trump's "America first" doctrine, the US administration is actively taking steps to reduce trade deficit
- s with its major trade partners.
- With China, America has $566 billion trade deficit.
- USA has raised objections over India's growing protectionism. Indian tariffs on solar panels (ironically, meant to control Chinese imports) prompted a U.S. complaint at the World Trade Organization.
- Then, an Indian attempt to fix the price of stents caused the U.S. medical equipment industry to rise up in protest.

Background

- **US-India trade relations:**
  - The United States and India view each other as important strategic partners to advance common interests regionally and globally.
  - Bilateral trade in goods and services is about 2% of U.S. world trade, but tripled in value between 2005 and 2017, reaching $126 billion.
  - The trade relationship is more consequential for India, for whom the United States was its second largest export market (16% share) after the European Union (EU, 17%), and third largest source of imports (6%) after China (17%) and the EU (10%) in 2017.
  - S.-India foreign direct investment (FDI) is small but growing defence sales are significant in bilateral trade as well.
  - Civilian nuclear commerce, stalled for years over differences on liability protections, has produced major potential U.S. supply contracts.

Analysis:

- **Why USA keeps a constant tab on Indian Economy:**
  - India has one of the world's fastest growing economies and the third largest on a purchasing power parity basis.
  - It is the second most populous country, with a large and growing middle class.
  - Rising world energy prices place pressure on India which imports about 80% of its oil needs.
  - Energy prices and other global factors have caused India's currency to depreciate against the U.S. dollar, raising concerns about inflation.
  - Still, the economy is projected to grow by 7.3% in 2018, up from 6.7% in 2017 (International Monetary Fund data), as shocks abate from domestic economic measures.
- **Bone of contention:**
  - Now, India has chosen to wage battle against U.S. companies on a completely new front: **data localization.**
  - Reserve Bank of India told all payments companies to "store the entire data related to payments systems" solely in India.
  - The government followed up with draft policies, one of which ordered e-commerce companies to store user data in India and one which tells all internet companies to store personal data of Indians in India.
  - E-commerce has also been a major flashpoint. The government is going after foreign-owned e-commerce web sites such as Amazon, telling them that they can't hold any inventory or allow their platform to be used by companies they'd invested in.

- In other words, Amazon needs to find a middleman to sell Kindles or Echos on its Indian website.
- Local companies face no such restrictions.

7 Generalised System of Preferences

Context:

- United States federal government withdrew Generalised System of Preferences (GSP) for Indian goods.
- GSP allowed 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.

More on News:

- The trigger for the latest downturn in trade ties is India's new rules on e-commerce that restrict the way Amazon and Walmart-backed Flipkart do business in a rapidly growing online market set to touch $200 billion by 2027.
- India could lose a vital U.S. trade concession, under which it enjoys zero tariffs on $5.6 billion of exports to the United States, amid a widening dispute over its trade and investment policies.
- India is the world's largest beneficiary of a scheme that has been in force since the 1970s.

What is 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.
- The GSP program has effective dates which are specified in relevant legislation, thereby requiring periodical reauthorization in order to remain in effect.

GSP at Global Level

- GSP instituted in 1971 under the aegis of UNCTAD, has contributed over the years to creating an enabling trading environment for developing countries.
- The following 13 countries grant GSP preferences: Australia, Belarus, Canada, the European Union, Iceland, Japan, Kazakhstan, New Zealand, Norway, the Russian Federation, Switzerland, Turkey and the United States of America.
- Following the WTO Hong Kong Ministerial Decision of UNCTAD in 2005 the members agreed that developed countries and developing countries in a position to do so would grant duty-free and quota-free market access for exports of Least Developed Countries(LDC).
- Subsequent ministerial decisions also reaffirmed the continued importance of this issue for LDCs' trade and development prospects.
- The provision and utilization of trade preferences is a key goal the Istanbul Program of Actions adopted at the UN LDC IV in 2013, as further reaffirmed in SDGs Goal 17.

Who are the 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.

Which are the 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.

8 Women Livelihood Bonds

Context: The World Bank, the Small Industries Development Bank (Sidbi) and the UN Women, along with 10 wealth management firms and leading corporates announced the launch of a new social impact bond to offer credit to rural women entrepreneurs.

More on News:

- To be raised by SIDBI, the Women's Livelihood Bonds will offer an annual coupon of 3 per cent and will have tenure of five years.
- The fund to be raised through this bond will be around Rs 300 crore in multiple tranches over the next three months and will be transferred through SIDBI into the micro- finance industry for small and medium women entrepreneurs.
- The funds will be used for lending to individual women entrepreneurs in sectors such as agriculture, food processing, services and manufacturing.
- The new bonds will help individual women entrepreneurs in sectors such as agriculture, manufacturing, services and food processing to borrow around Rs 1 lakh to Rs 1.50 lakh at an annual interest rate capped at around 13% or less, almost half the rate charged currently by microfinance institutes .
- The microfinance institutes have been trying to catering to this segment of people by forming self-help groups (SHGs), however, the credit limit is usually capped at Rs 50,000 or Rs 1 lakh.

UN Women

- A global champion for women and girls, UN Women was established to accelerate progress on meeting their needs worldwide.

- UN Women supports UN Member States as they set global standards for achieving gender equality, and works with governments and civil society to design laws, policies, programmes and services needed to ensure that the standards are effectively implemented and truly benefit women and girls worldwide.
- It works globally to make the vision of the Sustainable Development Goals a reality for women and girls and stands behind women's equal participation in all aspects, focusing on four strategic priorities:
- Women lead, participate in and benefit equally from governance systems
- Women have income security, decent work and economic autonomy
- All women and girls live a life free from all forms of violence
- Women and girls contribute to and have greater influence in building sustainable peace and resilience, and benefit equally from the prevention of natural disasters and conflicts and humanitarian action.

9 China-India (Xuzhou) IT Corridor Project

Context: India has launched its third IT corridor in China that will facilitate partnerships between Indian and Chinese companies

About:

- The National Association of Software and Services Companies (NASSCOM) entered into a partnership with China's Xuzhou city from Jiangsu Province in China to help develop the IT corridor.
- The IT industry body has already launched such corridors at Dalian and Guiyang cities to cash in on the burgeoning Chinese IT industry These have sprung up opportunities to the tune of 24 Million RMB (USD 4.6 million) and 62 Million RMB (USD 8.9 million) respectively.
- The first two corridors have paved the way for cooperation in co-create mode in the emerging technologies such as AI, IoT and Analytics in the Chinese market.
- Through this partnership, the platform will be launched that will facilitate match-making between Indian companies wanting to collaborate with companies in Huai Hai economic zone looking to adopt digital transformation from verticals such as manufacturing, retail, automotive, healthcare and utilities and help them create innovative product and solutions in the co-create mode.
- This partnership will help create more jobs in Xuzhou and India and facilitating talent transfer between the two countries.

10 AIIB boosts Common Development of Asia, World

AIIB and India:

- India is the largest borrower of the AIIB.
- In December 2018, the AIIB approved a loan of $400 million for a water supply program in Andhra Pradesh, India, aiming to provide safe drinking water through piped water supply to 3.3 million people in the region, where severe water pollution and poor water purifying equipment affected people's health.
- It has approved nine loan projects in India including the water supply program, totaling over $2 billion.

- Most of these loans were used to improve the transportation, electricity supply, water supply and other infrastructure-related areas, according to the AIIB.

AIIB and Asia:

- AIIB granted loan to Bangladesh to improve power supply for the country - a $60-million capital that went to a green field 220-megawatt combined cycle power plant in Bhola island in the Barisal district of Bangladesh.
- Among the AIIB-financed projects in Indonesia, the National Slum Upgrading Project had the most remarkable achievements, improving the livelihood for tens of millions of impoverished residents.
- There are over 29 million Indonesians living in slums, according to the estimate of George Soraya from the World Bank who is in charge of the project.
- AIIB’s loan project to the Philippines aims to improve flood management in selected areas of Metro Manila.
- With AIIB’s loans, Tajikistan in Central Asia has boosted key projects including a city roads and flyovers project in its capital Duschanbe, the Dushanbe-Uzbekistan Border Road Improvement Project and the Nurek Hydropower Rehabilitation Project.

AIIB- as a Multilateral Bank:

- In the past three years, the AIIB has demonstrated internationalism, normative operation and high standards in its governance structure, policy standards and operation mode, winning wide recognition in the international society.
- It has received the top-level rating by three major credit rating agencies in the world, and has assigned a zero-risk weighting by the Basle Committee on Bank Supervision (BCBS).
- The bank was proposed by China in 2013 .It received the highest credit ratingsfrom the three biggest rating agencies in the world, and is seen as a potential rival to the World Bank and IMF.

11 World Customs Organisation (WCO)

Context:

- Central Board of Indirect Taxes and Customs (CBIC) recently organised a meeting of the Regional Heads of Customs Administration of Asia Pacific Region of the World Customs Organisation (WCO) in Kochi from 08th to 10th May.
- India is hosting this meeting in its capacity as Vice Chairperson of the Asia Pacific region that it assumed in July, 2018 for a two-year period.

- **Objectives of the meeting:**
  - To take stock of the progress being made in carrying forward the programmes and initiatives of WCO to promote, facilitate and secure the cross-border trade in the region and the capacity building and technical assistance required to achieve this goal.
  - To ensure greater communication and connectivity within the region, harness technology advancements, inclusive approach, and consensus on core issues.
  - Implementation of trade facilitation measures, cross-border e-commerce transactions, building capacity of small island economies and the review of the Revised Kyoto Convention (RKC).
- **World Customs Organization (WCO):**
  - It is an intergovernmental organization founded in 1952, headquartered in Brussels, Belgium.

- It works in areas covering the development of international conventions on commodity classification, valuation, rules of origin, collection of customs revenue, supply chain security, international trade facilitation, customs enforcement activities, combating counterfeiting in support of Intellectual Property Rights (IPR), drugs enforcement and illegal weapons trading.

12 Dispute Settlement Mechanism of WTO

Context:

- The World Trade Organization's (WTO's) dispute settlement mechanism is going through a "crisis": the body is struggling to appoint new members to its understaffed Appellate Body that hears appeals in trade.
- Unless the issue is resolved, the body could become defunct, and countries locked in international trade disputes will be left with no forum for recourse.

Recent issues in WTO

- Over the last few years, the membership of the body has shrivelled to just three persons instead of the required seven.
- Many analysts have said that Buenos Aires summit has highlighted the existential crisis faced by WTO especially during a time when emerging economies have adopted assertive and developed economies have adopted protectionist attitude.
- This is because the United States, which believes the WTO is biased against it, has been blocking appointments of new members and reappointments of some members who have completed their four-year tenure.
- Two members will complete their tenures in December 2019, leaving the body with just one member.
- At least three people are required to preside over an appeal, and if new members are not appointed to replace the two retiring ones, the body will cease to be relevant.
- The understaffed appeals body has been unable to stick to its 3 month deadline for appeals filed in the last few years, and the backlog of cases has prevented it from initiating proceedings in appeals that have been filed in the last year.

WTO's dispute settlement mechanism

- The Appellate Body, set up in 1995, is a standing committee of seven members that presides over appeals against judgments passed in trade-related disputes brought by WTO members.
- With over 500 international disputes brought to the WTO and over 350 rulings issued since 1995, the **organisation's dispute settlement mechanism** is one of the most active in the world, and is the highest authority in these matters.
- Countries involved in a dispute over measures purported to break a WTO agreement or obligation can approach the Appellate Body if they feel the report of the panel set up to examine the issue needs to be reviewed on points of law.
- It can uphold, modify, or reverse the legal findings of the panel that heard the dispute.
- The WTO's dispute settlement procedure is seen as being vital to ensuring smooth international trade flows. It has so far issued 152 reports. The reports, once adopted by the WTO's disputes settlement body, are final and binding on the parties.

13 Multilateral Convention to Implement Tax Treaty

Context: The Union Cabinet has approved the ratification of the Multilateral Convention to implement tax treaty related measures to prevent base erosion and profit shifting and to implement OECD's project on checking tax evasion.

Multilateral Convention

- **The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting**, sometime abbreviated **BEPS multilateral instrument**, is a multilateral convention of the **Organisation for Economic Co-operation and Development** (OECD) to combat tax avoidance by multinational enterprises (MNEs) through prevention of Base Erosion and Profit Shifting (BEPS).
- The BEPS Project identified 15 actions to address in a comprehensive manner.
- It enables countries to implement the tax treaty related changes between two or more Parties to the Convention to achieve anti-abuse BEPS outcomes through the multilateral route without the need to bilaterally re-negotiate each such agreement which is burdensome and time consuming.
- It will not function in the same way as an amending protocol to a single existing treaty, which would directly amend the text of the Covered Tax Agreement.
- Instead, it will be applied alongside existing tax treaties, modifying their application in order to implement the BEPS measures.

Impact:

- The Convention will modify India's treaties in order to curb revenue loss through treaty abuse and base erosion and profit shifting strategies by ensuring that profits are taxed where substantive economic activities generating the profits are carried out and where value is created.
- Ratification of the Multilateral Convention will enable application of BEPS outcomes through modification of existing tax treaties of India in a swift manner.
- This step will update international tax rules and lessen the opportunity for tax avoidance by multinational enterprises.

Multilateral Instrument (MLI)

- The **Multilateral Instrument** (MLI) offers concrete solutions for governments to close the gaps in existing international tax rules by transposing results from the OECD/G20 BEPS Project into bilateral tax treaties worldwide.
- The MLI modifies the application of thousands of bilateral tax treaties concluded to eliminate double taxation. It also implements agreed minimum standards to counter treaty abuse and to improve dispute resolution mechanisms while providing flexibility to accommodate specific tax treaty policies.

Base Erosion & Profit Shifting (BEPS)

- BEPS refers to tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no tax locations where there is little or no economic activity. It is of major significance for developing countries due to their heavy reliance on corporate income tax, particularly from multinational enterprises.
- Most BEPS activity is associated with industries with intellectual property (IP), namely Technology and Life Sciences.

14 Stages of Economic Integration

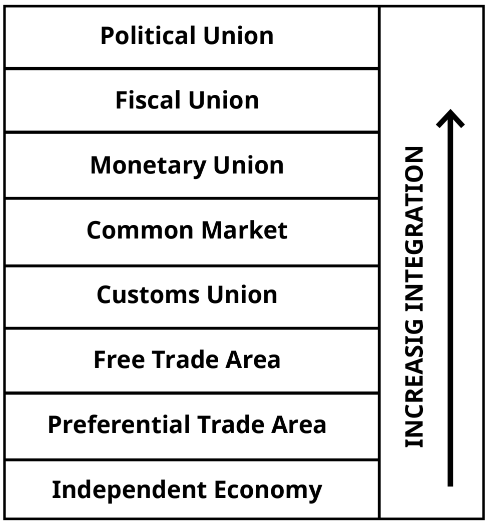
- The Regional Comprehensive Economic Partnership (RCEP) is a proposed FTA of which India aims to be a part of. The BREXIT proposal has also created pressure on India to form FTAs with the UK. In this Context: it is important to consider the meaning of FTA, and various other stages of economic integration.

Independent Economy:

- In order to implement the **principle of economic self-sufficiency**, one must build an independent national economy.
- If an independent national economy is to be built, the economy must be developed in a **diversified and integral manner**. It requires development of **heavy industry and light industry and agriculture simultaneously.**
- It is necessary to establish reliable and independent sources of **raw materials and fuel. Technical independence** is also necessary.
- An independent economy is opposed to foreign economic domination and subjugation; but it **does not rule out international economic cooperation.**

Preferential Trade Area:

- A preferential trade area/agreement (PTA) is a trading bloc that gives **preferential access to certain products from the participating countries**.
- This is done by **reducing tariffs** but not by abolishing them completely. A PTA can be established through a trade pact. It is the first stage of economic integration.
- Today simple PTA has evolved into **bilateral PTAs** and **Mega-PTAs**. Mega-PTA is wide regional trade agreements, such as the Transatlantic Trade and Investment Partnership **(TTIP)** or Trans Pacific Partnership **(TPP).**
- These tariff preferences create **departures from the normal trade relations principle**.



Free Trade Area

- A Free Trade Area (FTA) is a group of countries who have mutually agreed to **limit or eliminate trade barriers** - tariffs or quotas - among them.
- FTAs tend to **promote free trade and the international division of labor**, allowing countries to increase specialization in their respective comparative advantages.
- To develop a FTA, participating nations must **develop rules for how the new FTA** will operate and decide upon the following:
  - Customs procedures that each country will follow
  - Tariffs, if any, that will be allowed and their costs
  - Trade despite resolution mechanism
  - Transportation of goods
  - Intellectual property rights protection and management
  - FTA rules decide the scope and degree of **how "free" trade will actually be.**
- **Advantages:** FTAs can benefit consumers, who get increased access to less expensive and/or higher quality foreign goods. Population may also see increased living standards.

- **Disadvantages:** Producers can struggle with increased competition, but they might also acquire a greatly expanded market of potential customers or suppliers.
  - Some **jobs may be lost** as production moves to areas with comparative advantage.
  - Outcomes of FTA may represent the influence of pressure groups, and **rent-seeking** behaviors may increase.
  - FTAs may actually **distort patterns of international specialization and division of labor** by biasing and limiting trade toward trade blocs, as opposed to allowing natural market forces to determine patterns of production and trade across countries.

Customs Union

- A Customs Union (CU) involves the **removal of tariff barriers between members**, and acceptance of **a common (unified) external tariff against non-members.**
- Countries that are part of a CU only need to make a single payment (duty), once the goods have passed through the border. Once inside the union goods can move freely without additional tariffs. **Tariff revenue is then shared** between members.
- **Advantage**: A common external tariff effectively removes the possibility of arbitrage and is one of the fundamental building blocks of economic integration.
- **Disadvantage:** CU members are **not free to negotiate individual trade deals with non-members.** For example, if a member wishes to protect a declining or infant industry it cannot do so through imposing its own tariffs.

Common Market

- A common (or single) market is the most significant step towards full economic integration.
- A common market is the **extension of free trade** from just tangible goods, **to include all economic resources.** This means that **all barriers are eliminated** to allow the **free movement of goods, services, capital, and labour.**
- **Tariffs and all non-tariff barriers are also reduced** and eliminated.
- For a common market to be successful there must also be a significant level of **harmonisation of micro-economic policies**, and **common rules regarding product standards, monopoly power and other anti-competitive practices**.
- There may also be common policies affecting key industries, such as the Common Agricultural Policy (CAP) and Common Fisheries Policy (CFP)

Economic Union

- An Economic Union is a type of trade bloc which is composed of a **common market with a customs union**. It has **common trade policy towards non-members**, although members are free to pursue **independent macro-economic policies.**
- The member countries have common policies on product regulation, freedom of movement of goods, services and factors of production (capital and labour) and a common external trade policy.
- The **European Union (EU)** is the best known Economic union, and came into force on November 1st 1993, following the signing of the Maastricht Treaty (formally called the Treaty on European Union.)

Monetary Union

- Monetary union is the first major step towards macro-economic integration, and enables economies to converge even more closely.
- In monetary union, **members adopt a single, shared currency**, such as the Euro for the Euro-17 countries, and the East Caribbean Dollar for 11 islands in the East Caribbean.

- This means that there is a common exchange rate, a common monetary policy, including interest rates and the regulation of the quantity of money, and a single central bank, such as the **European Central Bank or the East Caribbean Central Bank.**

Fiscal Union

- A fiscal union is an agreement to **harmonise tax rates, to establish common levels of public sector spending and borrowing, and jointly agree national budget deficits or surpluses.**
- The majority of EU states agreed a fiscal compact in 2012. Though it is a less binding version of a full fiscal union.

Economic and Monetary Union

- Economic and Monetary Union (EMU) is a key stage towards compete integration, and involves a **single economic market, a common trade policy, a single currency and a common monetary policy.**

Complete Economic Integration

- Complete economic integration involves a **single economic market, a common trade policy, a single currency, a common monetary policy, together with a single fiscal policy**, including common tax and benefit rates – in short, complete harmonisation of all policies, rates, and economic trade rules.

15 H1-B Visas

Context: United States government has said that it is planning to curb the distribution of H-1B visa to Indians. While the final decision is yet to be taken, Government of India has expressed concerns to the US over the proposal.

About:

- The US government had recently said that it is planning to **curb the distribution of H-1B visa to Indians.** Hence, at the **2+2 dialogue** with the US, **India pitched** its stand for H-1B visa holders.
- **Objective:** The reason H-1B visas may see changes is **to better protect US workers and wages,** and **save them from competition** from workers arriving from outside countries like India and China.
- **H-1B visa:** The H-1B is a United States visa under the Immigration and Nationality Act. It has roots in the earlier issued H-1 visa which was later split between H-1A (for nurses) and H-1B. H-1B is one of the most popular visas for foreigners visiting the US for business or trade purpose.
  - It is a **non-immigrant visa** that allows US companies to employ foreign workers in speciality occupations that require **theoretical or technical expertise.**
  - Speciality occupations include specialized fields like IT, finance, accounting, architecture, engineering, mathematics, science, medicine, etc. which usually require a **bachelor's degree or higher**.
  - US employers wishing to bring in staff for long-term assignment prefer H1B visa because its application is **quicker than applying for a US Green Card.**
  - H-1B visa has its **roots in the H1 visa** of the Immigration and Nationality Act; which **split between H-1A (for nurses) and H-1B** in 1990.
- **Who will be worst hit:** Worst hit by the new H1B bill will be Indian companies such as Infosys, TCS, and Wipro, as well as US tech giants like Apple, Facebook and Google, who use the H1B visa to fill positions that cannot be filled by American workers.

How is H-1B visa important to India?

- **Majority H-1B visa holder:** India has been the only country that takes **70 per cent** of the 85,000 H-1B visas applied annually. The H-1B visa is crucial for the IT sector in India.
- **IT professionals:** The technology companies of US depend on it to hire tens of thousands of employees each year from countries like India and China. Hence, a cancellation of H-1B visas will most adversely affect Indian IT professionals.
- **Talent flow**: The US should not obstruct the flow of talent from India as it is an important part of the **economic cooperation** and almost acts as a strategic bridge between the two countries, and is important for the bilateral ties.

Problems that Indians face with current H-1B rules

- **Recent changes in H-1B visa rules:** Recently, US proposed **revision of "specialty occupations" definition** for the H1B visa. H1B visas will be issued to only the most-skilled foreigners or highest-paid beneficiaries.
  - USCIS **can reject** H1B applications that do not provide the necessary required information when submitted.
  - New rules require H-1B petitioners to **first electronically register with USCIS**.
  - US can initiate **deportation** of expired H1-B holders.
  - US Department of Homeland Security (DHS) is also **considering ban on work authorization for spouse**s of H-1B visa holders.
- **Problem in job switch:** H-1B visa holders in the US face problems in switching jobs even if the new job requires the exact same skill set as before. The US citizenship and Immigration Services (USCIS) has denied several applications by new employers citing that the new position does not constitute a 'specialty occupation'.
  - If the H-1B holder starts working elsewhere and the transfer is denied, the person could be 'out of status' with a bar on entry into the US, unless the old employer is willing to take him/her back.
- **Removing country-cap on green cards:** Recently, US also **removed 7% country-cap** on issue of Green Cards. This too will agonise the wait of many skilled professionals from India who had sought permanent residency in USA.

16 India bans import of Refined Palm Oil

Context: India has banned the imports of refined palm oil, a government notification said, as New Delhi tries to curb imports from Malaysia following criticism from Kuala Lumpur on India's actions in the Kashmir region and its new citizenship law-- The Citizenship (Amendment) Act, 2019.

Background:

- India imports most of its refined palm oil from Malaysia and crude palm oil from Indonesia.
- Indonesia and Malaysia are the top two producers of palm oil, while India is the biggest importer of palm oil.
- Indonesia and Malaysia make up over 85% of global supply but there are 42 other countries that also produce palm oil.
- India has cut import duty on crude palm oil (CPO) and refined, bleached and deodorised (RBD) palm oil, and also moved RBD oil from the "free" to the "restricted" list of imports.
- While curbing oil imports was been under discussion since the Budget presented in 2019.

What Is Palm Oil?

- It's an edible vegetable oil that comes from the fruit of oil palm trees; the scientific name is Elaeis guineensis.
- Two types of oil can be produced; crude palm oil and palm kernel oil.
- Palm oil is in nearly everything – it's in close to 50% of the packaged products we find in the market.

Why Is Palm Oil Everywhere? /What makes it unique than other oils

- Palm oil is extremely versatile oil that has many different properties and functions which makes it so useful and so widely used.
  - It is semi-solid at room temperature so can keep spreads spreadable
  - it is resistant to oxidation and so can give products a longer shelf-life
  - it's stable at high temperatures and so helps to give fried products a crispy and crunchy texture
  - It's also odourless and colourless so doesn't alter the look or smell of food products.

17 INSTEX – Instrument In Support of Trade Exchanges

Context: Six Countries - Belgium, Denmark, Finland, the Netherlands, Norway and Sweden have recently joined INSTEX.

About:

- It is a payment mechanism being setup by the European Union to secure trade with Iran and skirt US sanctions after Washington pulled out of the landmark nuclear deal last May.
- Its mission is to facilitate non-USD transactions and non-SWIFT to avoid breaking U.S. sanctions.
- It is registered at Paris with an initial 3,000 Euros in the capital and a supervisory board with members from France and Germany and chaired by the UK.
- It is a project of the governments of France, Germany and United Kingdom and will receive the formal endorsement of all 28 EU members.
- It will allow trade between the EU and Iran without relying on direct financial transactions.
- It will initially be used for non-sanctionable trade, including humanitarian goods such as medicine, food and medical devices.
- This mechanism is the first concrete step by the EU to counter Trump's unilateral decision to withdraw from the nuclear deal.

18 Open General Export Licences (OGELs)

Context: Government has approved issuance of two open general export licences (OGELs) for export of certain parts and components as well as intra-company transfer of technology to select countries.

About:

- The OGEL will be a one-time export licence to be granted to a company for a specific period which will be two years initially.

- The application for grant of OGEL will be considered by the Department of Defence Production (DPP) on a case-to-case basis.
- The countries allowed under the OGELs are: Belgium, France, Germany, Japan, South Africa, Spain, Sweden, UK, USA, Canada, Italy, Poland and Mexico.
- For acquiring the licences, the applicant is mandatory to have Import-Export certificate. The quarterly & end of the year reports on all the transactions done under OGELs should be submitted to DPP for examination and post-export verification.
- Complete aircraft or complete unmanned aerial vehicles (UAVs) and any components specially designed or modified for UAVs are excluded under this licence.

19 Currency Swap Arrangement

Context: With an objective to strengthen financial stability and economic cooperation, the Reserve Bank of India has revised the framework on currency swap arrangement for SAARC countries till 2022.

About:

- This is an arrangement, between two friendly countries, which have regular, substantial or increasing trade, to basically involve in trading in their own local currencies, where both pay for import and export trade, at the pre-determined rates of exchange, without bringing in third country currency like the US Dollar.
- In such arrangements no third country currency is involved, thereby eliminating the need to worry about exchange variations.
- Currency swap agreement can be bilateral or multilateral.

Significance:

- The currency swap agreement is an important measure in improving the confidence in the Indian market and it would not only enable the agreed amount of capital being available to India, but it will also bring down the cost of capital for Indian entities while accessing the foreign capital market.
- The swap arrangement should aid in bringing greater stability to foreign exchange and capital markets in India. With this arrangement in place, prospects of India would further improve in tapping foreign capital for country's developmental needs. This facility will enable the agreed amount of foreign capital being available to India for use as and when the need arises.

20 Overseas Bonds

Context: The government plans to raise a part of its gross borrowing in external markets.

Sovereign Bonds:

- A government bond or sovereign bond is a form of debt that the government undertakes wherein it issues bonds with the promise to pay periodic interest payments and also repay the entire face value of the bond on the maturity date.

Benefits:

- The government has been arguing that the quantum of its borrowing within India is 'crowding out' the private sector. In other words, it is saying that government borrowing is at such a level that there are not enough funds available for the private sector to adequately meet its credit and investment needs.

- If the private sector cannot borrow adequately, then it cannot invest as it wants to, and that cripples one major engine of economic growth.
- Therefore, borrowing overseas allows the government to raise funds in such a way that there is enough domestic credit available for the private sector.
- Sovereign external borrowing is also considered a cheap source of raising money by the government as interest rates in advanced countries are very low.

Implications

- It may facilitate the inclusion of India’s government bonds in the global debt indices.
- India’s representation in global debt market indices is small compared to other emerging markets.
- This may lead to higher foreign inflows into India.

21 Reciprocal Trade Agreements (RTAs)

Context: The Commerce minister’s recent statement that non-tariff barriers such as reciprocal access should be cut down and should be made easy for Indian companies to operate elsewhere, makes absolutely pragmatic sense.

About:

- Countries use bilateral/regional trade agreements to increase market access and expand trade in foreign markets. These agreements are called reciprocal trade agreements (RTAs) because members grant special advantages to each other.
- RTAs include many types of agreements, such as preferential arrangements, free trade agreements, customs unions, and common markets, in which members agree to open their markets to each other’s exports by lowering trade barriers.
- **Need:** They have become an increasingly prominent feature of the multilateral trading system in recent years, in part, because of stalled global negotiations taking place under the auspices of the World Trade Organization (WTO).
- Many observers believe that RTAs deepen market integration and complement efforts by the WTO to liberalize international markets.
- Other observers contend that these agreements also distort trade and discriminate against non-member countries.

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5

AGRICULTURE

1 Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)

Context: Recently, Government has launched "Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)" programme to provide an assured income support to the small and marginal farmers.

- **Why it is needed**
  - Declining prices of agricultural commodities in the international market and fall in food inflation in India since 2017-18, relative to non-food sector, therefore reduced the returns from farming.
  - To increase the income of farmers as small and fragmented land holdings and their further divisions has contributed in declined income.
  - To provide structured income support for procuring inputs such as seeds, fertilizers, equipment, labour and other needs.
- **Features of the programme**
  - Vulnerable landholding farmer families, having cultivable land upto 2 hectares, will be provided direct income support at the rate of Rs 6,000 per year.
  - Income support will be transferred directly into the bank accounts of beneficiary farmers, in three equal installments of Rs 2,000 each.
  - This programme will entail an annual expenditure of Rs 75,000 crore and will be funded by Government of India. Around 12 crore small and marginal farmer families are expected to benefit from this.
  - It came into effect on 1st December 2018 and the first installment for the period upto 31st March 2019 would be paid during this year itself.

Other Important Income Support Schemes for Farmers

- **Rythu Bandhu scheme (Telangana**)/Farmers' Investment Support Scheme (FISS).
- It is a welfare program to support farmer's investment for two crops a year.
- The government is providing 58.33 lakh farmers, ?4000 per acre per season to support the farm investment, twice a year, for rabi and kharif seasons.
- This was the first direct farmer investment support scheme in India, where the cash is paid directly.

Krushak Assistance for Livelihood and Income Augmentation (KALIA):

- State Government of Odish aims to lend farmers with an all inclusive and flexible support system, ensuring accelerated agricultural prosperity.
- It will cover 92% of the small and marginal farmers of the State. An amount of ?10,000 per family at the rate of ?5,000 for Kharif and Rabi shall be provided as financial assistance for taking up cultivation.
- The farmers will have complete independence to take up interventions as per their needs.
- This component is not linked to extent of land owned and will greatly benefit share croppers and actual cultivators most of whom own very small extent of land.

2 Pradhan Mantri Kisan Maan Dhan Yojana (PM-KMY)

Context: Prime Minister Narendra Modi launched the Pradhan Mantri Kisan Maan Dhan Yojana at Ranchi, Jharkhand.

Why there is a need of such scheme?

- There is a felt need to create a social security net for the farmers as old age may result in loss of livelihood for many of them.
- Farming requires hard work in fields which becomes difficult at an advanced age.
- The problem is compounded in respect of small and marginal farmers as they have minimal or no savings to provide for old age.

Key features of the Scheme:

- The PM-KMY is a **Central Sector Scheme,** administered by **the Department of Agriculture, Cooperation & Farmers Welfare, Ministry of Agriculture & Farmers' Welfare**, Government of India in partnership with the Life Insurance Corporation of India (LIC).
- **The Life Insurance Corporation of India (LIC) shall be the Pension Fund Manager**and responsible for Pension pay out.
- The Pradhan Mantri Kisan Maan-Dhan Yojana (PM-KMY) provides for an **assured monthly pension of Rs. 3000/- to all land holding Small and Marginal Farmers (SMFs**), whether male or female, on their attaining the age of 60 years.
- The amount of the **monthly contribution ranges between Rs.55 to Rs.200 per month** depending upon the age of entry of the farmers into the Scheme.
- The **Central Government will also make an equal contribution**of the same amount in the pension fund.
- The spouse is also eligible to get a separate pension of Rs.3000/- upon making separate contributions to the Fund.
- In case of death of the farmer before retirement date, the spouse may continue in the scheme by paying the remaining contributions till the remaining age of the deceased farmer.
- If the farmer dies after the retirement date, the spouse will receive 50% of the pension as Family Pension.
- After the death of both the farmer and the spouse, the accumulated corpus shall be credited back to the Pension Fund.

Eligibility:

- All Small and Marginal Farmers (SMFs) in all States and Union Territories of the country, **who are of the age of 18 years and above and upto the age of 40 years**, and who do not fall within the purview of the exclusion criteria as mentioned in the guidelines, are eligible to avail the benefits of this Scheme by joining it.
- Farmers falling within the purview of the exclusion criteria are not eligible for the benefit.

3 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.
- Ministry of Agriculture has launched a campaign for enhanced registration of Kisan Credit Cards to those who have remained untouched by it so far.

About:

- 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.
- This often acts as a deterrent for the farmers to approach the banks for loans.

What is 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.
- There are around 6.95 crore active KCCs as per latest estimates

4 Doubling Farmers' Income

Background:

- Agriculture and allied sector provides livelihood to 54.6% of the population of India (census 2011) and it contributes 14.4% to the country's Gross Value Added (2018-19) as per **Economic Survey 2019**. India ranks among the top countries in the world in production of a number of crops including rice, wheat, sugarcane, fruits and vegetables. Farmers are, and will remain the drivers of Agricultural sector. Since the development of Farm mechanisation in India is still below the mark due to several factors like small land holdings, equipment cost and poor credit availability, the role of farmer in agriculture holds crucial importance and it is our imperative to ensure that farmers find Agriculture as a profitable economic activity.
- In this backdrop, **National Commission for Farmers** was constituted in **2004**, chaired by **Prof. M. S. Swaminathan**, to suggest methods for faster and more inclusive growth for farmers. Then, the Government of India in 2016 constituted an expert committee headed by **Ashok Dalwai** to look into the entire agriculture ecosystem in the country to suggest ways and means to reform it so that **farmers' income can be doubled by 2022**. The Committee submitted its final report to the Government in September 2018. Now, the government is in the process of setting up a

panel to monitor the implementation of the recommendation of the Doubling Farmers' Income (DFI) committee.

Current Status of Farmers' Income:

- The estimates for farmers' income are **not published by CSO**. The absence of adequate information makes it difficult to analyse the growth trends in farmer's income.
- According to NSSO survey, for the year 2012-13, the average annual income for a farm household from farm as well as non-farm source was Rs.77,112.
- A study by Chand et al in 2015 reveals that it took **22 years** (1993-94 and 2015-16) to double the farmers' real income.
- More than 20% of the farmers in India are Below Poverty Line.
- **Key Information about Doubling Farmer Income Initiative**
- The reference year for farmer income is 2015-16 and target year is 2022-2023.
- The aim is to double the Real Income of farmer and not the nominal income.
- According to NITI Aayog, farmers' income in 2015-16 was Rs. 44027 in real terms.
- In order t o achieve the aim, an annual growth of 10.41% is required in farmers' income.

5 National Rural Economic Transformation Project

Context:

- The Union Cabinet approved the implementation of an externally aided project namely National Rural Economic Transformation Project (NRETP).
- It will be implemented under the Deendayal Antyodaya Yojana – National Rural Livelihoods Mission (DAY-NRLM) through loan assistance (IBRD Credit) from World Bank.

More on News:

- The development objective of the NRETP for India is to establish efficient and effective institutional platforms of the rural poor to enable them to increase household income through sustainable livelihood enhancements, and improved access to financial and selected public services.

The additional financing will bring following changes:

- The results target and the intermediate indicators are updated to reflect the changes introduced by the AF
- The project will co-locate areas for investment with those selected under mission Antyodaya
- The project will update the following components-
- Institutional and human capacity development
- State livelihood support
- Innovation and partnership support

Aajeevika - National Rural Livelihoods Mission (NRLM)

- It was launched by the Ministry of Rural Development in June 2011.
- Aided in part through investment support by the World Bank, the Mission aims at creating efficient and effective institutional platforms of the rural poor.

- It is enabling them to increase household income through sustainable livelihood enhancements and improved access to financial services.
- NRLM set out with an agenda to cover 7 Crore rural poor households, across 600 districts, 6000 blocks, 2.5 lakh Gram Panchayats and 6 lakh villages in the country through self-managed Self Help Groups (SHGs) and federated institutions and support them for livelihoods collectives in a period of 8-10 years.
- In addition, the poor would be facilitated to achieve increased access to rights, entitlements and public services, diversified risk and better social indicators of empowerment.
- In November 2015, the program was renamed Deendayal Antayodaya Yojana (DAY-NRLM).

6 Khadi Gramodyog Vikas Yojana

Context: Cabinet approves continuation of Khadi Gramodyog Vikas Yojana from 2017-18 to 2019-20.

- **Approvals include:**
  - Continuing the existing schemes of MPDA, Khadi Grant, ISEC and Village Industry Grant, all subsumed under 'Khadi and Gramodyog Vikas Yojana' at the total cost of Rs. 2800 crore for the period 2017-18 to 2019-20
  - Bringing in a new component of 'Rozgar Yukt Gaon' to introduce enterprise-based operation in the Khadi sector and to create employment opportunities for thousands of new artisans for 2018-19 and 2019-20.
  - Under the **Village Industry verticals**, special focus shall be on Agro-based and food processing (Honey, Palmgur etc.), Handmade Paper and Leather, Pottery and Wellness and Cosmetics sectors through Product Innovation, Design Development & Product Diversification.
  - For this initiative, advanced skill development programmes shall be conducted through existing Centres of Excellence such as CGCRI, CFTRI, IIFPT, CBRTI, KNHPI, IPRITI etc
  - Another intervention is to set up 4 Design Houses across the country to capture regional variations, to provide access to Khadi Institutions, to evolve modern designs, ethnic wear etc. with an investment of Rs.5 crore each.
  - The other key component is to make the 'Production Assistance' competitive and incentive based.
  - While the Khadi Institutions would automatically be given the financial assistance of 30%, in order to become eligible for the additional incentive of 30%, these institutions must strive for efficiency, optimal utilization of resources, reduction of waste, effective managerial practices etc.
  - As a part of rationalization exercise, 8 different schemes of Khadi & Village Industries are now merged under 2 umbrella heads i.e. **'Khadi Vikas Yojana' and 'Gramodyog Vikas Yojana'**:
  - Khadi Vikas Yojana [Market Promotion & Development Assistance (MPDA), Interest Subsidy Eligibility Certificate (ISEC), Workshed, Strengthening Weak Infra, Aam Aadmi Bima Yojana, Khadi Grant and Khadi & VI S&T]
  - Gramodyog Vikas Yojanaa [Village Industries Grant].

Rozgar Yukta Gaon:

- It is aimed at introducing an 'Enterprise-led Business Model' in place of 'Subsidy-led model' through partnership among 3 stakeholders-KRDP-assisted Khadi Institution, Artisans and Business Partner.
- It will be rolled out in 50 Villages by providing 10,000 Charkhas, 2000 looms & 100 warping units to Khadi artisans, and would create direct employment for 250 Artisans per village.

7 Farmers Protest in India

Issue:

- For the past three years, farmers have been protesting across India, demanding favourable policies or concrete initiatives that would get them a fair price for their produce. The Kisan long march from Nasik to Mumbai in March 2019, the All India Kisan Sabha's protest in Delhi and the Bhartiya Kisan Union rally in 2018, protest by farmers of Tamil Nadu in 2017
- India's last national census conducted every decade — in 2011 recorded nearly 15 million fewer farmers than there were in 1991. It said that 2,040 farmers quit agriculture every 24 hours. Cultivation costs have risen manifold since the mid-1990s, but the farmers' incomes have stagnated or declined**.** This is a major cause for their dissatisfaction causing them to protest or move to cities for better employment opportunities.
- Small land holdings, low prices, weather induced crop loss have pushed farmers into cyclical debt. They demand implementation of **Swaminathan committee** report and loan waiver
- **Other Demands of Farmers**: Increased minimum support prices (MSP), Cut in **diesel prices**, Reversal of NGT(National Green Tribunal) ban on ten-year-old diesel vehicles, Payment of **pending sugarcane dues**, the farmers are also demanding a special session of parliament dedicated to discussion around the agrarian distress. Coalition under the aegis of the **All India Kisan Sangharsh Coordination Committee (AIKSCC**) is also demanding that parliament pass two bills prepared by the AIKSCC – the freedom from indebtedness bill and a bill to guarantee remunerative MSP.

Recommendations of Swaminathan Committee

- **National Commission on Farmers** headed by Dr. M. S. Swaminathan submitted its report in 2006. One of the recommendations of Commission was that MSP should be at least 50 percent more than the weighted average cost of production.
- Formation of **National Land Use Advisory Service** which would link the land use decision with marketing and ecological meteorological factors on the basis of season and location. This would help in making the right of use of land in a given time or season.
- Distribute **ceiling-surplus and waste land** among farmers: The share of the bottom half of the rural households in the total land ownership was only 3 per cent and the top 10 per cent was as high as 54 per cent. One of the demands of the agitating farmers today is that they should be made the owner of the land they have been tilling for years.
- To **prevent diversion of prime agricultural land** and forest to corporate sector for non-agricultural purposes.

- **Relevance of Agrarian Pressure Groups:** Pressure groups are a sign of changing consciousness. The rise of peasants groups in India has been mainly due to abolition of Zamindari System, implementation of Panchayati Raj, land reform measures, Green Revolution Movement. They gained power since 1960s. In 1936, the All India Kisan Sabha was established and after 1942 the Communist Party of India acquired control over it.

- Despite all India organizations, farmers remained one of the unorganized segments of the society; their problems did not get articulated sufficiently earlier. However today there is a shift. In 2017, around 184 farmer groups came together from Tamil Nadu, Maharashtra, Madhya Pradesh, Uttar Pradesh, Punjab and Telangana to take part in a 'protest walk', demanding higher prices for agricultural produce. **Bhartiya Kisan Party (BKP)** in western U.P, I**ndia Kisan Sangharsh Coordination Committee (AIKSCC)**, **Bharatiya Kisan Sangh** are significant ones that are voicing the concerns of farmers. Their involvement has increased awareness among common people that it is not just vagaries of nature that push the farmers toward desperate measures but also structural flaws in governance system that causes farmer distress.

8 Revision and Introduction of MSP for Minor Forest Produce items

Context:

- The Government has revised the Minimum Support Price (MSP) of 23 Minor Forest Produce (MFP) items and introduced MSP for 17 new MFP items.
- The 23 items whose MSP has been revised include those MFP items which have been covered under the scheme since its inception in the year 2013-14.
- The new MFPs include Mahua flowers (dried), Tejpatta (dried) Kokum (dry) etc.

About:

- **What is Minor forest Produce?**
  - It is a subset of forest produce.
  - The Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006 defines a MFP as all non-timber forest produce of plant origin and includes bamboo, brushwood, stumps, canes, tusser, cocoon, honey, waxes, Lac, tendu/kendu leaves, medicinal plants and herbs, roots and more.
- **How government secures the livelihood of these tribal communities besides recognising their rights over MFP?**
  - The GOI has launched a **central sector scheme** for marketing of **Minor Forest Produce through Minimum Support Price (MSP)** and development of value chain to ensure fair monetary returns to MFP gatherers for their efforts in collection, primary processing, storage, packaging, transportation etc.
  - The scheme envisages fixation and declaration of MSP for the selected MFP based on the suggestions /inputs received from Tribal Cooperative Marketing Development Federation of India (TRIFED) which came into existence in 1987, and the States concerned.
  - Procurement and marketing operation at pre- fixed MSP is undertaken by the designated State agencies.
  - TRIFED has also introduced the **MFPnet portal** which is designed to act as an adjunct and a catalyst for implementing the scheme of Minimum Support Price (MSP) for Minor Forest Produce (MFP).
  - This portal provides information about TRIFED, MFP trade in India, marketing prospects for MFPs, MFP development training and TRIFED's retail marketing activities, MSP for MFPs and its current status.
  - It is intended with the main objective of ensuring fair price to MFP gatherers who are mainly tribals, enhancing their income level and ensuring sustainable harvesting of MFPs.
  - It is a one stop destination for all information needs on MFPs and facilitates stakeholders in MFP trade.

- **What is Minimum Support Price?**
  - MSP is the minimum price set by the Government at which farmers can expect to sell their produce for the season. When market prices fall below the announced MSPs, procurement agencies step in to procure the crop and 'support' the prices.
  - The Cabinet Committee of Economic Affairs announces MSP for various crops at the beginning of each sowing season based on the recommendations of the Commission for Agricultural Costs and Prices (CACP).
  - The CACP takes into account demand and supply, the cost of production and price trends in the market among other things when fixing MSPs.
  - The FCI and Nafed help the Centre procure select food crops with the help of the States.
  - Procured farm products are kept in government warehouses and distributed through the PDS and various food security programmes.

9 New Agri Project- "Green Ag."

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

About:

- '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.

10 Monsanto ruling and Patent regime in India

Context:

- Recently, the Supreme Court set aside an order of the division bench of the Delhi High Court invalidating US-based Monsanto Technology's patent rights over technology used in BT Cotton seeds.
- As a result, the patent held by Monsanto over its Bollgard-II Bt cotton seed technology, a GM variant that resists the bollworm pest, will be enforceable in India for now.
- The court's order came in a case filed in 2015 by Monsanto, through MMBL, against Nuziveedu Seeds and its subsidiaries for selling Bt cotton seeds using its patented technology despite termination of a licence agreement in November 2015.

- **Patent and Patent laws in India:**
  - Patent is a form of intellectual property. Patent grants exclusive legal rights to the inventors in exchange for making their invention public.
  - In India, an invention pertaining to a new product/process, involving an inventive step and capable of industrial application can be patented.
  - The Indian Patents and Designs Act was enacted in 1911, providing basic protection to patents.
  - The Patents Act, 1970 is the legislation that till date governs patents in India. It first came into force in 1972 which is in synch with WTO's TRIPs.
  - The major amendment was done in 2005, when product patent was extended to all fields of technology like food, drugs, chemicals and microorganisms.
  - TRIPS became effective on January 1, 1995 by agreement of WTO member states, who then became obligated to implement domestic laws to comply with the TRIPS minimum requirements.
  - Monsanto's GM cotton seed trait, the only lab-altered crop allowed in India in 2003.
- **Facts related to Environment Protection Act, Monsanto, and GEAC**
  - India's biosafety framework is one of the strongest in the world. It is governed by The Rules for the Manufacture, Use, Import, Export and Storage of Hazardous Micro Organisms, Genetically Engineered Organisms or Cells (notified under the Environment Protection Act, 1986).
  - Article (7) of The Rules stipulates: Approval and Prohibitions etc.
  - No person shall import, export, transport, manufacture, process, use or sell any hazardous microorganisms of genetically engineered organisms/substances or cells except with the approval of the Genetic Engineering Approval Committee.
  - Article (4) of The Rules stipulates: Genetic Engineering Approval Committee (GEAC)
  - This committee shall function as a body under the Department of Environment Forests and Wildlife for approval of activities involving large scale use of hazardous microorganisms and recombinants in research and industrial production from the environmental angle. The Committee shall also be responsible for approval of proposals relating to release of genetically engineered organisms and products into the environment.

Technical and legal aspects of the Judgement

- While looking at Monsanto's claim that its Patent is essentially about a "nucleic acid sequence" which is a chemical created in a laboratory, the Court has to remember that if that is the case, this chemical compound would be regulated within the pesticides regulatory regime in India, not the GMOs regime.
- It is after all this genetic sequence which makes ordinary cotton varieties into Bt cotton, which consequently get regulated as living organisms, under the EPA 1986 and not as a pesticide.
- The nucleic acid sequence is heritable when embedded into a plant cell. And heritability is a trait connected with a living organism.
- However, it is not capable of reproducing itself and therefore, is not a micro-organism which is specified as a patentable matter in the Indian law.
- But for any invention to be patented, an essential criterion to be fulfilled is that of industrial application. Monsanto's nucleic acid sequence described by it as a chemical product is not capable of industrial application until it is first integrated into a plant cell.

- Stabilization into the plant requires repeated back-crossing processes which happen through essentially biological processes. This "essentially biological processes" makes nucleic acid sequence **un-patentable under Indian law.**

11 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).

About:

- 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.

What is 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.

What do APMCS do?

- APMCs are responsible for:
- ensuring transparency in pricing system and transactions taking place in market area;
- providing market-led extension services to farmers;
- ensuring payment for agricultural produce sold by farmers on the same day;
- promoting agricultural processing including activities for value addition in agricultural produce;
- publicizing data on arrivals and rates of agricultural produce brought into the market area for sale; and
- setup and promote public private partnership in the management of agricultural markets.

What are Grameen Agriculture Markets?

- These are called by varied names like "Gramin Haats, Haats, shandies, painths and fairs etc.
- They are owned by Local Bodies (Panchayats/councils), Agricultural/ Horticultural Departments of State Governments, Cooperatives, Marketing Boards/APMCs and Private Sector.
- As per information provided by State Agricultural Marketing Boards/State Governments, there are 22941 Rural Haats.

- State Marketing Boards provided only numbers without other information like location, etc on village haats under local bodies and under private sector.

12 Declining trend in Casual Labour in Agriculture Sector

Context:

- According to a data series released by NSSO, the **share of rural households with major income from casual labour in agriculture decreased by 10 percentage points since 2011-12**.
- There is a drop of 15 million families (from 36 million to 21 million) who were dependent on casual farm work.
- Since 2011-12, India's national workforce shrunk by 4.7 crore — more than the population of Saudi Arabia.

About:

- It is estimated that 3.2 crore casual laborers lost their jobs in rural India between 2011-12 and 2017-18. Of these, almost 3 crore were those working on farms.
- This implies that there is a 40 per cent shrinkage in the casual farm labor workforce since 2011-12**.**

Background:

- The basis of above findings are rooted in the **Periodic Labour Force Survey (PLFS) 2017-2018** report by **NSSO** which the government has declined to release.
- Casual labour, irregular employment or part-time labour, including the labour of workers whose normal employment consists of a series of short-term jobs.
- Casual labour is usually hired by the hour or day or for the performance of specific tasks, while part-time labour is typically scheduled for a minimum number of hours per week.
- Construction, logging, sawmilling, agriculture, and the service trades industries have relied heavily on casual labour.
- **National Sample Survey Office (NSSO),** Ministry of Statistics and Programme Implementation has been regularly conducting nation-wide surveys on various socio-economic subjects.
- Results of these surveys are **used for planning, policy formulation and decision making**.
- NSSO has also launched a new employment-unemployment survey, namely, Periodic Labour Force Survey (PLFS).
- PLFS is a continuous/regular survey for generating estimates of various labour force indicators on quarterly basis for urban areas and annual basis for both rural and urban areas, at State/UT and all-India level.

What is Periodic Labor Force Survey (PLFS) of the NSSO?

- One of the major statistical hurdles in our country is the estimation of reliable employment and unemployment data.
- The NSSO (National Sample Survey Office) has historically been conducting Employment and Unemployment Surveys as part of its National Sample Surveys.
- These surveys were the prime source for statistics about employment and unemployment situation in the country.
- **From 2017 onwards**, a nationwide Labor Force Survey called Periodic Labour Force Survey (**PLFS**) was **launched by the NSSO**.
- The PLFS was aimed to provide quarterly employment and unemployment data. Report of the PLFS was expected in December 2018 but was postponed.

13 Reforms in Agro-Economy

Context: PM announces panel with CMs for deep reforms in agriculture.

About:

- In the fifth meeting of the Governing Council of NITI Aayog, focus was on increasing investment in the agriculture sector, boosting exports, and addressing issues of water supply and conservation.
- The focus towards reviving the agrarian sector assumes significance as it has been witnessing low farm prices over the past few years leading to several large-scale farm protests.

Background:

- The fifth meeting of the Governing Council of the NITI Aayog comes in the backdrop of challenges on the economic front and rising unemployment rates (45-year high of 6.1 %).
- Key Points discussed in the meeting:

Increasing Exports:

- The meeting focused on the need to increase exports and explore untapped export potential in several states in order to drive economic growth and this will also provide a boost to both income and employment.

Need for structural reform in agriculture:

- Meeting emphasizes to focus on fisheries, animal husbandry, horticulture, fruits, and vegetables.
- There is need to boost corporate investment, strengthen logistics and provide ample market support.
- The food processing sector should grow at a faster pace than food grain production.
- Scrapping of the Essential Commodities Act, 1955 because it is thought to be an "impediment in the free movement of commodities" given that the country is now mostly self-sufficient.
- Flagship schemes like **PM-KISAN**, should reach intended beneficiaries well within time.

Water Supply and Conservation:

- Promoting efficient water conservation practices with rain-water harvesting to be undertaken at the household and community level with proactive policy and investment support.
- Aside from addressing the issue of agriculture, PM also focused on a collective fight against poverty, unemployment, flood, pollution, corruption, and violence. PM also called for effective steps to tackle drought by adopting **'per-drop, more-crop' strategy**.
- Meeting also underlined the need for states to focus on their core competencies and work towards increasing the GDP right from the district level so as "India can become a $5 trillion economy by 2024."
- PM also announces panel with CMs for deep reforms in agriculture, which would submit its report in the next few months.
- Additionally, with parts of India experiencing drought situation, some States asked for changes in the National Disaster Response Force and State Disaster Response Fund (SDRF) guidelines. They will work with MHA and Agriculture ministry to make changes.

14 Food Processing

Context:

- **Ministry of Food Processing Industries** inaugurated **Computational Modelling** and **Nanoscale Processing Unit** at the **Indian Institute of Food Processing Technology (IIFPT)** in Thanjavur, Tamil Nadu.
- The Ministry also inaugurated **a National Conference on Emerging Techniques in Food Processing**.

More on News:

Computational Modelling and Nano-scale Processing Unit:

- Modelling is a powerful tool for optimizing and improving process control over various unit operations by acquiring an in-depth understanding of the intricate transport phenomena in food systems.
- This unit will focus on the application of computational fluid dynamics in various agri-food processing applications.

Ministry of Food Processing Industries:

- It is responsible for formulation and administration of the rules and regulations and laws relating to food processing in India.
- Ministry has also been instrumental in helping farmers and have approved 42 mega food parks.
- It provides financial support of 35% of the total cost of plant and machinery for encouraging growth in food processing.
- **Other steps taken by Government of India (GOI) towards food processing**
- GOI has entrusted specialized agro-processing financial institutions to finance/refinance the food processing sector, and has launched neoteric initiatives such as **'Operation Greens'**, to monitor price fluctuations.

Pradhann Mantri Kisan Sampada Yojna:

- (PMKSY) is approved by GOI and it is a central sponsored scheme under Ministry of Food Processing Industries. It is a scheme for **Agro-Marine Processing and Development of Agro-Processing Clusters**.
- It is a big step towards doubling of farmer's income through the assets (Sampada) of farmer.
- It is a comprehensive package which will result in creation of modern infrastructure with efficient supply chain management from farm gate to retail outlet.
- It will provide a big boost to the growth of food processing sector in the country and creates huge employment opportunities in the rural areas, reducing wastage of agricultural produce and increasing the food processing level and its export.

The following schemes will be implemented under PMKSY:

- Mega Food Parks
- Integrated Cold Chain and Value Addition Infrastructure
- Creation/ Expansion of Food Processing/ Preservation Capacities (Unit Scheme)
- Infrastructure for Agro-processing Clusters
- Creation of Backward and Forward Linkages

- Food Safety and Quality Assurance Infrastructure
- Human Resources and Institutions
- Operation Greens

15 'Meri Fasal Mera Byora'

Context: The Haryana government announced the launch of 'Meri Fasal Mera Byora' portal whereby farmers can avail benefits of several government schemes directly after uploading their crop-related details.

'Meri Fasal Mera Byora' Portal

- It is a multi-level transparent system and this initiative is a step forward towards doubling of farmer's income by 2022.
- This simple system will enable farmers to self-report their land and crop details and help them receive benefits of several government schemes directly.
- The portal, **fasalhry.in** , has brought the **departments of agriculture and farmer's welfare**, revenue, food civil supplies and consumer affairs and science and technology on a single platform for the betterment of the farmers.
- The portal has been designed to ensure that the farmers get the benefits offered by the State Government including insurance cover, compensation on account of crop damage due to natural calamities and other financial assistance under different schemes.
- Through the portal, the government will also get the accurate data of area and name of crop cultivated in various parts of the state.
- The farmers will be required to upload information like the name of crop sown, area under cultivation, cropping month, bank account number and mobile number on the portal at the nearby **Common Service Centres (CSCs)** or **Atal Seva Kendras** with the help of **Village Level Entrepreneurs (VLEs)** by July 31.
- The farmer would also be required to fill the details about the non-cultivated land in case he has not sown any crop yet.
- **E-girdawari** (harvest inspection) would be conducted under this system and while conducting girdawari, the concerned officer or official would have to remain physically present at the field.
- Thereafter, the registration would be done by the departments.
- When the crop is ready for harvesting, satellite photography of the field would be conducted by the Science and Technology Department. These images would also be enclosed with their registration. In case any discrepancy is found in the girdawari, a special girdawari would be got conducted by the Deputy Commissioner concerned
- Financial incentive of Rs 10 per acre or part thereof, subject to minimum of Rs 20 and maximum of Rs 50, would be provided to each farmer for registering on the portal.

16 Why Onion prices often shoots up in India?

Context: Recently, onion prices have skyrocketed in the wholesale and retail markets.

About:

- **Onion price has been shooting in the wholesale and retail markets** and the central government has taken many efforts to control the increasing price.

- With elections nearing in Maharashtra and Haryana, the government **cannot upset onion growers in rural areas** (part of the voter base) and **urban consumers**who have to shell out more money for the bulb.
- Since May 2019, prices in **wholesale markets across the onion-growing districts of Maharashtra have been increasing.**
- The **ripple effect** can be seen in the **retail markets** where the price of onion has also increased.
- According to **Price Monitoring Cell (PMC)** of the Consumer Affairs department, the **retail price of onion has increased by Rs 20-25/kilo** across the country in the last six months (as of September 2019).
- **Maharashtra, Karnataka, Gujarat, Madhya Pradesh, Rajasthan, Bihar, Uttar Pradesh and West Bengal** account for almost **90%** of onion production in the country.
- **Maharashtra contributes nearly one third** of the country's production.
- Farmers across the country take three crops of onions which ensure uninterrupted supply across the year. Of these,
  - **Kharif and late kharif** are not amenable for storage (has higher moisture content)
  - **Rabi crop** can be stored for a long period.
- Farmers usually store their produce in moisture-proof and dust-proof structures to prevent the bulbs from sprouting green shoots.
- Depending on the price, farmers release their produce, enabling steady supply for retail markets.

Why the price is rising?

- **Hoarding:** Hoarding of perishable items is illegal; however, many traders have hoarded onions and are now selling at much inflated prices than before. Therefore, traders and not farmers are benefited when onion prices hike.
- **Low Onion Consumption:** The price rise comes during months when onion consumption usually goes down. It goes with the law of demand and supply. For example, it happens during the nine days of Navratri in Maharashtra and the month of Shravan.
- **Delayed Monsoon leads to supply-side constraints:** The current increase in onion prices is a fall out of **2018's drought and the delayed monsoon in 2019.** Some onion-growing areas have reported excessive rain and delay in harvest period by a week or so.
- **A combination of factors** has led to the increase in prices now.
  - The **cultivation area under rabi crop has decreased in Maharashtra**. So, it reported a low cultivation in the rabi season of 2018-19.
  - **Karnataka received heavy rain during kharif crop's harvest period**, which delayed the arrival of kharif onions from Karnataka.
  - So, the stored rabi crop should have to be supplied to the markets.
  - As the **imported onions may not arrive soon, the price of the bulb is expected to stay high.**

Steps Taken by Government to control Onion Prices

- In early September 2019, the state-run **Minerals and Metals Trading Corporation of India (MMTC) had floated contracts for importing onions** from Pakistan, Egypt, China, Afghanistan, etc. Following sharp criticism, MMTC dropped Pakistan from the list of countries.

- The Centre also tried to **restrict exports by sharply hiking the Minimum Export Price (MEP).**
- In June 2019, the government ended the **10% export subsidy for onion**.
- Anticipating a shortage, the central government had created a **buffer stock of 57,000 tonnes**, of which some have already been offloaded.

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6

INFRASTRUCTURE

1 National Infrastructure Pipeline

Context: Finance Minister has released Report of the Task Force on National Infrastructure Pipeline for 2019-2025. She has unveiled a ?102 lakh crore project which is in accordance with the government's vision to make India a $5 trillion economy by 2024-25.

About:

- It is estimated that India would need to spend $4.5 trillion on infrastructure by 2030 to sustain its growth rate.
- The endeavour of the National Infrastructure Pipeline (NIP) is to make this happen in an efficient manner.
- These projects are on top of Rs 51 lakh crore spent by the Centre and the states during the last six years and the new pipeline consists of 39 per cent projects each by the Centre and states and the balance by 22 per cent by private sector.

Benefits of National Infrastructure Pipeline

- Well-planned NIP will enable more infra projects, grow businesses, creates job, improve ease of living and provide equitable access to infrastructure for all, making growth more inclusive.
- Well- developed infrastructure enhances level of economic activity, creates additional fiscal space by improving revenue base of the government, and ensures quality of expenditure focussed in productive areas.
- Provides better view of project supply, provides time to be better prepared for project bidding, reduces aggressive bids/failure in project delivery, ensures enhanced access to sources of finance as a result of increased investor confidence.

Features of National Infrastructure Pipeline

- To achieve this objective, a Task Force has been constituted to draw up the National Infrastructure Pipeline (NIP) for each of the years from FY 2019-20 to FY 2024-25 with the approval of the Finance Minister.
- The Task Force is chaired by Secretary, DEA with CEO (NITI Aayog), Secretary (Expenditure), Secretary of the Administrative Ministries, and Additional Secretary (Investments), DEA as members and Joint Secretary (IPF), DEA as Member Secretary.
- Total project capital expenditure in infrastructure sectors in India during the fiscals 2020 to 2025 is projected at over Rs 102 lakh crore.

2 Northeast Gas Grid Project

Context: Recently, the Cabinet Committee on Economic Affairs, chaired by Prime Minister Narendra Modi, has given its approval for viability Gap Funding/ Capital Grant of 60% of the estimated cost of Rs. 9,265 crore for the Northeast Gas Grid project to Indradhanush Gas Grid Limited (IGGL) who implements it.

About:

- The Northeast Gas Grid Project will connect **Guwahati to the major Northeast cities and major load centers. It is 1,656 km long.**
- The project is being implemented under ambitious **Urja Ganga Gas Pipeline Project.**
- Besides connecting all the state capitals in the region, the pipeline will also connect with the National Gas Grid through Barauni-Guwahati Gas Pipeline, which is being laid by GAIL.
- The pipeline will enable the supply of piped cooking gas to households and CNG to automobiles, besides fuel to industry.
- **Implementing Agency:** The North-East pipeline grid is to be implemented by Indradhanush Gas Grid, a joint venture of state-owned GAIL India, Indian Oil Corp (IOC), Oil and Natural Gas Corp (ONGC), Oil India Ltd (OIL) and Numaligarh Refinery Ltd (NRL).

Pradhan Mantri Urja Ganga project:

- The gas pipeline project aims to provide piped cooking gas to residents of Varanasi and later to millions of people in states like Bihar, Jharkhand, West Bengal and Odisha.
- From Varanasi's perspective, an 800-km long MDPI pipeline will be laid and 50,000 households and 20,000 vehicles will get PNG and CNG gas respectively. The government estimates that around 5 lakh gas cylinders will be sent at rural areas annually.
- According to GAIL, with the Urja Ganga project, 20 lakh households will get PNG connections. The project is said to be a major step towards collective growth and development of the Eastern region of India.
- GAIL has built a network of trunk pipelines covering the length of around 11,000 km. With Urja Ganga project, this number will further increase by 2540 km.

Objectives of National Gas Grid

- To remove regional imbalance within the country with regard to access for natural gas and provide clean and green fuel throughout the country.
- To connect gas sources to major demand centres and ensure availability of gas to consumers in various sectors.
- Development of City Gas Distribution Networks in various cities for the supply of CNG and PNG.

3 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.

More on News:

- The project of which a voyage vessel is a part is a joint venture of CONCOR and Ministry of shipping.

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.

Significance:

- This will provide seamless solution to customers from **origin to destination**.
- This new service started by CONCOR will be highly profitable for the freight movement to send goods to different locations in a cost effective manner and will also reduce the load on railways and road.

Some of the important reforms undertaken by the railways in recent time:

- Stopped producing the old model of coaches and started producing only LHB coaches, to eventually replace all old coaches.
- Target of 100 % electrification over the vast Indian Railways network.
- The joint efforts of the Ministry of Road and Railways have led to the inauguration of the Bogibeel Bridge.
- The Rail University, having now been started, is preparing more than the 100 student for the transport sector.
- The new indigenous built Train 18, under Make in India initiative, will soon be flagged off on New Delhi Varanasi route

4 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.
- It will function under the Ministry of Commerce and Industry.

About:

- 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.

5 New FDI Guidelines for the e-Commerce

Context:

- Central government has brought out the new FDI guidelines for the e-commerce that will come 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.

About:

- 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-tailers 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.
- Although, the 25% cap existed earlier, but the onus of ensuring it, is now firmly on the e-commerce platform, so that it does not find itself on the wrong side of the law. It further said that e-commerce firms will be barred from selling wares of related parties on the inventory, of which it has a say.

Why are these changes significant?

- Offline traders have been complaining that e-commerce platforms with access to FDI are able to give deep discounts and other incentives through related-party vendors, which they cannot match.
- The changes are significant as its enforcement will affect the flexibility that e-commerce platforms had in doing business, and force them to be neutral to all vendors.

6 IPrism

Context:

- The Cell for IPR Promotion and Management (CIPAM), Department for Promotion of Industry and Internal Trade, in collaboration with ASSOCHAM and ERICSSON India, has launched the second edition of 'IPrism'.

- IPrism is an Intellectual Property (IP) competition for students of schools, polytechnic institutes, colleges and universities

About:

- IPrism is an Intellectual Property (IP) competition for students of schools, polytechnic institutes, colleges and universities
- The programme aims to foster a culture of innovation and creativity in the younger generation.
- It provides a national platform to young creators an opportunity to see their creations recognized on a national platform.
- This year, entries are invited on "IP in Daily Life" in two categories – film making and comic book making.

Cell for IPR Promotion and Management (CIPAM):

- It is a professional body under the aegis of Department for Promotion of Industry and Internal Trade (DPIIT) which ensures focused action on issues related to IPRs and addresses the 7 identified objectives of the policy.
- It assists in simplifying and streamlining of IP processes, apart from undertaking steps for furthering IPR awareness, commercialization and enforcement.

Functions:

- Simplifying and streamlining of IP processes by formulating and implementing a focused strategy for each policy objective.
- Coordination with State level agencies and Ministries/ Departments of the Government of India, industry bodies as well as international agencies; IP cells to be set up.
- IPR awareness campaign across the country in schools, colleges/universities.
- Training and sensitization porgrammes for enforcement agencies and Judiciary; coordination for effective enforcement of IPR rights.
- Study and facilitate implementation of best practices for promotion and commercialization of IP within the country.

ASSOCHAM

- ASSOCHAM initiated its endeavour of value creation for Indian industry in 1920.
- Having in its fold more than 300 Chambers and Trade Associations, and serving more than 4 lakh members from all over India.
- It has witnessed upswings as well as upheavals of Indian Economy, and contributed significantly by playing a catalytic role in shaping up the Trade, Commerce and Industrial environment of the country.
- It has emerged as the fountainhead of Knowledge for Indian industry, which is all set to redefine the dynamics of growth and development in the technology driven cyber age of 'Knowledge Based Economy'.
- It derives its strength from its Promoter Chambers and other Industry/Regional Chambers/ Associations spread all over the country.

Ericsson

- It is a global leader in delivering ICT solutions. In fact, 40% of the world's mobile traffic is carried over Ericsson networks.
- Ericsson has customers in over 180 countries and comprehensive industry solutions ranging from Cloud services and Mobile Broadband to Network Design and Optimization.

7 Indian Ports Association launches 'PCS 1x'

Context: Indian Ports Association (IPA), under the guidance of Ministry of Shipping launched the Port Community System 'PCS1x'.

About:

- 'PCS 1x' is a cloud based new generation technology, with user-friendly interface.
- The platform offers value added services such as notification engine, workflow, mobile application, track and trace, better user interface, better security features, improved inclusion by offering dashboard for those with no IT capability.
- A unique feature of 'PCS1x' is that it can latch on to third party software which provides services to the maritime industry thereby enabling the stakeholders to access wide network of services.
- The system enables single sign on facility to provide one stop interface to all the functionalities across all stakeholders.
- Another major feature is the deployment of a world class state of the art payment aggregator solution which removes dependency on bank specific payment eco system.

8 SWAYATT and GeM Start-up Runway

Context: Union Minister of Commerce & Industry and Civil Aviation, Suresh Prabhu, launched SWAYATT and also dedicated GeM Start-up Runway-an initiative of Government e Marketplace (GeM).

- **SWAYATT**
  - It is an initiative to promote Start-ups, Women and Youth Advantage Through e-Transactions on Government e Marketplace (GeM).
  - It will bring together the key stakeholders within the Indian entrepreneurial ecosystem to Government e-Marketplace the national procurement portal.
- **GeM Start-up Runway**
  - It is an initiative of GeM in association with Start -up India is to facilitate Start-ups registered under it to access the public procurement market and sell innovative products and services to government buyers.
  - GeM, an online market place for procurement of common use goods and services by government ministries, departments and CPSEs was setup in 2016.

9 Transport and Marketing Assistance

Context: Department of Commerce of the Ministry of Commerce & Industry has notified a scheme for Transport and Marketing Assistance (TMA) for Specified Agriculture Products.

- **Transport and Marketing Assistance for Specified Agriculture Products**
  - It aims to provide assistance for the international component of freight and marketing of agricultural produce.
  - It will mitigate disadvantage of higher cost of transportation of export of specified agriculture products due to trans-shipment

- It also aims to promote brand recognition for Indian agricultural products in the specified overseas markets.
- The scheme will be included in the Foreign Trade Policy (2015-20).

- **Coverage**
  - All exporters, duly registered with relevant Export Promotion Council as per Foreign Trade Policy, of eligible agriculture products shall be covered under this scheme.
  - The assistance, at notified rates, will be available for export of eligible agriculture products to the permissible countries, as specified from time to time.

- **Applicability**
  - The Scheme would be applicable for a period as specified from time to time. Presently the Scheme would be available for exports effected from 1.3.2019 to 31.03.2020

- **Pattern of Assistance**
  - Assistance under TMA would be provided in cash through direct bank transfer as part reimbursement of freight paid.
  - Free On Board supplies where no freight is paid by Indian exporters are not covered under this scheme.
  - The level of assistance would be different for different regions as notified from time to time for export of eligible products.
  - The assistance shall be admissible only if payments for the exports are received in Free Foreign Exchange through normal banking channels.
  - The scheme shall be admissible for the exports made through Electronic Data Interchange (EDI) ports only.
  - The scheme covers freight and marketing assistance for export by air as well as by sea (both normal and reefer cargo).

- **Competent Authority**
  - Directorate General of Foreign Trade will lay down procedure for scrutiny of the claims, audit of the payments made, recovery of the ineligible/excess paid assistance, interest on such recoveries.
  - The defaulters shall be liable for penal action under the provisions of Foreign Trade (Development & Regulation) Act, 1992, Rules and orders made thereunder.

Directorate General of Foreign Trade

- DGFT is an attached office of the Ministry of Commerce and Industry and is headed by Director General of Foreign Trade.
- Right from its inception till 1991, when liberalization in the economic policies of the Government took place, this organization has been essentially involved in the regulation and promotion of foreign trade through regulation.

- Keeping in line with liberalization and globalization and the overall objective of increasing of exports, DGFT has since been assigned the role of "facilitator".
- The shift was from prohibition and control of imports/exports to promotion and facilitation of exports/imports, keeping in view the interests of the country

Electronic Data Interchange(EDI)Ports

- EDI comprises of many types of "messages" which when transmitted between two parties is designed to substitute other forms of data transfer.
- EDI messaging is also used to send the data to Customs (Manifest, Bill of Entry), Port (Container Stowage planning, Cargo Dues, Load/Discharge list, Container moves), Principals (Load/Discharge list, Container moves, Bookings).

10 Real Estate Investment Trust

Context: The recent initial public offering (IPO) of India's first Real Estate Investment Trust (Embassy REIT) was subscribed 2.5 times, with the share sale generating a demand of over Rs 5,300 crore.

More on News:

- The portion reserved for high net-worth individuals and retail investors was subscribed 3.1 times.
- REIT had also raised capital by allocating units to institutional investors as part of its anchor book allocation.
- The anchor book is that part of an IPO which bankers can allot to institutional investors on a discretionary basis.
- The Embassy Office Parks REIT IPO, backed by global private equity firm Blackstone Group LP and Bengaluru-based developer Embassy Property Developments Pvt. Ltd.

What is Real Estate Investment Trust?

- REIT is a process to generate funds from a lot of investors, to directly invest in properties like offices, residential units, hotels, shopping centers, warehouses, etc.
- All REITs will be listed with the stock exchanges, as they would be structured like trusts.
- Consequently, REIT assets will be held with independent trustees for unit holders/investors.

What is the role of the trustees in a REI?

- The trustees of REITs have defined duties, which typically involve ensuring compliance and adherence to all applicable laws that protect the rights of the investors.

What are the objective of REITs?

- It aims to provide the investors with dividends that are generated from the capital gains accruing from the sale of the commercial assets.
- The trust distributes 90% of the income among its investors via dividends.
- Apart from minimum entry level, a REIT is supposed to provide diversified and safe investment opportunities with reduced risks and under a professional management, to ensure maximum return on investments.

Advantages:

- **Income dividends:** 90% of distributable cash, at least twice in a year.
- **Transparency:** REITs will showcase the full valuation on a yearly basis and will also update it on a half-yearly basis.
- **Diversification:** According to the guidelines, REITs will have to invest in a minimum of two projects with 60% asset value in a single project.
- **Lower risk:** At least 80% of the assets will have to be invested into revenue-generating and completed projects. The remaining 20% include under construction projects, equity shares of the listed properties, mortgage-based securities, equity shares that derive a minimum of 75% of income from government securities or G-secs, money market instruments, cash equivalents and real estate activities.

11 Digital Infrastructure for Health

What is Digital infrastructure?

- It is the collection of technological and human components, networks, systems, and processes that contribute to the functioning of an information system.
- These digital infrastructures often evolve into larger and more complex structures such as the Internet.

Digital infrastructure for health:

- **National Health Portal:** Its objective is to create awareness amongst the citizens about health, government programmes and services in Health Sector. It provides information in six languages-Hindi, English, Tamil, Gujarati, Bengali, and Punjabi. A voice portal, providing information through a toll-free number and Mobile App are also available.
- **National Telemedicine Network (NTN):**It has been envisaged to provide Telemedicine Services to the remote areas. Telemedicine nodes across India are being created inter connecting SDH/ PHC/CHC, District Hospital and Medical College in every State for providing Citizen-centric services.
- **e-Hospital:** This Hospital Management System is a workflow based ICT solution for hospitals. It covers major functional areas like patient care, laboratory services, work flow based document information exchange, human resource and medical records management of a hospital.
- **Online Registration System (ORS):** It was launched in 2015 to provide services like-taking online registration & appointment, payment of fees, online viewing diagnostic reports, enquiring availability of blood online etc. in various public hospitals.
- **Other initiatives** are-Mera Aspataal (Patient Feedback) Application, Central Drugs Standards Control Organisation-SUGAM, Food Safety and Standards Authority of India (FSSAI), Vaccine Tracker (Indradhanush Immunization), Mother and Child Tracking System (MCTS) and TB Patient Monitoring System-Nikshay.

12 Digital Infrastructure for Education

- **Swayam:** It an indigenously designed massive open online course (MOOC), It will host all the courses, taught in classrooms from 9th class till post-graduation and can be accessed by anyone, anywhere at any time. It aims to bridge the digital divide for students in e-education.
- **Swayam Prabha:** It isa programme for utilization of satellite communication technologies for transmission of educational e-contents through 32 National Channels. Everyday four hour fresh

slot is telecast and repeated 5 more times in 24 hours to provide learning opportunities for the stake holders, as per their convenience.

- **E-pathshala**: It has been developed by NCERT for showcasing and disseminating all educational e-resources including textbooks, audio, video, periodicals and a variety of other print and non-print materials. So far, 3444 audios and videos, 698 e-books and 504 flip books have been made available on the portal and mobile app.
- **National Repository of Open Educational Resources**: It is an initiative to bring together all digital resources across all stages of school education and teacher education. So far, 13635 files including 401 collections, 2722 documents, 565 interactive, 1664 audios, 2581 images and 6105 videos have been made available over the portal.
- **National Digital Library**: It is a large online library containing 6.5 million books. It provides free access to many books in English and the Indian languages.

13 Digital Infrastructure for Governance (e-Governance):

- **E-Kranti Framework**: Its objective is to redefine NeGP with transformational and outcome-oriented e-Governance initiatives, to enhance the portfolio of citizen centric services, to ensure optimum usage of core Information & Communication Technology (ICT), to promote rapid replication and integration of e-Governance applications, to leverage emerging technologies andto make use of more agile implementation models.
- **Policy on Adoption of Open Source Software**: It aims to make Government services digitally accessible to citizens in their localities and to ensure efficiency, transparency and reliability of such services at affordable costs.
- **Policy on Open Application Programming Interfaces (APIs)**: As a part of Digital India, G2C, G2B and G2G services are to be delivered and made accessible through multiple channels like web, mobile and common service delivery outlets. Interoperability among various e-Governance applications and databases is vital for integrated service delivery.
- **E-mail Policy**: It lays down the guidelines with respect to use of e-mail services to ensure secure access and usage of Government of India e-mail services by its users. It is applicable to all employees of GoI that use the e-mail services of GoI.
- **Application Development & Re-Engineering Guidelines for Cloud Ready Applications**: It is to promote e-Governance solutions as cloud enabled products and to ensure development of Common Application Software (CAS) which can be configured as per department's requirements without the need of modifying the core source code of the application.

14 Privatisation of Railways

Context:

- The Indian Railways is planning to purchase readymade trains, coaches, train sets, Electric Multiple Units (EMUs) from private manufacturers.
- Tejas Express train on the Delhi-Lucknow route is likely to become the first train which is to be operated by private entities.

Background

- The Indian Railways is among the world's 3rd largest rail networks. The Government of India has focused on investing on railway infrastructure by making investor-friendly policies.
- It has moved quickly to enable Foreign Direct Investment (FDI) in railways to improve infrastructure for freight and high-speed trains.

- At present, several domestic and foreign companies are also looking to invest in Indian rail projects.
- So far, the private sector's participation in railways has been very less in India, compared to sectors like ports, telecom, electricity, airports and roads.
- Several attempts have been made in the past to involve the private sector in various arenas like wagon procurement and leasing, freight trains and container operations, terminals and warehousing facilities, catering services, and other rail infrastructure through schemes framed by the ministry.
- But problems like policy uncertainty, absence of a regulator to create a level playing field, the lack of incentives for investors and procedural or operational issues have significantly restricted private sector participation.
- There are some major factories like **Chennai-based Integral Coach Factory (ICF)**, which is owned by government from which Indian Railways procures trains and coaches.
- It has also produced the coaches of luxury to high-speed trains including Rajdhani Express, Shatabdi Express and the recently-inducted Vande Bharat Express (Train 18).

Bibek Debroy Committee

- The Railway Board had constituted a Committee for mobilization of resources for major railway projects and restructuring of Railway Ministry and Railway Board (Chair: Mr. Bibek Debroy).
- The Committee submitted its final report in June 2015, which has **favoured privatisation of rolling stock: Wagons and Coaches**.
- Committee has looked at the railway restructuring experiences from multiple countries, including Japan, the United Kingdom, Germany, Sweden, Australia and USA.
- It focussed on the British experiment to achieve two main aims: changing the institutional structure between the government and the Indian Railways and increasing competition.
- It has also recommended amending the Indian Railways Act to allow the **private operators to levy tariff**.
- Committee adds that in case the infrastructure becomes profitable, there is no bar on the government to have its own operator in the interest of competition.

15 Khanij Bidesh India Ltd

Context: Ministry of Mines is setting up a joint venture company namely Khanij Bidesh India Ltd. (KABIL)

About:

- It will be set up with the participation of **three Central Public Sector Enterprises** namely,
- National Aluminium Company Ltd.(NALCO)
- Hindustan Copper Ltd.(HCL)
- Mineral Exploration Company Ltd. (MECL)
- It would carry out identification, acquisition, exploration, development, mining and processing of strategic minerals overseas for commercial use and meeting country's requirement of these minerals.
- The equity participation between NALCO, HCL and MECL is in the ratio of 40:30:30

Significance

- It is a moveelp in realizing the overall objective of **import substitution**.

16 Rising Electronics Exports

Context: The electronics exports have shown a rising tide amid slowdown in Indian economy and that is why it is in news.

About:

- Total value of **production of electronic goods increased from** 31.2billioninFY15to31.2billioninFY15to**65.5 billion in FY19**
- **Exports are led by mobile phones**. **India has become the 2nd largest producer of mobile phones, replacing Vietnam.**
- India started to become an **alternate production destination because**
- **Pull Factors** include potential domestic demand and government policies to boost electronic exports.
- **Push Factors** include trade tensions between the US and China. This is expected that the positive trend in India's electronic exports to continue.

Steps by Government to Boost Electronics Exports

- **Schemes to boost local manufacturing of electronic goods:** These include **Phased Manufacturing Programme** for mobile handsets and related sub-assemblies/components manufacturing, **National Policy on Electronics 2019**, **Electronics Manufacturing Clusters scheme** and **Modified Special Incentive Package Scheme.**
- **Some countervailing duties were also announced to discourage imports of electronic goods.**

Significance

- Avert BoP Crisis and control the stretched current account deficit (CAD)
- Transfer of technology
- Boost to manufacturing sector
- Employment generation

17 Challenges for Indian textile Industry

Context: India's textile and apparel exports have declined from 38.60billionin2014to38.60billionin2014to37.12 billion in 2018.

- **What is pulling down Indian Textile Industry?**
  - **Impact of MSP on cost of raw materials:** Once the cheapest in the world, cotton yarn produced in India is now among the most expensive in the world due to a 28 per cent rise per year in the minimum support price.
  - **Changing Cropping Pattern:** India has the largest acreage with 12.2 mn hectares under cotton cultivation, which is around 42% of the world area of 29.3 mn hectares. But because of climate change and uncertainty of Indian monsoon, the farmers in

India is:

- The largest producer of cotton and jute in the world.
- The second largest exporter of cotton in the world.
- The second largest exporter of textile and apparels globally.
- Textiles industry is second largest employment provider in India.

cotton growing areas of Maharashtra and Gujarat are now looking towards alternative crops which are resulting into decrease in cotton production area.

- **Declining share of exports:** The time taken by the industry to align to the new goods and services tax (GST) regime, downward revision of export incentives, and the credit squeeze particularly faced by small and medium enterprises adversely impacted exports.
- **Global Competition:** India faces competition from countries like Bangladesh which have competitive manufacturing costs and enjoy duty-free access to major textiles and apparel markets like Europe. According to an analysis, India is projected to lose market share to Bangladesh and Vietnam for ready-made garment exports to the European Union (EU).
- **Recent Economic Slowdown:** The recent slowdown in global demand has increased competition in the markets, which also coincided with taxation changes in India resulted in 6-7% impact on costs, which hurted profitability of garment makers.

Major government initiatives:

- **Technology Upgradation Fund Scheme:** A one-time capital subsidy for eligible benchmarked machinery.
- **Integrated Skill Development Scheme**: To enable the textile processing sector in meeting environmental standards through appropriate technology.
- **Infrastructure Development Schemes** for Integrated Textile Parks, (SITP), Integrated Processing Development and Mega Textile Clusters.
- **Silk Samagra Scheme**: To promote R&D and enhance brand image of Indian silk globally.
- 10% to 20% increase in basic customs duty for 501 textile products, to boost indigenous production.
- **Amended Technology Upgradation Fund Scheme (ATUFS):** to promote ease of doing business in the country and achieve the vision of generating employment and promoting exports by way of technology upgradation in textile sector through "Make in India'' with "Zero effect and Zero defect"
- **National Handloom Development Programme and National Handicrafts Development Programme:** These programmes aim at holistic development of handloom and handicrafts clusters through integrated approach.

18 Auto Industry Crisis

Context: A lack of demand and financing has crippled the Indian auto sector forcing manufacturers to cut down production and jobs.

Background:

- The automobile sector is one of the largest employers in the country, **employing about 37 million people.**
- The **prolonged demand slowdown has triggered production as well as job cuts in the sector.**
- **July 2019 sales witnessed a drop of 18 per cent compared to July 2018**
- **Sales of passenger vehicles fell by 35 per cent in July 2019**
- According to the **Federation of Automobile Dealers Associations (FADA),** the apex national body of automobile retail industry engaged in the sale, service and spares, **the slowdown has caused over 2 lakh job cuts.**

Analysis:

- Growth in the Automobile sector has been slow since 2000 in urban areas. **The actual growth was coming from Tier I and Tier II cities (small urban towns).**
- The automotive industry, which has **about 50% share in manufacturing GDP**, has been down for over six months due to reduction in demand. No doubt the 'Make in India' infused confidence in manufacturing but demonetization and GST dealt a severe blow to the economy especially the auto sector.**The economic shocks due to GST and Demonetization have crashed the small town as well urban demands for the auto sector.**

Causes of Auto Sector Crisis:

- **High Tax Rates:** The collective **taxes in auto sector in India are highest in the world**. The current **GST rate of 28% when added to the varying road tax (8-11%) makes the tax for entry level cars to about 38%.**This has produced a dampening effect on demands for vehicles.
- **Structural Transformation in the Macro-economy:Demonetization and GST have taken away the froth from the economy which is the unaccounted cash**. No doubt it will serve the benefits to the economy in the longer run and will spur the growth butthe adjustment to these structural transformations is not without costs.
- **Low Availability of Finance:** Demonetizationhas choked the money supply in the market and it has a direct bearing on the demand for automobiles. Banks and NBFC are not willing to finance the automobiles.
- **High Input Costs:** The provisions of safety provisions in cars have led to increased costs. Moreover, the increased insurance rates and registration fees haveincreased the costs for the buyer and affected the small town markets.
- **Distortion by Rental Cars:** The availability of shared mobility car service has changed the behavior of the millennials in the urban areas.Some studies reveal that the mindsets of the millennialsnow prefer Ola or Uber or metro over to commit an EMI towards buying an automobile.
- **Transition to BS VI Norms:** The transition to BS-VI norms has significant costs for the diesel cars. There are no buyers for the second hand diesel cars and such cars are to be used for less time. Moreover, the price of petrol cars will also increase.
- **Global Slowdown:** This slowdown in auto sector is not unique to India but it is common in all the geographies. Auto-sector slowdown is a world phenomenon these days.

19 Power Sector

Context: India is on track to achieve 175 GW of renewable energy by 2022.

Background:

- **Power is one of the most critical components of infrastructure** crucial for the economic growth and welfare of nations.
- India's power sector is one of the **most diversified in the world** with thermal coal/gas constituting 66%, nuclear 2%, renewables 13%, and hydro power 19% of installed capacity.
- **Electricity demand in the country has increased rapidly** and is expected to rise further in the years to come. In order to meet the increasing demand for electricity in the country, massive addition to the installed generating capacity is required.
- In May 2018, **India is ranked 4th in the Asia Pacific region** out of 25 nations on an index that measures their overall power.
- India is the **third largest producer and the third largest consumer of electricity** in the world. **Electricity production reached 339.14 Billion Units in FY20** (As of June 19). India is ranked **4th in wind power, 5th in solar power and 5th in renewable power** installed capacity as of 2018.

20 Chenani-Nashri Tunnel

Context: The Chenani-Nashri tunnel, the longest tunnel in Jammu and Kashmir, will be renamed after Bharatiya Jana Sangh founder Shyama Prasad Mukherjee.

- **Chenani-Nashri Tunnel:**
  - Prime Minister Narendra Modi inaugurated this tunnel in April, 2017.
  - This tunnel **links Kashmir Valley with Jammu** by an all-weather route.
  - This 9 km long, twin-tube, all-weather tunnel between Udhampur and Ramban in Jammu & Kashmir is not only **India's longest highways tunnel but also Asia's longest bi-directional highways tunnel.**
  - **Built at an elevation of 1200 metres** on one of the most difficult Himalayan terrains, **the tunnel cuts the travel time between Jammu and Srinagar by two hours, bypassing about 41 kms of road length.**
  - It also ensures an all-weather passage on a route that often sees heavy traffic jams and disruptions due to landslides, snow, sharp curves, breakdown of vehicles and accidents.
  - **The tunnel is a part of the 286-km-long four-laning of the Jammu-Srinagar National Highway.**
  - **The tunnel has an efficient, transverse ventilation system.** There are inlets bringing fresh air at 8 metre intervals and outlet for exhaust every 100 metres.
  - **There is also a fully-integrated control system with ventilation, communication, power supply, incident detection, SOS call box and fire fighting.**
  - Fitted with intelligent traffic mechanism, the **tunnel has fully automatic smart control and no human intervention will be required for its operations.**
  - **The tunnel is also equipped with advanced scanners to ward off any security threat. Very few tunnels in the world have this kind of fully integrated tunnel control.**

21 Indian Real Estates – An Analysis

Context: Real estate sector comprises four sub sectors - housing, retail, hospitality, and commercial.

Background:

- The growth of this sector is well complemented by the growth of the corporate environment and the demand for office space as well as urban and semi-urban accommodations.
- The construction industry ranks third among the 14 major sectors in terms of direct, indirect and induced effects in all sectors of the economy.
- It is also expected that this sector will incur more non-resident Indian (NRI) investments in both the short term and the long term. Bengaluru is expected to be the most favoured property investment destination for NRIs, followed by Ahmedabad, Pune, Chennai, Goa, Delhi and Dehradun.

Analysis:

- **What is the Market Size of real Estate Industry?**
  - Real estate sector in India is expected to reach a market size of US1trillion by 2030 from US1trillion by 2030fromUS 120 billion in 2017 and contribute 13 per cent of the country's GDP by 2025.

- The Indian real estate sector has witnessed high growth in recent times with the rise in demand for office as well as residential spaces.
- According to Department of Industrial Policy and Promotion (DIPP), the construction development sector in India has received Foreign Direct Investment (FDI) equity inflows to the tune of US$ 25.04 billion in the period April 2000-March 2019.

The Real Estate (Regulation and Development) Act, 2016

- It seeks to protect home-buyers as well as help boost investments in the real estate industry.
- The Act establishes **Real Estate Regulatory Authority (RERA)** in each state for regulation of the real estate sector and also acts as an adjudicating body for speedy dispute redressal.

Issues and challenges in Real Estate Sector:

- **Issues faced by customers**
  - Delay in Projects
  - There is little or no provision for necessary compensation from government.
  - Fraudulent advertisement to sell product is quite popular and frequent in real estate.
  - Further builders pays only 2 to 3% interest in case of default from their side but when customers default (like refuses to buy) then they have to pay around 16 to 18% which is unfair.
- **Issues faced by Real Estate Industry**
  - **Approvals and Procedural difficulties**
  - **Lack of clear land titles**
  - **Speculation in Land and Real Estate Prices**
  - **Sources of Finance**
  - **High Input Cost**

Government Initiatives:

Thus to handle the above issues government of India has launched Real Estate (Regulation and Development) Bill. It seeks to regulate contracts between buyers and sellers in the real estate sector to ensure consumer protection, and standardisation of business practices. It establishes regulatory authorities at the state level to register residential real estate projects.

22 National Grid of Ports

Context: Government plans to develop a National Grid for Ports based on the synergy between the major and minor ports in the country.

About:

- During the **17th** Meeting of **Maritime states Development Council (MSDC)—**the apex advisory body for the development of the maritime sector—government announced a plan to develop a **National Grid for Ports.**
- Out of the 204 minor ports in the country, only 44 are functional; the National Grid for Ports (NGP) **will connect the major and minor ports.**
- Ports have been centres of India’s maritime activity in the past; the **objective** is to once again **revive ports as important centres of sea trade.**

- The objective is also to **improve infrastructure** and to reduce and finally **eliminate human interface.**
- Ministry of shipping is planning a **wider expansion of port capacity** across the country.
- The study on NGP will be different than 'Sagarmala' study.

23 Pharmaceutical Sector

Context: Recently, National Pharmaceutical Pricing Authority (NPPA) has raised the ceiling prices of 21 essential medicines by 50%. In this context, we are bringing out an analysis of pharma sector in India.

Background:

- India is the largest provider of generic drugs globally. Indian pharmaceutical sector industry supplies over 50 per cent of global demand for various vaccines.
- The pharmaceutical sector was valued at US$ 33 billion in 2017.
- As per Economic Survey 2018-19 the country's pharmaceutical industry is expected to expand at a CAGR of 22.4 per cent over 2015–20 to reach US55 billion. India's pharmaceutical exports stood at US55 billion. India's pharmaceutical exports stood at US 17.27 billion in FY18 and have reached US$ 19.14 billion in FY19.
- Indian companies received 304 Abbreviated New Drug Application (ANDA) approvals from the US Food and Drug Administration (USFDA) in 2017.
- Pharmaceutical exports include bulk drugs, intermediates, drug formulations, biologicals, Ayush & herbal products and surgicals.
- India's biotechnology industry comprising bio-pharmaceuticals, bio-services, bio-agriculture, bio-industry and bioinformatics is expected to grow at an average growth rate of around 30 per cent a year and reach US$ 100 billion by 2025.

Analysis:

- **Problems & Challenges**
  - India is the third largest manufacturer of pharmaceutical products in terms of volume and it is growing steadily. The market has seen the entry of many foreign players as well as rise of many domestic manufacturers. However, the industry faces many speed breakers:
    - **Lack of R&D:**
    - **Compliance issues and good manufacturing practices:**
    - **Highly fragmented industry**
    - **Low Margins of profits due to government pricing policies – Drug Price Control Order**
    - **Stronger IP regulations**
    - **Dependency on China**
    - **Lack of Policy Support**
    - **Lack of good quality of indigenously produced Raw Materials**
    - **Lack of Skilled Labour**
    - **Pharmaceutical Marketing Malpractices**

24 National Logistics Policy

Context: Union Minister of Commerce and Industry of the policy reviewed the draft National Logistics Policy and proposed action plan for implementation prepared by the Department of Logistics, Ministry of Commerce and Industry.

About:

- The **draft National Logistics Policy** has been prepared in consultation with the **Ministries of Railways, Road Transport and Highways, Shipping and Civil Aviation** and forty-six Partnering Government Agencies (PGAs).
- **Objective:** To streamline rules, address supply-side constraints, lower logistics costs and ensure greater competitiveness for Indian products worldwide.
- **National Logistics e-marketplace:** A National Logistics e-marketplace will be created as a one stop marketplace.
  - It will involve simplification of documentation for exports/imports and drive transparency through digitization of processes involving Customs, PGAs etc in regulatory, certification and compliance services.
- **Institutional Framework for policy**: For purpose of the new logistics framework, four committees/councils will be constituted:
  - **National Council for Logistics,** chaired by the Prime Minister.
  - **Apex inter-ministerial Committee**, chaired by the Minister of Commerce and Industry.
  - **India Logistics Forum** chaired by the Commerce Secretary with representation from key industry/business stakeholders and academia.
  - **Empowered task force** on logistics will be created, as a standing committee chaired by the head of the Logistics Wing.

The draft National Logistics Policy

- **Optimise modal mix:**The draft policy has sought to optimize the modal mix (road-60%, rail-31%, water-9%) to global benchmarks (road - 25-30%, rail - 50-55%, water - 20-25%) and promote the development of multi-modal infrastructure.
- **Logistics Wing:** The policy recommends setting up a Logistics Wing that will be the nodal agency tasked to **identify key projects for driving first mile and last mile connectivity** and to optimize the modal mix to identify commodity and corridor for the most cost-effective mode of transport.
- **Logistics centre of Excellence**: Encourage industry, academia and government to come together to create a logistics Centre of Excellence, and drive innovation in the logistics sector.

Objectives of the Logistics Policy

- Providing an **impetus to trade and hence economic growth** by driving competitiveness in exports.
- **Doubling employment** in the logistics sector by generating additional 10-15 million jobs and focus on **enhancing skills** in the sector and encouraging gender diversity.
- Improve India's ranking in the **Logistics Performance Index**.
- **Strengthening the warehousing sector** in India by improving the quality of storage infrastructure including specialized warehouses across the country.

- **Reducing losses due to agro-wastage** to less than 5% through effective agro-logistics.
- Providing impetus to **MSME sector**in the country through a **cost-effective logistics network**.
- Promoting **cross regional trade on e-commerce platforms** by enabling a seamless flow of goods.
- Encouraging adoption of **green logistics**in the country.

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7

REPORTS/COMMITTEES/ SUMMITS/ INDEXES

1 HDI 2019 Report

Context: Recently, Human Development Report 2019 says that India is home to 28% of world's poor.

About:

- The annual HDI 2019 report, ranked India at the 129th position, one rank above last year's ranking, out of a total 189 countries.
- India remains the home to 28 percent of global poor. about 41 per cent of the world's poor live in South Asia.
- In the last three decades, life expectancy at birth in India increased by 11.6 years, whereas the average number of schooling years increased by 3.5 years. Per capita incomes increased 250 times.
- The report finds that despite progress, group-based inequalities persist on the Indian subcontinent, especially affecting women and girls.
- While Singapore has the region's lowest incidence of intimate partner violence against women, the report states that a staggering 31 per cent of women in South Asia have experienced intimate partner violence.
- India is only marginally better than the South Asian average on the Gender Development Index (0.829 vs 0.828), and ranks at a low 122 (of 162) countries on the 2018 Gender Inequality Index.

What is HDI?

- The underlying principle of the HDI, considered path breaking in 1990, (created by Pakistani economist Mahbub ul Haq) is elegantly simple: National development should be measured not only by income per capita, but also by health and education achievements.
- The HDI is the composite measure of every country's attainment in three basic dimensions:
  - Standard of living measured by the gross national income (GNI) per capita.
  - Health measured by the life expectancy at birth.
  - Education levels calculated by mean years of education among the adult population and the expected years of schooling for children.
- This index makes it possible to follow changes in development levels over time and to compare the development levels of different countries.
- Additional indices have been developed to capture other dimensions of human development to identify groups falling behind in human progress and to monitor the distribution of human development.

- In 2010 three indices were launched to monitor poverty, inequality and gender empowerment across multiple human development dimensions
  - The Multidimensional Poverty Index (MPI),
  - The Inequality-adjusted Human Development Index (IHDI)
  - The Gender Inequality Index (GII).

Human Development Dashboard

Quality of Human Development

- **Quality of Health:**
  - India lost 13.9% in total life expectancy as health expectancy in 2016.
  - There were only 7.6 physicians per 10,000 people in the period 2007-17 falling behind Pakistan who have a better physician to people ratio with 9.8 physicians for every 10,000 people.
  - There are only 7 beds for every 10,000 people in India where a smaller nation like Nepal have 50 beds for every 10,000 people and has a lot to catch up with international standard.
- **Quality of Education:**
  - There is only one teacher in primary schools for every 35 pupil in India falling in the bottom tercile. International model standard comes up to somewhere 15-18 pupils per children.
  - Only 70% teachers in primary schools are trained to teach in Indian schools.
- **Quality of Standard of Living:**
  - 77.5% of the employed people are engaged as unpaid family workers and own account workers.
  - 77.6% of the rural population had access to electricity in 2016.
  - 87.6% of the total population was using improved drinking water sources in 2015, with only 44.2 % people having access to improved sanitation facilities in 2015.

2 Wholesale Price Index (WPI)

Context: As Indian economy experiences demand slowdown and quashing of growth forecasts, a close look at the WPI can help gauge the extent of this slowdown.

About:

- **Wholesale Price Index (WPI)**-based inflation used to be the nominal anchor for the Reserve Bank of India's (RBI's) **monetary policy**.
- With the adoption of **inflation targeting**, RBI changed its nominal anchor to **Consumer Price Index (CPI)**-based inflation.
- This change made sense because **services** constitute a big component of demand, and **was not captured by WPI.**
- Recently, **WPI** is witnessing a persistent **downward trend**. **Manufactured products** inflation have become negative, and slipped into
- **Falling WPI corroborates with slowdown in Economy**.

What does declining trend in WPI mean?

- WPI captures the pricing power of manufacturers. A prolonged period of low WPI indicates **erosion in pricing power of manufacturers**/Indian companies.

- A sharp fall in WPI indicates that the **demand slowdown is pervasive** in all parts of the economy.
- The depressed demand conditions mean **producers cannot raise prices,** and may have to offer discounts to break the trend of falling sales, as witnessed in the **auto sector**
- The reason behind WPI collapse is **fall in global commodity prices** (mostly basic metals prices).

3 Multidimensional Poverty Index

Context: The 2018 global Multidimensional Poverty Index (MPI) released by the United Nations Development Programme (UNDP) and the Oxford Poverty and Human Development Initiative (OPHI) projected that about 3 billion people live in multidimensional poverty globally.

Highlights of UN Report

- The report shows that the experience of poverty can differ within the same household, and that half of **children and young people** under the age of 18 are considered to be 'multi-dimensionally poor'.
- The report not only considers income indicators but also indicators of health, education, and standard of living, thus providing a single **'headline measure'** of countries progress on at least seven different SDGs (Sustainable Development Goals).

India's Context

- India and Cambodia reduced their MPI values the fastest — and they did not leave the poorest groups behind. India's MPI value reduced from 0.283 in 2005-06 to 0.123 in 2015-16.
- India lifted 271 million people out of poverty between 2006 and 2016, recording the fastest reductions in the multidimensional poverty index values during the period with strong improvements in areas such as "assets, cooking fuel, sanitation and nutrition.
- According to the report, Jharkhand in India reduced the incidence of multidimensional poverty from 74.9 % in 2005-06 to 46.5 % in 2015-16. Mondol Kiri and Rattanak Kiri in Cambodia reduced it from 71.0 % to 55.9 % between 2010 and 2014.
- In 2005-2006, the population in India living in multidimensional poverty stood at about 640 million people (55.1 %) and this reduced to 369 million people (27.9 %) living in poverty in 2015-16.
- India saw significant reductions in number of people who are multidimensionally poor and deprived in each of the 10 indicators over this time period.
- India reduced deprivation in nutrition, child mortality, people deprived of cooking fuel, deprivation in sanitation and those deprived of drinking water.

MPI Index

- It is an international measure of acute multidimensional poverty covering over 100 developing countries.
- It complements traditional monetary-based poverty measures by capturing the acute deprivations that each person faces at the same time with respect to education, health and living standards.
- The global MPI was developed by OPHI with the UNDP for inclusion in UNDP's flagship Human Development Report (HDR) in 2010.
- It is based on the idea that poverty is multidimensional.

4 Index of Industrial Production (IIP)

Context: Industrial growth slowed in February to 0.1% from 1.44% in January, driven by an across-the-board slowdown, especially in key sectors like manufacturing, mining, capital goods, and infrastructure.

What is IIP?

- IIP is an index which shows the growth rates in different industry groups of the economy in a stipulated period of time.
- It is computed and published by the Central Statistical Office (CSO) on monthly basis.
- It measures the growth rate of industry groups classified under:
  - Broad sectors: Mining, Manufacturing and Electricity
  - Use-based sectors: Basic Goods, Capital Goods and Intermediate Goods.
- Currently, the base year has been shifted to 2011-12 from 2004-05.
- **Other findings of the report:**
- The mining and quarrying sector saw growth slowing to 2% in February from 3.92% in January.
- The manufacturing sector saw a contraction of 0.31% from 1.05% in the same period.
- Growth in the infrastructure sector slowed to 2.38% from 6.8%.
- The electricity sector was the sector that saw an acceleration in growth, coming in at 1.18% in February compared with a growth of 0.94% in January.
- The consumer non-durables sector also saw growth quickening, to 4.3% from 3.33% over the same period.
- This declination of index caused slowing down of the economy, which was reflected in the quarterly GDP data.

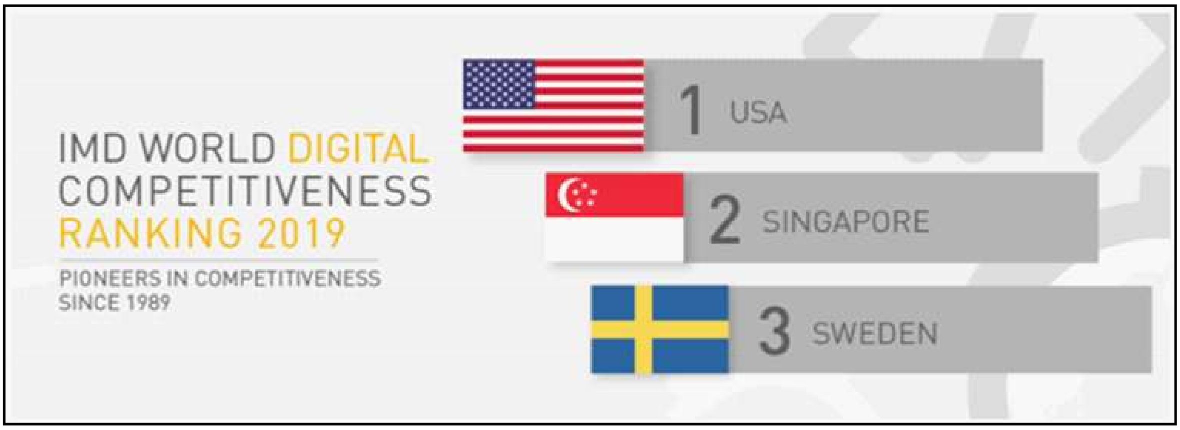
Central Statistical Office (CSO)

- It is an office under the Ministry of Statistics and Programme Implementation (MoSPI).
- It coordinates the statistical activities in the country and evolves statistical standards.
- It has the following 5 divisions:
- **National Accounts Division (NAD):** This Division is responsible for the preparation of national accounts, which includes Gross Domestic Product, Government and Private Final Consumption Expenditure, Fixed Capital Formation and other macro-economic aggregates.
- **Social Statistics Division (SSD):** This Division is entrusted with Statistical monitoring of the Millennium Development Goals, Environmental Economic Accounting and Grant-in-aid for research.
- **Economic Statistics Division (ESD):** This Division conducts Economic Censuses, compiles All India Index of Industrial Production(IIP), Energy Statistics and Infrastructure Statistics.
- **Training Division:** This Division is primarily responsible for the training manpower in theoretical and applied statistics to tackle the emerging challenges of data collection, collation, analysis and dissemination required for evidence based policy making as also for planning, monitoring and evaluation.
- **Coordination and Publications Division (CAP):** The Division looks after co-ordination work within CSO as well as with the line Ministries and State Governments in statistical matters, organizes Conference of Central and State Statistical Organizations and 'Statistics Day' every year.

5 World Digital Competitiveness Ranking 2019

About:

- IMD World Digital Competitiveness Ranking measures the capacity and readiness of 63 economies to adopt and explore digital technologies as a key driver for economic transformation in business, government and wider society.
- India has jumped four places from 48th place in 2018 to 44th rank in 2019 in World Digital Competitiveness Ranking (WDCR)
- To evaluate an economy, WDCR examines three factors:
  - **Knowledge**: the capacity to understand and learn the new technologies;
  - **Technology**: the competence to develop new digital innovations;
  - **Future readiness**: the preparedness for the coming developments.
- The US was ranked as the world's most digitally competitive economy, followed by Singapore in second place.



6 World Cost of Living Survey 2019

Context: The Economist Intelligence Unit has released the report of the Worldwide Cost of Living Survey 2019.

World Cost of Living Report

- The Worldwide Cost of Living is a biannual Economist Intelligence Unit survey which compares more than 400 individual prices across over 150 products and services in cities around the world.
- These include food, drink, clothing, household supplies and personal care items, home rents, transport, utility bills, private schools, domestic help and recreational costs.

Highlights of the Report

- For the first time three cities share the title of the world's most expensive city – **Singapore, Hong Kong and Paris.**
- This year's top ten is largely split between Asia and Europe, with Singapore representing the only city that has maintained its ranking from the previous year.
- Three Indian cities - New Delhi, Bengaluru and Chennai, are among the cheapest cities in the world.

- India is tipped for rapid economic expansion, but in per-head terms, wage and spending growth will remain low. Income inequality means that low wages are the norm, limiting household spending and creating many tiers of pricing as well as strong competition from a range of retail sources.
- Moreover, in India cheap and plentiful supply of goods into cities from rural producers with short supply chains as well as government subsidies on some products, has kept prices down, especially by Western standards.
- Syria's capital, Damascus is the cheapest city in the world. Joining Damascus at the bottom is Venezuela's capital, Caracas and Kazakhstan's business centre, Almaty, in the second and third position respectively.
- Others in the 10 cheapest cities list include Lagos at the 4th place, Bengaluru (5th), Karachi (6th), Algiers (7th), Chennai (8th), Bucharest (9th) and New Delhi (10th).
- Although the Indian subcontinent remains structurally cheap, instability is becoming an increasingly prominent factor in lowering the relative cost of living of a location. This means that there is a considerable element of risk in some of the world's cheapest cities.
- Singapore retained its title as the world's most expensive city for the fifth consecutive year. Singapore was ranked ahead of Paris placed second on the list, Zurich (3rd) and Hong Kong (4th).

Economic Intelligence Unit

- It is the world leader in global business intelligence.
- It helps businesses, the financial sector and governments to understand how the world is changing and how that creates opportunities to be seized and risks to be managed.
- It helps to produce the highest-quality research, analysis and data about countries, cities, industries and companies, and our consultancy, advisory and networking solutions help our clients to understand and navigate the toughest business challenges.

7 World Happiness Report 2019

Context: The United Nations has released the World Happiness Report- 2019.

More on News:

- The report was released by the Sustainable Development Solutions Network for the United Nations
- March 20 was designated as the World Happiness Day by the UN General Assembly in 2012.
- This is the 7th World Happiness Report. The first was released in April 2012 in support of a UN High level meeting on "Wellbeing and Happiness: Defining a New Economic Paradigm".
- The report ranks countries on six key variables that support well-being: income, freedom, trust, healthy life expectancy, social support and generosity.
- The happiness study ranks the countries of the world on the basis of questions from the Gallup World Poll. The results are then correlated with other factors, including GDP and social security.
- This year's focus is on happiness and community: how happiness has been changing over the past dozen years, and how information technology, governance and social norms influence communities.

Highlights of the 2019 Report:

- Indians are not as happy in 2019 as they were in 2018 and the country figures at 140th place, seven spots down from last year.
- The overall world happiness has fallen over the past few years, which has mostly been fuelled by a sustained drop in India.
- Finland has topped a global happiness ranking for the second year in a row.
- It beat Nordic peers Denmark, Norway and Iceland in a ranking of 156 countries by the United Nations Sustainable Development Solutions Network.
- The UN's seventh annual World Happiness Report also noted that there has been an increase in negative emotions, including worry, sadness and anger.
- Pakistan is ranked 67th, Bangladesh 125th and China is place at 93rd.
- People in war-torn South Sudan are the unhappy with their lives, followed by Central African Republic (155), Afghanistan (154), Tanzania (153) and Rwanda (152).

What is Gallup Poll?

- It is a global analytics and advice firm that helps leaders and organizations solve their most pressing problems.
- It focuses on the choices and mood of employees, customers, students and citizens in countries of the world.
- It tries to know what matters most to them at work and in life and how those priorities change over time.

United Nations Sustainable Development Solution Network

- The UN SDSN has been operating since 2012 under the auspices of the UN Secretary-General.
- SDSN mobilizes global scientific and technological expertise to promote practical solutions for sustainable development, including the implementation of the Sustainable Development Goals (SDGs) and the Paris Climate Agreement.
- The aim is to accelerate joint learning and promote integrated approaches that address the interconnected economic, social, and environmental challenges confronting the world.
- SDSN works closely with United Nations agencies, multilateral financing institutions, the private sector, and civil society.
- The organization and governance of SDSN aims to enable a large number of leaders from all regions and diverse backgrounds to participate in the development of the network.
- It acts as the board of SDSN. Much of SDSN's work is led by National or Regional SDSNs, which mobilize knowledge institutions around the SDGs.
- Several Thematic Networks mobilize experts from around the world on the technical challenges of implementing the SDGs and the Paris Climate Agreement.
- SDSN has a small secretariat with offices in New York, New Delhi, and Paris.

8 Logistics Index Chart

Context: Gujarat has retained the top slot on the logistics index chart, an indicator of the efficiency of logistical services necessary for promoting exports and economic growth.

About:

- According to the report **by the Commerce Ministry - LEADS (Logistics Ease Across Different States) 2019**, prepared with **the help of consultancy firm Deloitte**, the findings would help in identifying the problem areas in the sector and prepare policy responses to deal with them.
- The index aims at enhancing the focus on improving logistics performance across states which is essential for improving the country's trade and reducing transactions cost.
- The index was based on **the analysis of perception with regard to nine parameters, including infrastructure, quality of logistics, services, and timeliness of cargo delivery, regulatory process and safety of cargo.**
- It is based on the **Logistics Performance Index** created by **World Bank.**

9 Second Edition of Startup Ranking for 2019

Context: Department for Promotion of Industry and Internal Trade (DPIIT) released second edition of Startup Ranking for 2019.

- **Aim**
  - The Startup Ranking framework aims to rank the States/UTs for establishing a robust ecosystem for supporting Startups.
  - The framework also encourages States and UTs to identify, learn and replicate good practices from each other.
  - The ranking exercise aims to evaluate measures taken by States/UTs during the assessment period from May 1, 2018 to June 30, 2019.

Significance:

- The launch of the ranking framework in 2018 galvanized the States/UTs into action, thereby giving impetus to the Startup movement across the country.
- Till date, 25 States and UTs have launched their dedicated Startup policies to incentivize Startups in their jurisdiction.
- The Startup Ranking 2019 is expected to take forward the Startup ecosystem in the country and give impetus to the vision of India becoming a Startup Nation.

Department for Promotion of Industry and Internal Trade

- It was established in 1995 and has been reconstituted in 2000 with the merger of the Department of Industrial Development.
- Recently, it was renamed from Department of Industrial Policy & Promotion to Department for Promotion of Industry and Internal Trade

Role and functions:

- Formulation and implementation of industrial policy and strategies for industrial development in conformity with the development needs and national objectives.
- Monitoring the industrial growth, in general, and performance of industries specifically assigned to it, in particular, including advice on all industrial and technical matters.
- Formulation of Foreign Direct Investment (FDI) Policy and promotion, approval and facilitation of FDI
- Encouragement to foreign technology collaborations at enterprise level and formulating policy parameters for the same

- Formulation of policies relating to Intellectual Property Rights in the fields of Patents, Trademarks, Industrial Designs and Geographical Indications of Goods and administration of regulations, rules made there under
- Administration of Industries (Development & Regulation) Act, 1951
- Promoting industrial development of industrially backward areas and the North Eastern Region including International Co-operation for industrial partnerships and Promotion of productivity, quality and technical cooperation.

10 Worldwide Education for the Future Index 2019

Context: India jumped five ranks in the Worldwide Educating for the Future Index (WEFFI) 2019, as per a report published by The Economist Intelligence Unit.

About:

- Worldwide Educating for the Future Index (WEFFI) is the first comprehensive global index to evaluate inputs to education systems rather than outputs such as test scores.
- This is the third edition of the WEFFI, produced by **The Economist Intelligence Unit**and commissioned by the **Yidan Prize Foundation**.
- The index ranks 50 economies, which represent nearly 93% of global GDP and 89% of the world's population.
- With a focus on young people aged 15-24, it measures three pillarsas a means of readying young people to meet the challenges of work and society in future:
  - education systems--policy approaches
  - teaching conditions
  - broader gauges of societal freedom and openness
- It remains the only major ranking to assess inputs to education systems and stands in contrast to measures like the OECD's Programme for International Student Assessment, which looks at exam-like outputs.

The Economist Intelligence Unit (The EIU)

- The **Economist Intelligence Unit (The EIU)** was created in 1946.
- It is a British business within the **Economist Group** providing forecasting and advisory services through research and analysis, such as monthly country reports, five-year country economic forecasts, country risk service reports, and industry reports.

Key-findings of the index:

- **India:**
  - India ranked 35th on the overall index in 2019 with a total score of 53, based on three categories:
    - **Policy Environment:** In 2019, India scored 56.3 in policy environment falling from a 61.5 score in 2018.
    - **Teaching Environment:** India scored 52.2 in the teaching environment category, increased significantly from 32.2 in 2018.

- **Overall Socio-economic Environment:** India scored 50.1 in the socio-economic environment category increased significantly from 33.3 in 2018

- The country ranked 40th with an overall score of 41.2 across categories in 2018.

  - **Global findings:**

- The index is topped by Finland. Finland was first in previous year's ranking as well,
- Sweden and New Zealand ranked second and third, with Sweden advancing two places and New Zealand maintaining its third position from 2018's results.
- The Philippines, Ghana and Mexico all performed strongly among a new income-adjusted ranking due to their ability to channel their more limited resources to implement strong policy and advance a future skills agenda.
- Among the world's largest economies, the US, UK, France and Russia all fell back in the index, while China, India and Indonesia took steps forward.

11 Various Reports and their Publishing Organisations

S. No.	Report/Index	Publishing Organisation
1.	Ease of Doing Business	World Bank
2.	World Development Report (WDR)	World Bank
3.	Global Economic Prospect Report	World Bank
4.	World Economic Outlook	IMF
5.	Global Money Laundering Report	Financial Action Task Force (FATF)
6.	Global Competitiveness Report	World Economic Forum (WEF)
7.	Global Human Capital Index	World Economic Forum (WEF)
8.	Inclusive Development Index	World Economic Forum (WEF)
9.	Global Gender Gap Index	World Economic Forum (WEF)
10.	Gender Inequality Index	UN Development Programme (UNDP)
11.	World Investment Report	UN Conference on Trade and Development (UNCTAD)
12.	World Happiness Report	UN Sustainable Development Solutions Network (SDSN)
13.	World Intellectual Property Report	World Intellectual Property Organization (WIPO)
14.	Intellectual Property Index	US Chamber of Commerce
15.	World Energy Outlook	International Energy Agency (IEA)

16.	Corruption Perception Index	Transparency International NGO
17.	World Press Freedom Index	Reporters Without Borders
18.	Global Peace Index	Institute of Economics and Peace (IEP), Australia
19.	Global Innovation Index	Cornell University, INSEAD and WIPO
20.	Global Cyber Security Index	UN International Telecommunication Union (UN-ITU)

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