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Contents

1 BANKING & FINANCIAL SECTOR

1 Potholes on the digital payment superhighway

Context: In Budget 2020-21, the government prescribed zero **Merchant Discount Rate (MDR)** for RuPay and UPI, both NPCI products, to popularise digital payments.

What is Merchant Discount Rate (MDR)?

- MDR is the rate charged to a merchant for payment processing services on debit, credit card or UPI transactions.
- It is the cost which is paid to banks and payment service providers (PSPs), during a transaction.
- MDR is the only source of revenue for the (UPI) ecosystem.

NPCI

- National Payments Corporation of India (NPCI) is an umbrella organisation for operating retail payments and settlement systems in India.
- It is an initiative of Reserve Bank of India (RBI) and Indian Banks' Association (IBA) under the provisions of the **Payment and Settlement Systems Act, 2007**, for creating a robust **Payment & Settlement Infrastructure in India**.
- NPCI has been incorporated as a "Not for Profit" Company under the provisions of Section 25 of Companies Act 1956 (now Section 8 of Companies Act 2013), with an intention to provide infrastructure to the entire Banking system in India for physical as well as electronic payment and settlement systems.
- Some of the payment services of NPCI are as follows- NFS, IMPS, AePS, CTS, RuPay, UPI, Bharat BillPay, NETC, BHIM, BharatQR, BHIM Aadhaar Pay.

2 India's largest bank reduces its MCLR

Context: India's largest bank State Bank of India (SBI) reduced its marginal cost of funds-based lending rate (MCLR)

About:

- The marginal cost of funds-based lending rate (MCLR) is the minimum interest rate that a bank can lend at.

- MCLR is a tenor-linked internal benchmark, which means the rate is determined internally by the bank depending on the period left for the repayment of a loan
- The RBI introduced the MCLR methodology for fixing interest rates from 1 April 2016.

How MCLR is calculated?

- The four main elements of MCLR are made up of the following:

1. **Tenor premium**

   The cost of lending varies from the period of the loan. Higher the duration of the loan, higher will be the risk. In order to cover the risk, the bank will shift the load to the borrowers by charging an amount in the form of premium. This premium is known as the **Tenure Premium**.
   .

2. **The marginal cost of funds**

   The marginal cost of funds is the average rate at which the deposits with similar maturities were raised during a specific period before the review date. This cost will reflect in the bank's books by their outstanding balance. The marginal cost of funds has several components like the Return on Net Worth and the Marginal Cost of Borrowings. Marginal Cost of Borrowings takes up 92% while the Return on Net Worth accounts for 8%. This 8% is equivalent to the risk of weighted assets as denoted by the Tier I capital for banks.

3. **Operating Cost**

   Operational expenses include the cost of raising funds, barring the costs recovered separately through service charges. It is, therefore, connected to providing the loan product as such.

4. **Negative carry on account of CRR**

   Negative carry on the CRR (Cash Reserve Ratio) takes place when the return on the CRR balance is zero. Negative carry arises when the actual return is less than the cost of the funds. This will impact the mandatory **Statutory Liquidity Ratio Balace (SLR)** – reserve every commercial bank must maintain. It is accounted negatively as the bank cannot utilize the funds to earn any income nor gain interests.

External Benchmark based Lending Rate (EBLR)

In this system, the interest rate is pegged to any external benchmark. RBI has notified the following benchmarks (used as External Benchmark Rate) –

- Reserve Bank of India policy repo rate
- Government of India 3-Months Treasury Bill yield published by the **Financial Benchmarks India Private Ltd** (FBIL)
- Government of India 6-Months Treasury Bill yield published by the FBIL
- Any other benchmark market interest rate published by the FBIL.

SBI calculates its EBLR as; EBLR = **External Benchmark Rate** + Credit Risk Premium

3 RBI announces Open Market Operation

Context: The RBI had announced simultaneous purchase and sale of government securities under Open Market Operation (OMO) for an aggregate amount of ₹20,000 crores in two tranches of ₹10,000 crores each.

What is Open Market Operation?

- Open market operations are conducted by the RBI by way of sale or purchase of **government securities (g-secs)** to adjust money supply conditions.
- The central bank sells g-secs to suck out liquidity from the system and buys back g-secs to infuse liquidity into the system.
- The RBI uses OMO along with other monetary policy tools such as repo rate, cash reserve ratio and statutory liquidity ratio to adjust the quantum and price of money in the system.

Importance of OMO

- Smoothens the availability of money
- Liquidity management
- Alignment of monetary policy with fiscal policy

4 Domestic Systemically Important Insurers (D-SIIs)

Context: The Life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC) and The New India Assurance Co have been identified as **Domestic Systemically Important Insurers (D-SIIs)** for 2020-21 by insurance regulator IRDAI.

What are D-SIIs?

- D-SIIs refer to insurers of such size, market importance and domestic and global inter-connectedness whose distress or failure would cause a significant dislocation in the domestic financial system.
- D-SIIs are perceived as insurers that are 'too big or too important to fail'.
- This perception and the perceived expectation of government support will amplify risk taking, reduce market discipline, create competitive distortions, and increase the possibility of distress in the future.

The new D-SIIs

- **Largest insurer:** LIC is the largest insurer in the country with a balance sheet of Rs 31.2 lakh crore.
- **Sole reinsurer:** GIC Re is the country's sole reinsurer.
- **Largest general insurance company:** New India is the country's largest general insurance company.
- All three entities are owned by the government.

About IRDAI

- Insurance Regulatory and Development Authority (IRDA) has been set up as autonomous body under the IRDA Act, 1999.
- IRDAI regulates the Indian insurance industry to protect the interests of the policyholders and work for the orderly growth of the industry.
- **IRDAI's Mission:** To protect the interests of policyholders, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto.

What will they do as 'D-SIIs'?

- Raise the level of corporate governance
- Identify risk & promote management culture
- Enhance regulatory supervision

Methodology for identification & supervision of D-SIIs

- **The parameters include:**
  - the size of operations in terms of total revenue, including premium underwritten and the value of assets under management
  - global activities across more than one jurisdiction
  - lack of substitutability of their products and/or operations

5 Quantitative Easing variants in Emerging Markets

Context: The coronavirus-led market rout hit developing economies hard. In order to combat economic pain from the COVID-19 pandemic, more than a dozen emerging markets have adopted quantitative easing.

What is QE?

- Quantitative easing (QE) is a form of unconventional monetary policy in which a central bank purchases longer-term securities from the open market in order to increase the money supply and encourage lending and investment.
- Buying these securities adds new money to the economy, and also serves to lower interest rates by bidding up fixed-income securities.
- It also expands the central bank's balance sheet.

Steps taken by RBI to boost money supply during COVID

- Operation Twist
- Reducing Repo and Reverse Repo
- Loan moratorium
- Reduction in CRR by 100bps
- Long Term Repo Operation
- Deferment of Net Stable Funding Ratio

6 Recapitalization of Regional Rural Banks (RRBs)

Context: The Cabinet Committee on Economic Affairs has given its approval for continuation of the process of recapitalization of **Regional Rural Banks** for those RRBs which are unable to maintain minimum **Capital to Risk weighted Assets Ratio (CRAR)**

About:

- The Regional Rural Banks (RRBs) were established in 1975 under the provisions of the Ordinance promulgated on 26th September, 1975 and **Regional Rural Banks Act, 1976.**

- The objective is to develop the rural economy by providing, for the purpose of development of agriculture, trade, commerce, industry and other productive activities in the rural areas, credit and other facilities, particularly to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs, and for matters connected therewith and incidental thereto.
- As per RBI guidelines, the RRBs have to provide **75% of their total credit under PSL (Priority Sector Lending).**
- As per the law, the Centre holds 50 percent stake in Regional Rural Banks, while 35 percent and 15 percent shares are with the concerned sponsor banks and state governments respectively.

Highlights:

- The CCEA approved the scheme of **Recapitalization of RRBs,** subject to the condition that the release of Central Government's share will be contingent upon the release of the proportionate share by the sponsor banks.
- The capital will be used for those RRBs that are unable to maintain minimum **Capital to Risk weighted Assets Ratio (CRAR)** of 9 percent, as per the regulatory norms prescribed by the Reserve Bank.

Capital to Risk (Weighted) Assets Ratio (CRAR):

- Capital to Risk (Weighted) Assets Ratio (CRAR) is also known as Capital adequacy Ratio, the ratio of a bank's capital to its risk.
- The Capital to risk-weighted assets ratio is arrived at by dividing the capital of the bank with aggregated risk-weighted assets for credit risk, market risk, and operational risk.
- The higher the CRAR of a bank the better capitalized it is.
- The Basel III norms stipulated a capital to risk-weighted assets of 8%.
  - In India, scheduled commercial banks are required to maintain a CAR of 9% while Indian public sector banks are emphasized to maintain a CAR of 12% as per RBI norms.

7 China's negative yield zero coupon bond, is becoming a 'big deal'

Context: China's first-ever sale of a **negative-yield bond** drew strong demand from investors seeking exposure to an economy that is returning to pre-pandemic growth rates.

What are negative-yield bonds?

- Negative-yield Bonds are debt instruments that offer to pay the investor a maturity amount lower than the purchase price of the bond.
- They are financial instruments that cause purchasers to lose money.
- These are generally issued by central banks or governments, and investors pay interest to the borrower to keep their money with them.
  - They are usually issued in countries with low or negative interest rates and bought by investors who want to keep money safe or avoid worse yields.
- Negative-yield bonds attract investments during times of stress and uncertainty as investors look to protect their capital from significant erosion.

- **Current yield:** Current yield is the amount that will be paid in interest on a bond over a one-year period, expressed as a percentage of its face value.
- **Yield to maturity:** Yield to maturity is the amount that will be paid from now until the bond expires, also expressed as a percentage of its face value.

8 K. V. Kamath Committee Report

Context: Reserve Bank of India released the K V Kamath-led Committee report, which had recommended financial parameters to be factored in the resolution plans under the 'Resolution Framework for Covid19-related Stress' along with sector specific benchmark ranges for such parameters.

What are Stressed Assets?

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

Major recommendations of the Committee

- The K.V. Kamath committee recommended a graded approach to restructuring of stressed accounts based on severity of the impact on the borrowers.
- The committee has allowed banks to classify the accounts into mild, moderate and severe as recommended by the committee.
- In line with the mandate given by the RBI, Kamath committee has identified four financial parameters including
  - total outside liabilities to adjusted tangible networth
  - total debt to EBITDA
  - debt service coverage ratio (DSCR)
  - average debt service coverage ratio (ADSCR)

About the Committee

- In August 2020, RBI had formed a five member committee under the chairmanship of former ICICI Bank CEO KV Kamath to make recommendations on the financial parameters to be considered for the one-time restructuring of loans impacted by the Covid 19 pandemic.
- The Indian Banks' Association (IBA) functioned as the secretariat to the committee.

Indian Banks' Association (IBA)

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

9 Sovereign Gold Bonds

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

About:

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

Key-details of the Scheme:

- The minimum investment limit for Sovereign Gold Bond is 1 gram of gold, while the maximum limit of subscription is 4 kg for individual, 4 kg for HUF and 20 kg for trusts and similar entities, as notified by the government from time to time.
- The tenor of the Bond will be for a period of 8 years with exit option after completion of five years.
- Comparing SGB with Physical gold & Gold ETFs:

Particular	Physical Gold	Gold ETF	Sovereign Gold Bond
Returns/earnings	Lower than the real return on gold due to making charges	Less than actual return on gold	More than actual return on gold
Safety	Ristk of theft, wera/tear	High	High
Purity	The purity of gold always remains a question	High as it is in electronic form	High as it is electronic form
Gains LTCG after three years	Long-term capital gainpost after three years	LTCG post three years. (No capital gain tax if redeemed after maturity)	
As loan collateral	Accepted	Not accepted	Accepted
Tradability or exit formalities	Restrictive	Tradable on Stock Exchange	Can be traded and redeemed from the 5th year with the government
Storage expenditures	High	Minimal	Minimal

10 Insolvency and Bankruptcy Code

Context: In its fifth year of existence of the Insolvency and Bankruptcy Code (IBC), the insolvency body has been without a full-time President ever since.

Insolvency and Bankruptcy Code, 2016 (IBC)

- The Insolvency and Bankruptcy Code, 2016 (IBC) is the bankruptcy law of India which seeks to consolidate the existing framework by creating a single law for insolvency and bankruptcy.
- The bankruptcy code is a one stop solution for resolving insolvencies which previously was a long process that did not offer an economically viable arrangement.
- The code aims to protect the interests of small investors and make the process of doing business less cumbersome.
- The Code establishes the Insolvency and Bankruptcy Board of India, to oversee the insolvency proceedings in the country and regulate the entities registered under it.
- The Board will have 10 members, including representatives from the Ministries of Finance and Law, and the Reserve Bank of India.

11 RBI to conduct on-tap targeted long-term repo operations (TLTRO)

Context: The Reserve Bank of India (RBI) will conduct on-tap targeted long-term repo operations (TLTRO) for an amount of Rs.1 lakh crore to ensure comfortable liquidity conditions in the system.

What is TLTRO or LTRO?

- **LTRO:** The LTRO is a tool under which the central bank provides 1 year to 3 year money to banks at the prevailing repo rate, accepting government securities with matching or higher tenure as the collateral.
- **TLTRO:** Targeted Long-Term Repo Operations (TLTRO), banks can invest in specific sectors through debt instruments (corporate bonds, commercial papers, and non-convertible debentures (NCDs)) to push the credit flow in the economy.
  - It is called 'Targeted' LTRO as in this case, the central bank wants banks opting for funds under this option to be specifically invested in investment-grade corporate debt.
  - This helps banks get funds for a longer duration as compared to the short-term (up to 28 days) liquidity provided by the RBI through other tools such as liquidity adjustment facility (LAF) and marginal standing facility (MSF).

12 One nation one ombudsman: RBI to integrate consumer grievance redressal scheme

Context: The Reserve Bank of India is targeting to roll out the e-Integrated Ombudsman Scheme in June 2021.

Current Ombudsman schemes

- Presently, there are three dedicated ombudsman schemes for:
  - banking sector

- non-bank finance companies
- digital transactions

The 'e-integrated Ombudsman Scheme'

- **Single platform:** RBI is targeting to make an alternate dispute redressal
- **Aim:** It aims to mechanism simpler and more responsive. The move is intended to make the process of redress of grievances easie

Who is an Ombudsman?

- An ombudsman is an official who investigates complaints against businesses, financial institutions, universities, government departments, or other public entities.
- **Function:** He/She attempts to resolve the conflicts or concerns raised, either by mediation or by making

Banking Ombudsman Scheme

- **About:**
  - The Banking Ombudsman Scheme is introduced under Section 35 A of the Banking Regulation Act, 1949 by RBI with effect from 1995.
  - Presently the **Banking Ombudsman Scheme 2006** (As amended up to July 1, 2017) is in operation.
- **Banks covered:**
  - All Scheduled Commercial Banks, Regional Rural Banks, and Scheduled Primary Co-operative Banks are covered under the Scheme.

Ombudsman Scheme for Non-Banking Financial Companies

- **About:**
  - It is an expeditious and cost-free apex level mechanism for the resolution of complaints of customers of NBFCs, relating to certain services rendered by NBFCs.
  - The Scheme is being introduced under **Section 45** L of the **Reserve Bank of India Act, 1934,** with effect from 2018.
- **NBFCs covered under the Scheme**
  - NBFCs, which (a) are authorized to accept deposits; or (b) have customer interface, with assets size of one billion rupees or above, as on the date of the audited balance sheet of the previous financial year, or of any such asset size as the RBI may prescribe, are covered under the Scheme.
  - The Scheme initially covers NBFCs authorized to accept deposits and would be gradually extended to cover other identified NBFCs.

Ombudsman Scheme for Digital Transactions, 2019

- **About:**
  - It is an expeditious and cost-free apex level mechanism for the resolution of complaints regarding digital transactions.
  - The Scheme is being introduced under **Section 18 Payment and Settlement Systems Act, 2007,** with effect from 2019.
- **Entities covered under the Scheme**
  - The Scheme has been made applicable to System Participants as defined in Clause 3 (11) of the Scheme.

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

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

What is Priority Sector Lending?

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

Startups

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

Sectors under PSL

- Agriculture
- Micro, Small and Medium Enterprises (MSMEs)
- Export Credit
- Education
- Housing
- Social Infrastructure
- Renewable Energy
- Weaker Sections
- Others: Startup, SHG etc

14 Central Bank Digital Currencies (CBDCs)

Context: There is possible introduction of **Central Bank Digital Currencies (CBDCs)** to offer more diversified formats of central bank money.

What is CBDC?

- Central Bank Digital Currency is a digital version of so-called "fiat money," or the regular currency a country uses, as established and regulated by its government.

- It is a digital payment instrument that is denominated in a national currency and issued by a central bank.
- Unlike private virtual currencies whose value is based on its ownership, distribution and trading on exchanges, a CBDC's intrinsic value is equivalent to any other form of money issued by the central bank.

How is it similar and different to crypto currency?

Characteristics	Fiat currency	Cryptocurrency	CBDC
Issued by	Central Bank	Private entities	Central Bank
Backed by	Assets such as government securities	NA	Assets such as government securities
Legal medium of exchange	Yes	NYes	
A store of value	Yes	Yes	Yes
Determination and fluctuation of value	Monetary policy, trade and market	Only market	Monetary policy, trade and market
Intermediary institutions	Required	Not required	Not required
Cost of money	High — printing and distribution	Mining cost — very high	Low
Security and maintenance	High	Low	Low
Traceability	Low	High	High
Payments and settlement system	Limited acceptability	Near universal acceptability	Universal acceptability
Monetary policy	Slower transmission	NA	Possibility of near-real time transmission
Financial stability	Stable — rush to cash	Very unstable	Difficult to answer with existing empirical evidence
Scalability	Low	High	High
Privacy	Not a concern	Not a major concern	Normative, but can be a major concern

CBDCs around the world

- Bank of Thailand
- Bank of Lithuania
- The Riksbank, Sweden's central bank

- Central Bank of Bahamas launched 'Sand Dollar'
- Central Bank of Venezuela launched Petro

15 Domestic Systemically Important Banks

Context: The Reserve Bank of India released a list of Domestic Systemically Important Banks (D-SIBs) based on the Framework for dealing with D-SIBs.

Who are D-SIBs?

- SBI, ICICI Bank, and HDFC Bank are identified as Domestic Systemically Important Banks (D-SIBs).
- These banks are considered 'too big to fail banks'.
- SIBs are subjected to higher levels of supervision so as to prevent disruption in financial services in the event of any failure.
- These banks also enjoy certain advantages in funding markets.

D-SIB framework

- The D-SIB framework requires the Reserve Bank to disclose the names of banks designated as D-SIBs starting from 2015 and place these banks in appropriate buckets depending upon their **Systemic Importance Scores (SISs).**
- Based on the bucket in which a D-SIB is placed, an additional common equity requirement has to be applied to it.
  - The additional Common Equity Tier 1 (CET1) requirement for D-SIBs was phased-in from April 1, 2016 and became fully effective from April 1, 2019.
  - The additional CET1 requirement will be in addition to the capital conservation buffer.

16 RBI to introduce LEI for large-value transactions in RTGS/NEFT

Context: The Reserve Bank of India (RBI) has decided to introduce the Legal Entity Identifier (LEI) system for all payment transactions of value Rs 50 crore and above undertaken by entities (non-individuals) using the Reserve Bank-run Centralised Payment Systems with effect from April 1.

What is LEI number?

- The Legal Entity Identifier (LEI) is a 20-digit number.
- It is used to uniquely identify parties to financial transactions worldwide while improving the quality and accuracy of financial data systems for better risk management post the global financial crisis.
- LEIL has been recognized by the Reserve Bank of India as an "Issuer" of Legal Entity Identifiers under the **Payment and Settlement Systems Act 2007.**
- The body that supports the implementation and use of LEI is the **Global Legal Entity Identifier Foundation (GLEIF).**
- It helps in better risk management, especially in the post-Global Financial Crisis era.

17 Operation Twist

Context: Reserve Bank of India (RBI) has conducted its bond swapping programmed called as **India's Operation Twist.**

About:

- Operation Twist was first introduced to the world by the US in a bid to lower long-term interest rates and to provide a boost to the economy by making credit cheaper for businesses, industries and other borrowers.
  - the original "Operation Twist" was conducted in 1961
  - the second one was in 2011
- In India's context, Operation Twist is a bid to bring down interest rates on long-term loans--something that it has failed despite five rate cuts by RBI this year.
- The financial tool also helps in either reducing liquidity in the market or increasing it, based on the simultaneous sale and purchase of bonds.
- The simultaneous purchase and sale of bonds or securities through open market operations (OMOs) help in changing the shape of the yield curve.

Open market operation:

- Open market operation is the sale and purchase of government securities and treasury bills by RBI
- The objective of OMO is to regulate the money supply in the economy.
- When the RBI wants to increase the money supply in the economy, it purchases the government securities from the market and it sells government securities to suck out liquidity from the system.
- OMO is one of the tools that RBI uses to smoothen the liquidity conditions through the year and minimise its impact on the interest rate and inflation rate levels.

Operation Twist had helped in better transmission of the central bank's 135 basis points of rate cuts last year.

Why RBI targeted to lower long term interest rate?

- The period of economic slowdown can be only countered with heavy investment in the economy which leads to increase in Gross Fixed Capital Formation.
- Since these can be projects with long term gestation like roads, dams, bridges etc. Such projects need long term financing and due to compounding of interest they always aim for cheap interest rate.
- Hence lowering long term interest rate will boost investment and revive economy

18 Zero Coupon Bonds

Context: The government has used **financial innovation** to recapitalise Punjab & Sind Bank by issuing the lender Rs 5,500-crore worth of non-interest bearing bonds valued **at par.**

About:

- The special bond for Punjab and Sind Bank come with 10-15 years maturity. At the time of maturity, the investor is paid the face value or par value. It is not tradable, it is not transferable.
- It is held at the held-to-maturity (HTM) category of the bank as per the RBI guidelines
- Though zero coupon, these bonds are different from traditional zero coupon bonds on one account — as they are being issued at par, there is no interest

Zero Coupon Bond

- A zero coupon bond is a type of instrument that does not pay any interest to the bondholder. It is also known as a discount bond.
- It is issued at discounted rate and not at par value.

Coupon

- A coupon is an interest the bond issuer pays the bondholder.
- Coupon payments happen periodically from the time of issuance of the bond until its maturity.

- The return an investor earns is the principal amount plus interest amount.
- However these are generally tradable at deep discount rate.

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2 PUBLIC FINANCE

1 Lucknow Municipal Corporation bonds list on BSE

Context: The municipal bonds issued by the Lucknow Municipal Corporation have been listed on the **Bombay Stock Exchange (BSE).**

What are municipal bonds?

- Municipal corporations can raise funds through bond issuances, called **municipal bonds.**
- The municipal bodies set aside an amount from their monthly property tax collections for interest and principal repayment.
- Most of the municipal bond issuances have their own structured repayment pattern.
- Civic bodies raise funds to meet the rising requirements under the flagship Smart City Mission and **Atal Mission for Rejuvenation and Urban Transformation (AMRUT) scheme of the central government**
- Besides Lucknow, some of the other bond issuance that have been listed include those of the municipal bodies of Pune, Indore, Bhopal, Ahmedabad and Hyderabad.

Municipal corporations

- Municipal corporations are **government bodies** that typically form the **third tier** of the government in urban areas after the central and state government.
- Typically, municipal bodies provide services like water, sanitation, sewage and solid waste management. Some bigger municipal bodies also run schools.
- They raise resources through levies like property tax, government grants and fees for the services provided.

Do these bonds have sovereign guarantee?

- These bonds, like the state development bonds, are not backed by a **sovereign guarantee.**
- A sovereign guarantee is typically provided by the central government promising debt repayment for a third party in case of a default by the latter.
- Due to this, the interest rates on municipal bonds are also higher than the interest rate on central government securities and **State Development Loans (SDLs).**

2 Is transparent taxation the panacea for tax terrorism?

Context: **The Income-tax Act, 1961 (the Act)** was amended in 2019 to introduce the **concept of faceless assessment** and in 2020 to provide for statutory recognition of a tax-payers' charter and an enabling provision for faceless appeals. The **"Transparent Taxation-Honouring the Honest"** platform was launched in August, 2020, covering the aforesaid aspects.

Faceless Assessment

- Faceless assessment is **faceless tax scrutiny** which eliminates the interface between the taxpayer and the Income Tax Department.
- Under this system, the selection of a taxpayer will be done only through systems using data analytics and AI.
- Moreover, territorial jurisdiction will be abolished, and the draft assessment order, the review and the finalisation will take place in different cities. Cases will be also be automatically allotted on a random basis.

Faceless Appeal

- Under this system, appeals will be randomly allocated to any officer in the country and the identity of officers handling the appeal will remain unknown.
- There will also be no need to visit the officer or the office.
- Exceptions to this will be cases of serious frauds, major tax evasions, **Black Money Act, Benami property etc.**

3 Ways and Means Advances (WMA)

Context: The central bank has announced steps to help states cope with the fallout of the covid-19 pandemic, including allowing a higher borrowing limit under **Ways and Means Advances (WMA).**

About:

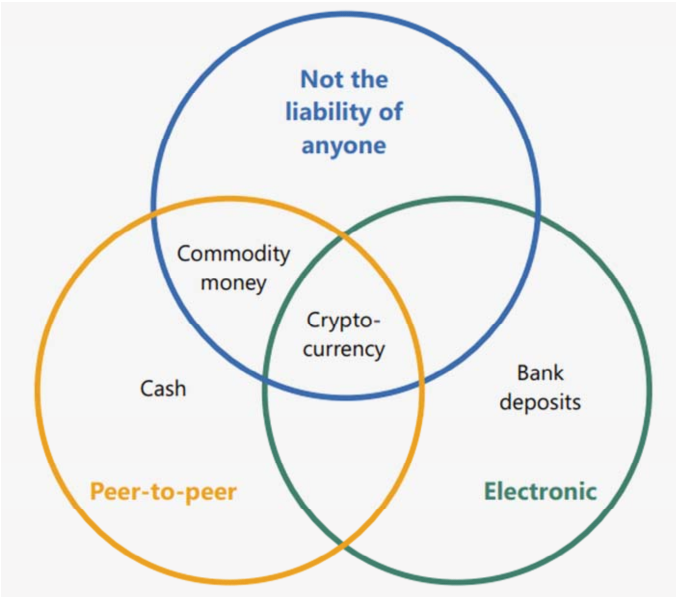
- Under **Section 17(5) of RBI Act, 1934,** the RBI provides Ways **and Means Advances (WMA)** to the States banking with it to help them to tide over temporary mismatches in the cash flow of their receipts and payments
- The WMA scheme was designed to meet temporary mismatches in the receipts and payments of the government.
- This facility can be availed by the government if it needs immediate cash from the RBI. The WMA is a loan facility form the RBI for 90 days
- There are two types of WMA – normal and special. While normal WMA are clean advances, special WMA are secured advances provided against the pledge of Government of India dated securities.
- WMA can also be facilitated to Central Government.
- According to RBI rules, the normal WMA limits are based on a three-year average of the state's actual revenue and capital expenditure and withdrawing beyond the limit is considered an overdraft.
- The interest rate on WMA/overdraft will be:
    - **WMA:** Repo Rate
    - **Overdraft:** Two percent above the Repo Rate

4 Taxing Crypto Currencies

Context: The Finance Ministry recently proposed instituting an **18% goods and services tax (GST)** on crypto trading.

What are crypto currencies?

- A crypto currency is a digital representation of value that can be digitally traded and functions as:
  - a medium of exchange, and/ or
  - a unit of account and/or
  - a store of value, but does not have a legal tender status
- It fulfils the above functions only by agreement within the community of users of the virtual currency.
- It is not issued or neither guaranteed by any jurisdiction.
- **Cryptocurrency** is a type of virtual currency that uses cryptography to secure transactions that are digitally recorded on a distributed ledger, such as a blockchain.
- A transaction involving cryptocurrency that is recorded on a distributed ledger is referred to as an **"on-chain" transaction;** a transaction that is not recorded on the distributed ledger is referred to as an **"off-chain" transaction.**



5 Fiscal Responsibility and Budget Management (FRBM) Act

Context: Kerala has taken economic measures to battle the COVID-19 pandemic and also urged the centre to provide flexibility under the **FRBM Act.**

What is the FRBM Act?

- The legislation is aimed at "inter-generational equity in fiscal management and long-term macro-economic stability".

- To achieve this, the Act envisages the **setting of limits** on the Central government's debt and deficits as well as mandating greater transparency in fiscal operations of the Central government and the conduct of fiscal policy in a medium-term framework.
- According to the Rules notified, every Budget of the Union government has included a Medium **Term Fiscal Policy Statement** that specifies the annual revenue and fiscal deficit goals over a three-year horizon and Macroeconomic Framework.
- The key objective is **reducing the fiscal deficit to 3% of GDP** within a specified time frame
- The States have since enacted their own respective Financial Responsibility Legislation, which sets the same **3% of Gross State Domestic Product (GSDP) cap on their annual budget deficits.**

The FRBM Act contains an 'escape clause'

- Under **Section 4(2) of the Act**, the Centre can exceed the annual fiscal deficit target citing grounds that include national security, war, national calamity, collapse of agriculture, structural reforms and decline in real output growth of a quarter by at least three percentage points below the average of the previous four quarters.
- Given that the ongoing pandemic could be considered as a national calamity — which in conjunction with the ongoing lockdown to combat it is in all likelihood going to cause a severe contraction in economic output as well — the current circumstances would be apt for suspending both the Centre's and States' fiscal deficit targets.

> Centre has allowed all states to increase their borrowings this financial year (FY22). The fiscal deficit limit has been raised from 3% of GSDP to 4% of GSDP. Another 1% of GSDP will be allowed after implementation of four reforms (0.25% of GSDP for each reform): one nation one ration card, ease of doing business, power distribution, and urban local body/ utility.

6 GST Council can't arrive at a consensus on compensation issue

Context: Even after continuous meetings, the Goods and Services Tax (GST) Council failed to reach a consensus on borrowing options in lieu of the compensation cess shortfall.

What is the compensation issue?

- In October, payments to states were delayed as the collection was lower than expected.
- **Under GST (Compensation To States) Act, 2017** states were guaranteed to receive payment for any loss of revenue in the first five years of the GST implementation, from July 1, 2017.
  - States have been promised compensation for any revenue shortfall till 2022, in case they go below the 14 percent annual growth since the GST rollout in 2017.

> **Goods & Services Tax Council**
>
> - Goods & Services Tax Council is a **constitutional body.**
> - It makes recommendations to the Union and State Government on issues related to Goods and Service Tax.

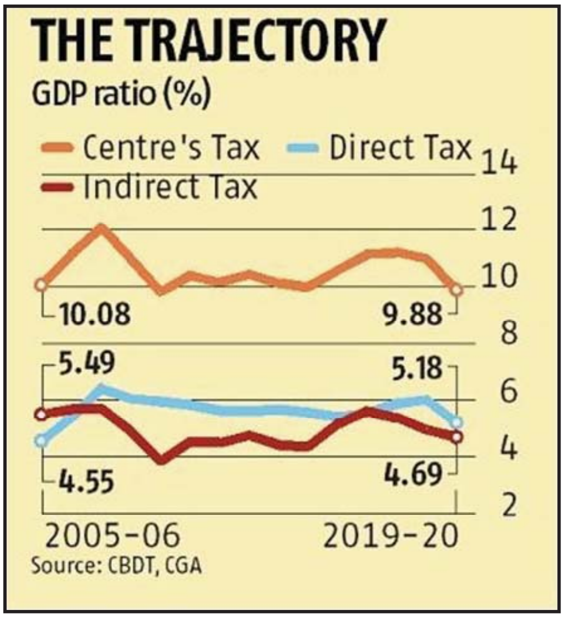
- As per **Article 279A** of the amended Constitution, the GST Council which is a joint forum of the Centre and the States, shall consist of the following members: -
  - **Chairperson:** the Union Finance Minister- Chairperson
  - **Member:** the Union Minister of State in charge of Revenue or Finance- Member
  - **Members:** the Minister in charge of Finance or Taxation or any other
    - Minister nominated by each State Government
- Every decision of the GST Council shall be taken at a meeting, by a majority of not less than three-fourths of the weighted votes of the members present and voting

7 Transparent Taxation

Context: In a latest development, the government has launched drive to make taxation fairer and taxpayers fearless in the country.

Issues of tax evasion in India

- Relative to other developing countries, the fact that India's income tax comprises 5% of its GDP is due to the fact nearly 1-3% of the population is exposed to income taxation.
- According income tax department, out of population of 130 crore people, only 1.5 crore pay income tax.
- Although India has improved its tax-to-GDP ratio in the last few years, it is still far lower than the average **OECD** ratio which is **34 per cent.**
- India's **tax-GDP** ratio plunged to 9.88% in FY20, lowest in 10 years.
- The ratio stood at 10.97 per cent in FY19, and at 11.22 per cent in FY18



Initiative taken by the government to improve tax collection

- The focus of the tax reforms in recent times has been on reduction in tax rates and on simplification of direct tax laws.
- To bring more transparency in official communication CBDT introduced **Document Identification Number (DIN).**
- IT Department has moved forward with prefilling of income tax returns to make compliance more convenient for individual taxpayers. Compliance norms for startups have also been simplified.
- The government has also created **Voluntary Disclosure of Income Schemes**, whereby black income and assets can actually be declared without penalty or prosecution.
- The Corporate Tax rates were reduced from 30 percent to 22 percent and for new manufacturing units the rates were reduced to 15 percent. Dividend distribution Tax was also abolished.
- To provide for resolution of pending tax disputes the IT Department also brought out the Direct **Tax "Vivad se Vishwas Act, 2020".**

8 Divestment of 23 PSUs

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

What is disinvestment?

- Disinvestment means sale or liquidation of assets by the government, usually Central and state public sector enterprises, projects, or other fixed assets.
- The government undertakes disinvestment to reduce the fiscal burden on the exchequer, or to raise money for meeting specific needs, such as to bridge the revenue shortfall from other regular sources.
- In some cases, disinvestment may be done to privatise assets. However, not all disinvestment is privatisation.

Main objectives of Disinvestment in India	Benefits of Disinvestment
• Reducing the fiscal burden on the exchequer • Improving public finances • Encouraging private ownership • Funding growth and development programmes • Maintaining and promoting competition in the market	• It can be helpful in the long-term growth of the country • It allows the government and even the company to reduce debt. • Disinvestment allows a larger share of PSU ownership in the open market, which in turn allows for the development of a strong capital market in India.

Budget 2021-22 on Disinvestment

- Various sectors will be classified as strategic and non-strategic sectors.
- The strategic sectors classified are:
  - i. Atomic energy, Space and Defence
  - ii. Transport and Telecommunications
  - iii. Power, Petroleum, Coal and other minerals
  - iv. Banking, Insurance and financial services
- In **strategic sectors**, there will be bare minimum presence of the public sector enterprises. The remaining CPSEs in the strategic sector will be privatised or merged or subsidiarized with other CPSEs or closed.
- In **non-strategic sectors,** CPSEs will be privatised, otherwise shall be closed

9 Off-Budget Borrowing

Context: In order to restrict the fiscal deficit to a respectable number, “off-budget borrowing” is the easiest resort for the government.

What are ‘Off-Budget Borrowings’?

- Off-budget borrowings are loans that are taken not by the Centre directly, but by another public institution which borrows on the directions of the central government.

- Such borrowings are used to fulfil the government's expenditure needs.
- But since the liability of the loan is not formally on the Centre, the loan is not included in the budgeted fiscal deficit.
- This helps keep the country's fiscal deficit within acceptable limits.

CAG Report, 2019

- A C**omptroller and Auditor General report of 2019** points out, this route of financing puts major sources of funds outside the control of Parliament.
- Such **off-budget financing** is not part of the calculation of the fiscal indicators despite fiscal implications.

How are off-budget borrowings raised?

- **Implementing agencies:** The government can ask an implementing agency to raise the required funds from the market through loans or by issuing bonds.
- **Other PSUs:** Other public sector undertakings have also borrowed for the government.
- **PSBs:** Public sector banks are also used to fund off-budget expenses.

10 RBI gives retail investors direct access to Government 'Gilt bonds'

Context: Reserve Bank has allowed retail investors to directly buy government debt, also called "gilt bonds", making India the first Asian country to do so.

What are G-Secs?

- G-Secs are tradeable investment instruments issued by the Central or state governments and are the most risk-free sovereign-backed bonds available in the country.
- They can broadly be classified into four categories, namely **Treasury Bills (T-bills), Cash Management Bills (CMBs), dated G-Secs, and State Development Loans (SDLs).**
- These securities are available in both short-term and long-term tenures — ranging from three months to 30 years — with an annual yield starting from 3.37 per cent.

Gilt bonds

- G-Secs carry practically no risk of default and, hence, are called risk-free gilt-edged instruments.

Significance of the move

- It is proposed to provide retail investors with online access to the government securities market — both primary and secondary — directly through the Reserve Bank (Retail Direct)
- This will broaden the investor base and provide retail investors with enhanced access to participate in the government securities market

11 15th Finance Commission Report

Context: The 15th FC has presented its report for the period 2021-26

About:

- The Commission determines the method and formula for distributing the tax proceeds between the Centre and states.
- The Finance Commission has the following functions or duties:
  - The Commission makes recommendations to the President of India on the distribution of tax proceeds between the Union and the States and the share of each state.
  - The Commission also decides the principles that govern the payment of grants-in-aid to states from the Consolidated Fund of India.
  - The President of India can also refer any other matter to the Finance Commission in the interest of building a sound financial system.

Reports of Finance Commission

- Under Article 281 of the Constitution, the President of India is required to cause laying of the Finance Commission report before each House of Parliament along with an explanatory note and the action taken by the government on the Commission's recommendations.

Key Highlights:

- The Finance Commission is constituted by the **President** under **Article 280** of the Constitution.
- The formula used for horizontal tax distribution:

Criteria	14th FC 2015-20	15th FC 2020-21	15th FC 2021-26
Income Distance	50.0	45.0	45.0
Area	15.0	15.0	15.0
Population (1971)	17.5	-	-
Population (2011)	10.0	15.0	15.0
Demographic Performance	-	12.5	12.5
Forest Cover	7.5	-	-
Forest and Ecology	-	10.0	10.0
Tax and fiscal efforts	-	2.5	2.5
Total	100	100	100

- It reduced the vertical distribution between centre and state from 42% to 41% because Jammu and Kashmir is no longer a state, and it will be funded via Centre.

- For security related expenditure 15th FC has recommended:
  - setting up of a non-lapsable defence fund
  - levy of a cess
  - monetisation of surplus land and other assets
  - tax-free defence bonds
  - utilising proceeds of disinvestment of defence public sector undertakings

12 Budget Preparation

Context: The Union Finance Ministry presented the Union Budget 2021-22 in Parliament.

Background:

- The genesis of the central Budget in India goes back to 1860 when it was first introduced by then finance minister James Wilson, two years after the transfer of Indian administration from the East India Company to the British Crown.
- Union Budget is an annual financial statement of estimated receipts and expenditures of the Government of India in respect of each financial year.
- According to Article 112 of the Constitution of India, the Union Budget of a year is a statement of the estimated receipts and expenditure of the government for that particular year.

Who makes the budget?

- The Budget Division of the Department of Economic Affairs in the finance ministry is the nodal body responsible for producing the Budget.

What comprises the Budget?

- **Annual Financial Statement**
  - Constitution does not specifically use the word Budget.
  - Article 112 of the Constitution provides for laying before Parliament an 'Annual Financial Statement' providing a statement of the estimated receipts and expenditure for the financial year. This statement evidences the receipts and expenditure of the government in three separate parts under which accounts are maintained. These are:
    - Consolidated Fund of India
    - Contingency Fund of India
    - Public Account
  - According to constitutional provisions, the Annual Financial Statement has to distinguish expenditure on revenue account from other expenditure. It comprises:
    - **Revenue budget:** Proceeds of taxes and interest and dividend on investments made by the government, fees, and other receipts for services rendered by the government.
    - **Capital budget:** Capital receipts and payments, including loans, raised by the government from the public, borrowings from Reserve Bank, et al.
- **Demand for Grants**
  - The estimates of expenditure from the Consolidated Fund of India included in the Annual Financial Statement are required to be voted by the Lok Sabha and submitted in the form of Demand for Grants as mandated by Article 113.

- **Appropriation Bill**
  - Pursuant to the Demand for Grants, the Appropriation Bill is introduced for appropriating monies out of the Consolidated Fund of India to meet the said grants as provided under Article 114.
  - The Appropriation Bill is intended to give authority to the government to incur expenditure from and out of the Consolidated Fund of India.
  - The procedure for passing this Bill is the same as in the case of other Money Bills.
- **Finance Bill**
  - At the time of introduction of the Annual Financial Statement, a Finance Bill is also presented before Parliament - the Finance Bill satisfies the criteria of a 'Money Bill' as it provides for the imposition, abolition, remission, alteration, or regulation of taxes proposed in the Budget.
- **Vote-on-account, vote of credit and exceptional grant**
  - Pending the completion of the parliamentary procedure relating to the voting on the Demand for Grants, and passing of the Appropriation Bill, the Constitution under Article 116 grants power to the Lok Sabha to make a grant in advance for authorising the withdrawal of money from the Consolidated Fund of India in respect of the estimated expenditure for a part of any financial year, referred to as vote-on-account.

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

Context: France has decided to go ahead with plans to **tax big digital companies** this year.

About:

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

Digital Taxation in India

- **Equalization Levy:** It is a tax aimed at foreign digital companies. It has been in place since 2016 and levied a 6% tax payable on gross revenues from online advertising services.
  - The new amendment, effective from April 1, 2020, essentially expands the its scope from online advertising to nearly all online commerce activities done in India by businesses that do not have taxable presence in India through applicability of 2% on its revenues.
- **SEP:** India also introduced the concept of **"Significant Economic Presence" (SEP)** for the purposes of corporate income tax, which expanded to include the following:
  - Advertisement which targets a customer residing in India or who accesses advertisement through internet protocol (IP) address located in India.
  - Sale of data collected from a person residing in India or who uses an IP address located in India.
  - Sale of goods/services using data collected from a person residing in India or who uses IP address located in India.

14 The concept of Helicopter Money

Context: Due to the economic devastation caused by COVID-19 some economists propose that non-repayable money transfer from the central bank to the government, which is 'helicopter money'.

What is helicopter money?

- Helicopter money is the term used for a large sum of new money that is printed and distributed among the public, to stimulate the economy during a recession or when interest rates fall to zero.
- It is also referred to as a helicopter drop, in reference to a helicopter scattering supplies from the sky.
- Coined by the **American economist Milton Friedman in 1969**, helicopter money refers to a last resort type of monetary stimulus strategy to spur inflation and economic output.
- It includes printing large sums of money and distributing it to the public so that people can spend more and boost the economy.
- It also requires both monetary and fiscal policies to be carried out together, meaning central banks and governments cooperating with each other.

Significance of Helicopter Money:

- **No debt:** Helicopter money does not rely on increased borrowing to fuel the economy, which means that it does not create more debt and interest rates can remain unchanged.
- **Economic growth:** It boosts spending and economic growth more effectively as it increases aggregate demand – the demand for goods and services – immediately.

Disadvantages of helicopter money:

- **Not reversible:** Unlike quantitative easing, using helicopter money as a tactic is not reversible. It is not a feasible solution to revive the economy.
- **No change on interest rate:** A country's central bank sets its interest rates to reach economic growth targets. However, a helicopter drop means that a central bank cannot use interest rates to recover any costs, because the money is not linked to a borrowed asset (loan).
- **Over-inflation:** Instead, the money is given directly to the public. This may lead to over-inflation and cause damage to the central bank's financials.
- **Significant devaluation of currency:** It could lead to a significant devaluation of the currency on the foreign exchange market.

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3 GROWTH & DEVELOPMENT

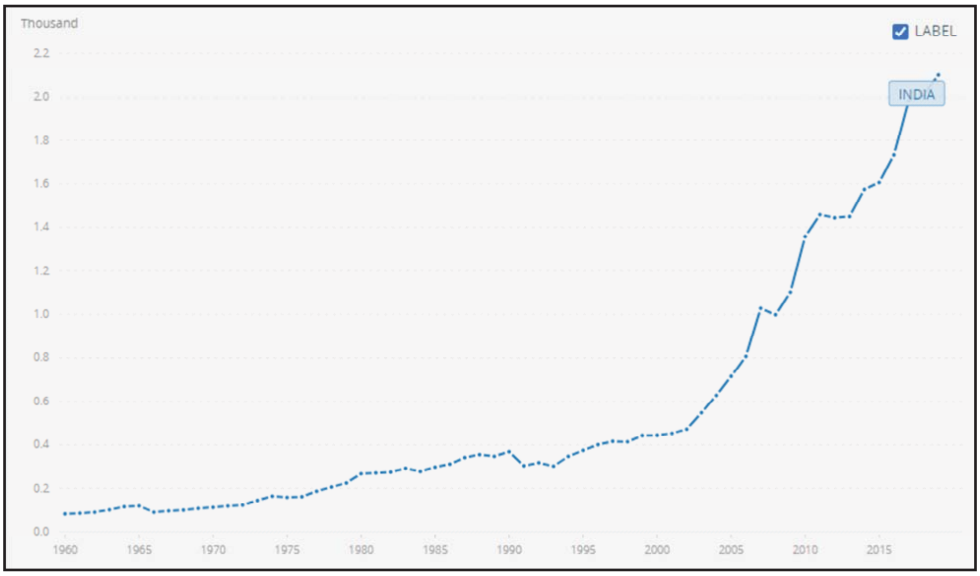
1 Bangladesh's economic rise & its implications on India

Context: The International Monetary Fund's latest World Economic Outlook has triggered much outrage in India.

- The provocation was the IMF's prediction that Bangladesh's per capita GDP will overtake that of India this year.
- The projected difference is rather small — $1,888 to $1,877 — and unlikely to last beyond this year.

Trend in GDP(US$) per capita of India

Source: World Bank



What made Bangladesh's economy 'grow'?

- **Women empowerment:** Bangladesh has made significant strides towards educating girls and giving women a greater voice, both in the household and the public sphere.
- **Support to grass-roots initiatives:** The Bangladesh government has supported grass-roots initiatives in economic inclusion.

- **Digitisation:** Among Bangladeshi adults with bank accounts, 34.1% made digital transactions in 2017, compared to an average rate of 27.8% for South Asia. Moreover, only 10.4% of Bangladeshi bank accounts are "dormant", compared to 48% of Indian bank accounts.
- **Successful manufacturing industry:** Another partial explanation for Bangladesh's progress is the success of its garment manufacturing industry. That is itself driven by a number of factors.
- **Other reasons include:**
  - inward remittances
  - sustained growth in agriculture
  - growth in microfinance
  - public investment in big infrastructure projects

Has this ever happened earlier?

- In 1991, when India was undergoing a severe crisis and grew by just above 1%, Bangladesh's per capita GDP surged ahead of India's.

2 Migrant Crisis

Context: India's effort to contain the coronavirus pandemic has gone into disarray after thousands of migrant workers started flouting lockdown rules to head to their homes.

Types of internal migration:

Labor migration flows include permanent, semi-permanent, and seasonal or circular migrants.

- **Permanent migrants:** They move from one place to another and have no plans to return to their original home
- **Semi-permanent migrants:** They have precarious working condition, or lack the resources to make a permanent move. While they may reside in their destination cities for years or decades, they likely have homes and families in their native district.
- **Seasonal or circular migrants:** They are likely to move from place to place in search of employment, or to continue returning to the same place year after year. Such circular flows encompass migrants who may stay at their destination for six months or more at a time and hence need social services at their destination.

Who is a migrant?

- A person who moves from one place to another to live and usually to work, either temporarily or permanently.
- Migrants may move to take up employment or to be reunited with family members.

Legal provisions for labours in India:

- The Industrial Employment (Standing Orders) Act, 1946
- Industrial Disputes Act, 1947
- The Contract Labour (Regulation and Abolition) Act 1970
- Payment of Wages Act 1936
- Minimum Wages Act 1948.
- Payment of Bonus Act 1965

- Workmen's Compensation Act 1923
- The Employees' Provident Fund and Miscellaneous Provisions Act 1952
- The Unorganised Workers' Social Security Act 2008
- Inter-State Migrant Workmen Act, 1979

3 White paper to strategize revival of post-COVID 19 Indian Economy

Context: The **Technology Information, Forecasting and Assessment Council (TIFAC),** was preparing a white paper to strategize revival of post-COVID 19 Indian economy.

About:

- This document would mainly focus on strengthening **Make in India initiatives**, commercialization of Indigenous technology, developing a technology-driven transparent Public Distribution System (PDS), efficient rural health care delivery, reduction of import, adoption of emerging technology domains like AI, Machine Learning, Data Analytics and many more.

About TIFAC:

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

Latest initiative of TIFAC

- **SAKSHAM (Shramik Shakti Manch):** a dynamic job portal for mapping the skills of Shramiks vis-à-vis requirements of MSMEs to directly connect Shramiks with MSMEs and facilitate placement of blue-collar jobs
- **Seaweed Mission** for commercial farming of seaweeds and its processing for value addition towards boosting national economy.

4 COVID-19 Rural Poor Stimulus Facility

Context: **UN's International Fund for Agricultural Development (IFAD) launched a multi-donor COVID-19 Rural Poor Stimulus Facility (RPSF)** to support farmers and rural communities to continue food supply.

About:

- IFAD's new multi-donor fund, the COVID-19 Rural Poor Stimulus Facility aims to mitigate the effects of the pandemic on food production, market access and rural employment.
- As part of the broader UN socio-economic response framework, the Facility will ensure that farmers in the most vulnerable countries have timely access to inputs, information, markets and liquidity.
- The planned interventions fall into four main categories:
  - Providing inputs and basic assets for production of crops, livestock and fisheries
  - Facilitating access to markets to support small-scale farmers in selling their products in conditions where market functions are restricted

- Targeting funds for rural financial services to ensure sufficient liquidity and to ease repayment requirements so as to maintain services, markets and jobs
- Promoting the use of digital services to deliver key information on production, weather, finance and markets

About IFAD:

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

5 India to set up development finance institution to fund infra projects

Context: India's cabinet approved the establishment of a development financial institution (DFI) with a fund worth 200 billion rupees ($2.8 billion) to boost investment in infrastructure projects.

About the Development Finance Institution (DFI)

- The Development Finance Institution (DFI) are organizations that are either owned by the government or by charitable institutions to finance infrastructure projects that are of national importance but may or may not meet commercial return standards.

Types of Finances by DFIs:

- Medium(1-5 years)
- Long term(>5 years)

DFIs Categories:

- **National Development Banks** such as IDBI, SIDBI, ICICI, IFCI, IRBI, and IDFC.
- **Sector-specific financial institutions** such as TFCI, EXIM Bank, NABARD, HDFC, and NHB.
- **Investment Institutions** such as LIC, GIC, and UTI.
- **State-level institutions** such as State Finance Corporations and SIDCs.

6 Land inequality threatens livelihood of 2.5 bn: Report

Context: There is urgent need to act on land equality for any significant progress towards global sustainability, stability and social justice, flags Land Inequality Initiative's report.

About:

- Land inequality has been historically measured in terms of differences in land ownership.
- Four approaches were used to look at land inequality:
  - The size and value of land that people have access to or hold

- Level of security of tenure that people have
- Actual control that people have, including their decision-making power over land and
- Control of the benefits from the land

Key-highlights: The current scenario of land inequality

- The top 10 percent of the rural population captures 60 percent of agricultural land value; the bottom half controls only 3 per cent.
- Global land concentration has increased continuously since the 1980s.
- Today, the largest 1 percent of farms in the world operate more than 70 percent of the world's farmland of countries including India, China, Ecuador, Guatemala, Brazil, Mexico, Ethiopia and Tanzania.
- About 84 percent of farms were smaller than two hectares, but they operated only about 12 percent of farmland, with little opportunity to be part of corporate supply chains.

Horizontal inequality

- Horizontal inequality, which is inequality based on gender, ethnicity or culture in specific groups of people, is interconnected with land access, ownership and control.

Impact of growing inequality

- Obstacle to poverty eradication
- Loss of land and livelihood
- Conflicts
- Spread of disease

7 Proposition 22, the future of the gig economy

Context: Proposition 22, a ballot initiative in California, that will allow companies to retain their drivers and other workers as "independent contractors" instead of "employees", has been passed, setting a new high-water mark for spending on a California ballot measure.

As a result, gig workers for Uber, Lyft, DoorDash, Instacart and Postmates in the state will remain as independent contractors, rather than being subject to being reclassified as employees

What is Gig Economy?

- A gig economy is a free market system in which temporary positions are common and organizations hire independent workers for short-term commitments.
- The term "gig" is a slang word for a job that lasts a specified period of time; it is typically used by musicians.
- Non-traditional or gig work consists of income-earning activities outside of traditional, long-term employer-employee relationships.

Pros and Cons of Gig Work

- **Pros of Gig Work**
  - Flexibility

- Test Drive Something New
- Greater independence
- A variety of jobs
- **Cons of Gig Work**
  - Lack of Benefits
  - Inconsistent Income
  - Burnout
  - Quarterly taxes, personal expenses

8 A secure future for Platform Workers

Context: The **Code on Social Security Bill, 2020** has defined **'platform work'** outside of the traditional employment category.

What is platform work?

- Platform work means a work arrangement outside of a traditional employer-employee relationship.
- In this, organisations or individuals use an online platform to access other organisations or individuals to solve specific problems or to provide specific services or any such other activities which may be notified by the Central Government, in exchange for payment.

Types of workers

- **Gig worker: Section 2(35)** of the Bill defines a gig worker as a person who participates in a work arrangement and earns from such activities outside of a traditional employer-employee relationship
- **Platform worker: Section 2(61)** defines a platform worker as someone engaged in or undertaking platform work
- **Unorganised worker: Section 2(86)** defines an unorganised worker as a home-based, self-employed or wage worker in the unorganised sector. This includes a worker in the organised sector who is not covered by the **Industrial Disputes Act, 1947,** or Chapters III to VII of this Code.

9 Regional Cluster concept of economic development

Context: Regional Cluster concept of economic development playing important role in Indian success story, as per **United Nations Industrial Development Organization (UNIDO)**.

About:

- UNIDO is the specialized agency of the United Nations that promotes industrial development for poverty reduction, inclusive globalization and environmental sustainability

- The UNIDO Regional Office in New Delhi acts as a focal point to promote UNIDO's mandate of inclusive and sustainable industrial development in India.

What is a cluster?

- Clusters are geographic concentrations of interconnected companies and institutions in a particular field.
- Clusters encompass an array of linked industries and other entities important to competition.
- They include, for example, suppliers of specialized inputs such as components, machinery, and services, and providers of specialized infrastructure.

10 India rating downgraded by Moody

Context: **Moody's Investors Service ("Moody's")** downgraded the Government of India's foreign-currency and local-currency long-term issuer ratings to "**Baa3**" from "**Baa2**". It stated that the outlook remained "negative".

What is credit rating?

- In order to rank the borrowers, a standardised rating scale is used which measures the expected investor loss in the event of default.
- Thus, it is a bond credit rating business of Moody's Corporation which provides international financial research on the bonds which has been issued by the commercial and government entities.
- A credit rating agency (CRA) evaluates and assesses an individual's or a company's creditworthiness.
- That is, these agencies consider a debtor's income and credit lines to analyse the debtor's ability to repay the debt or if there is any credit risk associated.

Indian credit rating system

- **Securities and Exchange Board of India (SEBI)** reserves the right to authorise and regulate credit rating agencies according to SEBI Regulations, 1999 of the **SEBI Act, 1992.**
  - Indian SEBI registered agencies
    - CRISIL Limited
    - India Ratings and Research Pvt. Ltd.
    - ICRA Limited
    - CARE

11 Payment Infrastructure Development Fund (PIDF)

Context: The Reserve Bank of India (RBI) is setting up a **Payment Infrastructure Development Fund (PIDF)** with a corpus of Rs 500 crore, with an aim to give a push to digital payments nationwide.

About:

- The Payment Infrastructure Development Fund (PIDF) has been created to encourage acquirers to deploy Point of Sale (PoS) infrastructure, both physical and digital, in tier-3 to tier-6 centres and north eastern states.
  - Given the high cost of merchant acquisition and merchant terminalisation, most of the POS terminals in the country are concentrated in tier 1 and 2 cities and towns and other regions have been left out.
- The dedicated fund for deepening digital payments infrastructure will receive recurring contributions to cover operational expenses from card issuing banks and card networks and the central bank will also contribute to yearly shortfalls, if necessary.
- RBI will make an initial contribution of ₹250 crore to the PIDF, covering half of the fund, while the remaining contribution will be from card-issuing banks and card networks operating in the country.
- This is in line with the measures proposed by the vision document on Payment and Settlement Systems in India 2019-2021.
- **Administration & Management:** The fund will be governed through an advisory council but it will be managed and administered by the RBI.
  - This fund will subsidise the cost of a PoS device.

12 SEBI panel submits report on Social Stock Exchanges

Context: A working group set up by the capital markets regulator **Securities and Exchange Board of India (SEBI)** has submitted the report on Social Stock Exchanges (SSE).

- **Securities and Exchange Board of India (SEBI)**
  - SEBI is a **statutory regulatory body** entrusted with the responsibility to regulate the Indian capital markets.
  - It monitors and regulates the securities market and protects the interests of the investors by enforcing certain rules and regulations.
  - SEBI was founded on April 12, 1992, under the **SEBI Act, 1992**.
  - Headquartered in Mumbai, India, SEBI has regional offices in New Delhi, Chennai, Kolkata and Ahmedabad along with other local regional offices across prominent cities in India.
- **Social Stock Exchange**
  - Social Stock Exchange is a novel concept in India and such a bourse is meant to serve private and non-profit sector providers by channelling greater capital to them.
  - The SSE is envisioned as one of the possible solutions to this pressing problem as it will unlock large pools of social capital, and encourage blended finance structures so that conventional capital can partner with social capital to address the urgent challenges of COVID-19.

13 India Slips to 131 in Human Development Index Ranking

Context: India slipped one place further in the 2020 human development index released by the United Nations Development Programme (UNDP), ending up at 131st position out of 189 nations. India was ranked 130 in the index back in 2018.

What is Human Development Index (HDI)?

- The Human Development Index is a combination of people's life expectancy at birth, expected years of schooling, mean years of schooling and a country's gross national income per capita.
- The index is compiled by the **United Nation Development Program** to measure and various countries' levels of social and economic development.
- It is composed of four principal areas of interest:
  - mean years of schooling expected years of schooling
  - life expectancy at birth
  - gross national income per capita.

Key-findings of the Index

- India has been positioned at 131 out of 189 countries and territories.
- **Life expectancy:** Life expectancy of Indians at birth in 2019 was 69.7 years while Bangladesh has a life expectancy of 72.6 years and Pakistan 67.3 years.
- **Gross National Income:** India's gross national income per capita fell to USD 6,681 in 2019 from USD 6,829 in 2018 on purchasing power parity (PPP) basis.
  - Purchasing power parity or PPP is a measurement of prices in different countries using the prices of specific goods to compare the absolute purchasing power of the countries' currencies.
- **Gender inequality index:** India was placed at 123 position in the gender inequality index.
  - Labour force participation rate of women in the country was 20.5 per cent, while it was 76.1 per cent for men.
  - And only 13.5 per cent women held seats in Parliament.

Human development category

- **Medium human development:** With a total HDI value of 0.645, India was placed in the 'medium human development' group alongside nations like Iraq, Bhutan, Ghana, Nepal and Cambodia.
- **High human development:** Countries such as Sri Lanka, Maldives, Vietnam and China were part of the 'high human development' group.
- **Very high human development:** Malaysia and Japan made it to the 'very high human development' list.

14 First Centre of Excellence for Skill development in power sector

Context: The first **Centre of Excellence for skill development in the power sector has been inaugurated in Gurugram, Haryana.**

What will this CoE do?

- The Centre will focus on creating a pool of highly skilled trainers and assessors for further training to increase employability of candidates in the field of Electricity, Automation and Solar Energy Sectors.
- The centre will design and deliver Training for Trainers, Instructors, Training of Assessors and other high-end programme in the power and solar sector.
- The CoE will be equipped with two labs,
  - The Advance Electrician Lab is equipped with specially designed instruments for training in home and building, and industry installation and automation.
  - The Solar Lab will provide hands on practical training on latest technology in solar area.

How will it be managed?

- Power Sector Skill Council will be managing the operations of the centre.

Power Sector Skill Council

- **Power Sector Skill Council (PSSC)** has been set up as a Society under Society Registration Act 1860 with the objective of facilitating the skill development activities including capacity building for training delivery to meet the needs of Power Industry.
- The purpose of establishing the **Power Sector Skill Council (PSSC)** is to ensure that skilled and certified manpower in adequate numbers is provided across various segments of this industry.
- It major objectives are:
  - Facilitate comprehensive engagement with Power Utilities.
  - Sharing skill and employability concerns.
  - Help in identification of major job roles with high employment volumes.
  - Inputs for development of NOS/QPs.
  - Support in NOS/QPs development study by PSSC Consultants.
  - Support for validation.
  - Power Equipment Manufacturing Sector.
  - Preference in employment: Recruitment Rules to be NSQF skill level compliant.
  - To consider PSSC certified workmen, both permanent and outsourced in employment.

15 MGNREGA in times of COVID-19

Context: The **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)** has been one of the main avenues for the Centre to provide employment to returning migrants and others in rural areas who have been rendered jobless due to the lockdown.

Mandate of Mahatma Gandhi Employment Guarantee Act 2005 (MGNREGA)

The mandate of the Act is to provide at least 100 days of guaranteed wage employment in a financial year to every rural household whose adult members volunteer to do unskilled manual work.

- The MGNREGA provides a legal guarantee for wage employment.
- It is a demand-driven programme where provision of work is triggered by the demand for work by wage-seekers.
- There are legal provisions for allowances and compensation both in cases of failure to provide work on demand and delays in payment of wages for work undertaken.
- The Act incentivises States to provide employment, as 100 per cent of the unskilled labour cost and 75% of the material cost of the programme is borne by the Centre.
- **Gram Panchayats (GPs)** are to implement at least 50 per cent of the works in terms of cost. This order of devolution of financial resources to GPs is unprecedented.
- Social audit is a new feature that is an integral part of MGNREGA. Potentially, this creates unprecedented accountability of performance, especially towards immediate stakeholders.

16 Purchasing Power Parities and the size of Indian Economy

Context: The World Bank has released new **Purchasing Power Parities (PPPs)** for reference year 2017, under **International Comparison Program (ICP).**

About ICP

- The International Comparison Program (ICP) is the largest worldwide data-collection initiative, under the guidance of UN Statistical Commission (UNSC), with the goal of producing Purchasing Power Parities (PPPs) which are vital for converting measures of economic activities to be comparable across economies.
- Along with the PPPs, the ICP also produces Price Level Indices (PLI) and other regionally comparable aggregates of GDP expenditure.
- India has participated in almost all ICP rounds since its inception in 1970.
- The Ministry of Statistics and Programme Implementation is National Implementing Agency (NIA) for India, which has the responsibility of planning, coordinating and implementing national ICP activities.
- The next ICP comparison will be conducted for the reference year 2021.

Worldwide status

Results from the 2017 International Comparison Program are as given below

- The Purchasing Power Parities (PPPs) of Indian Rupee per US$ at Gross Domestic Product (GDP) level is now 20.65 in 2017 from 15.55 in 2011.
- The Exchange Rate of US Dollar to Indian Rupee is now 65.12 from 46.67 during same period.
- The Price Level Index (PLI)—the ratio of a PPP to its corresponding market exchange rate—is used to compare the price levels of economies, of India is 47.55 in 2017 from 42.99 in 2011.
- In 2017, India retained and consolidated its global position, as the third largest economy, accounted for 6.7 percent ($8,051 billion out of World total of $119,547 billion) of global Gross Domestic Product (GDP) in terms of PPPs as against China (16.4%) and United States (16.3%), respectively.
- India is also third largest economy in terms of its PPP-based share in global Actual Individual Consumption and Global Gross Capital Formation.

17 Technical Textile Sector in India: A boon amid pandemic

Context: In India, technical textiles is a fast-growing sub-segment that finds its usage in an array of sectors.

What are Technical Textiles?

- Technical textiles are defined as textile materials and products which are manufactured primarily for their technical performance and functional properties rather than aesthetic and decorative characteristics.
- These textiles are manufactured mainly from synthetic fibres and are usually nonwoven textile products.
- However, these can be woven or non-woven and combinations of both.

- This type of textile can be made up as a single or multiple-layer and can be produced as a composite or a coated and/or impregnated material.
- These can be made from any fibre yarn or filament of purely natural or synthetic origin or combination of the two types.

Contribution in the economy

- Technical textile accounts for approximately 13% of India's total textile and apparel market and contributes to India's GDP at 0.7%.
- There is a huge potential to fulfil a large demand gap as the consumption of technical textiles in India is still only at 5-10% against 30-70% in some of the advanced countries.

Applications of technical textiles

- Technical textile products are manufactured mainly using specialty fibers such as Nomex, Kevlar, Spandex, Glass, and Carbon, etc.
- These fibers exhibit enhanced functional properties like higher tenacity, excellent insulation, improved thermal resistance and chemical resistance, etc.
- Technical textiles are used in different forms in various industries like construction, transport, agriculture, medical, hygiene, and sporting.

Important Schemes and missions

- **National Technical Textiles Mission**
  - **Nodal Agency:** Ministry of Textiles
  - It aims to provide impetus to the technical textile sector and make India a global leader in this sector.
- **Dedicated fund for the development of technical textiles:**
  - It aims to focus on research, development, and innovation in the field of technical textile with an outlay of Rs 1,000 crores.
  - The fund will be dedicated to research and development at the fibre level as well as application-based in geo, agro, medical, sports, and mobile textiles as well as the development of bio-degradable technical textiles.
- **Human Resource Development:**
  - The mission aims to provide training, education, and skill development to develop skilled human resources.
  - It aims to promote technical education in the field of technical textiles at higher engineering and technology institutions to provide better-skilled human resources in this sector.

18 ESG Funds Becoming Popular in India

Context: The changing focus towards climate change and sustainability is going to alter our investment decisions too. Owing to this, the concept of ESG Funds is becoming popular in India.

About:

- ESG is a combination of three words – Environment, Social and Governance.

- It is a mutual fund.
- It focuses on sustainable investing or socially responsible investing.
- The ESG fund invest in companies with environment-friendly practices, ethical business practices and an employee-friendly record while other funds don't.
- The fund is regulated by Securities and Exchange Board of India (SEBI).
- Last year, SBI Mutual Fund renamed SBI Magnum Equity Fund to SBI Magnum Equity ESG Fund and launched the first ESG mutual fund in India.

19 ILO concerned over Labour Law suspension in India

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

Labour jurisdiction in India:

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

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

20 Livelihood of 1.6 billion informal workers worldwide at risk: ILO

Context: ILO report has highlighted how lockdown measures have hit informal workers most severely

About ILO:

- The only tripartite U.N. agency, since 1919 the International Labour Organization (ILO) brings together governments, employers and workers of 187 member States , to set labour standards, develop policies and devise programmes promoting decent work for all women and men.
- The ILO was founded in 1919, in the wake of a destructive war, to pursue a vision based on the premise that universal, lasting peace can be established only if it is based on social justice.
- Headquartered in Geneva, Switzerland, the ILO became the first specialized agency of the UN in 1946.

- India, a Founding Member of the ILO, has been a permanent member of the ILO Governing Body since 1922.

21 Business Correspondents for banks (BC Sakhis) and Bank Sakhis

Context: Self Help Groups (SHG) women working as Business Correspondents for banks (BC Sakhis) and Bank Sakhis are playing a vital role in disbursement of ex-gratia to women PMJDY accounts amidst COVID-19 Lockdown.

Business Correspondents

- Business Correspondents are retail agents engaged by banks for providing banking services at locations other than a bank branch/ATM.
- BCs enable a bank to provide its limited range of banking services at low cost. They hence are instrumental in promoting financial inclusion.
- BCs have to do a variety of functions viz
  - identification of borrowers
  - collection of small value deposit
  - disbursal of small value credit
  - recovery of principal / collection of interest
  - sale of micro insurance/ mutual fund products/ pension products/ other third party products and receipt and delivery of small value remittances/ other payment instruments creating awareness about savings and other products, education and advice on managing money and debt counseling, etc.

Who is a Bank Sakhi?

- A "Bank Sakhi" is someone who has been a member of a self-help group involved in conducting banking and book-keeping activities of the group.
- A Bank Sakhi is someone who has been an SHG member involved in conducting banking and book-keeping activities of the group.
- As a Bank Sakhi, she provides a range of financial services on behalf of the bank to her community and is supported by the local SHG federation which provides capacity development, training, and financial awareness in the community.

22 Here comes a 'K shaped Recovery'

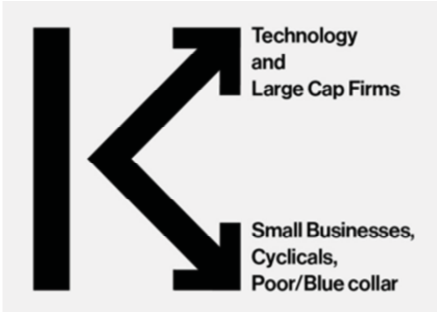
Context: Various reports predicted that the Indian economy would witness a **'K-shaped recovery'.**

What is K-shaped recovery?

- The "K-shaped" economic recovery, is characterised by a stark split in the recovery pace of the economy— some sectors are bouncing back ahead of the rest at a much faster pace, while others are continuing a downward trajectory.
- K-shaped recovery occurs if different sectors recover at different rates.

Typical economic recoveries

- Typical economic recoveries can include Z, V, U, W and L:
  - **V-shaped recovery:** A sharp decline followed by a rapid recovery, with very little time spent at the trough, or low point, of the recession.
  - **U-shaped recovery:** A steep decline followed by a period of time in which the economy sits at the low point of the recession before finally recovering.
  - **W-shaped recovery:** Also known as a double-dip recession, this is a scenario when the economy experiences a steep decline, followed by a small and temporary recovery and then a second decline.



  - **L-shaped recovery:** A severe recession in which the economy declines and doesn't recover for years, if ever.

23 The North East Venture Fund (NEVF)

Context: The **North East Venture Fund (NEVF)** is gaining popularity among Start-Ups and young entrepreneurs.

What is North East Venture Fund (NEVF)?

- It is the **first and the only dedicated Venture Fund** for the North Eastern Region.
- The Venture Fund Scheme was launched by the Ministry of Development of North Eastern Region (DoNER).

What are the significances of Venture Fund Scheme?

- It is intended to promote growth of business ventures and skill development in the region.
- The fund targets to invest in Start-Ups and unique business opportunities to provide resources for new entrepreneurships.
- The main focus of North East Venture Fund (NEVF) is for mostly the enterprises involved in Food Processing, Healthcare, Tourism, segregation of services, IT, etc.
- It was launched with the initial motivation to provide livelihood to youth of the North Eastern region.

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4 EXTERNAL SECTOR

1 Currency Swap Line

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

About:

- A swap line is a temporary reciprocal currency arrangement between two central banks.
- Under the arrangement, central banks agree to keep a supply of their country's currency available to trade to another central bank at the current exchange rate.
- The parties agree to swap back these quantities of their two currencies at a specified date in the future, which could be the next day or even three months later, using the same exchange rate as in the first transaction.
- India already has a $75 billion bilateral currency swap line with Japan, which has the second highest dollar reserves after China.
- The Reserve Bank of India also offers similar swap lines to central banks in the SAARC region within a total corpus of $2 billion.

Significance of Currency Swap Line:

- **Manage exchange rate:** In the managed floating exchange rate system it provides extra cushion to RBI
- **Ensure liquidity:** The purpose of a swap line is to keep liquidity in the currency available for central banks to lend to their private banks to maintain their reserve requirements.
  - The liquidity is necessary to keep financial markets functioning smoothly during crises.
- **A significant monetary policy tool:** It reassures banks and investors that it is safe to trade in that currency and it also confirms that the central banks would not let the supply of that currency dry up.

2 US puts India back on Currency Manipulation Watchlist

Context: The US has put India on its **"monitoring list" of currency manipulating countries** for the third time.

About:

- The **US Treasury Department's** semi-annual report on the macroeconomic and foreign exchange policies list countries manipulating their currency's exchange rate.
- The list also includes China, Korea, Japan, Italy, Singapore, Germany, Thailand, Malaysia, and Taiwan.

What is currency manipulation?

- Currency manipulation refers to a process defined by the USDT for countries that engage in unfair currency practices to gain a trade advantage.
- It is an attempt made by a country's central bank to decrease the value of their currency with respect to foreign currency exchange rates, the dollar, in this case.
- To weaken its currency, a country sells its currency and buys foreign currency—usually USD.
- This results in weak demand for the local currency and increased demand for US dollars.
- The US Treasury Department uses three benchmarks to judge whether a country has manipulated its currency:
    - a **bilateral trade surplus** with the US of more than $20 billion
    - a **current account surplus** of at least 3 percent of GDP
    - **net purchases of foreign currency** of 2 percent of GDP over 12 months
- India was added to the list because it meets two of the three criteria laid down by the US Treasury.
- **Bilateral trade surplus:** As per the recent USDT report, India had a trade surplus with the US worth $22 billion in the four quarters through June 2020.
- **Current account surplus:** India's first four-quarter current account surplus was 0.4 percent of GDP.
- **Net purchases of foreign currency:** Further, India's net purchases of foreign currency stood at 2.4 percent of GDP. India increased its purchases of foreign currency as portfolio flows surged in the second half of 2020.

3 India'S Forex Reserves become the world's 4th biggest

Context: India's foreign-exchange reserves surpassed Russia's to become the world's fourth-largest to $580.3 billion by edging out Russia's $580.1 billion pile.

Forex Reserve status

- **Reasons for the surge:** India's reserves, enough to cover roughly 18 months of imports because of:
    - rare current-account surplus
    - rising inflows into the local stock market
    - foreign direct investment
- **Significance:** It will help in a government meeting its debt obligations.
- **Rank:** India comes at 4th place after China which has the largest reserves, followed by Japan and Switzerland.

Foreign Currency Assets (FCAs)

- **Foreign exchange reserves:** These are assets denominated in a foreign currency that is held by a central bank.

- **Regulation:** Reserve Bank of India Act and the Foreign Exchange Management Act, 1999 set the legal provisions for governing the foreign exchange reserves.
- **Significance:** Foreign exchange reserves of India act as a cushion against rupee volatility once global interest rates start rising
- **Categories:** The Foreign exchange reserves of India consists of four categories
  - Foreign Currency Assets
  - Gold
  - Special Drawing Rights(SDRs)
  - Reserve Tranche Position

4 Enabling Dealings by IFSC – Banking Units in Bullion Unallocated Accounts

Context: To facilitate development of the bullion market in India, an enabling framework for Banking Units in IFSC to operate Unallocated Accounts has been notified.

Allocated vs Unallocated Account

- The investor can typically select between an unallocated deposit account and an allocated deposit account.
- The gold is physically attributed to the account holder only in the case of allocated deposits in specially assigned accounts.
- In the case of these allocated accounts, the bank cannot lend this gold and if the bank becomes insolvent, the bank's creditors do not have an interest in this gold.
- A customer with an unallocated account is an unsecured creditor of the bullion bank or gold dealer.
- Gold held in unallocated accounts, just like with many other bank deposits, may be lent by the bank

Objective of Regulations

- An enabling framework for Banking Units in IFSC to operate Unallocated Accounts for the purpose of trading, hedging and swapping with Physical Gold / Silver is being notified with the following objectives:
  - To mitigate the risks of the prospective clients of Banking Units who may be looking to buy/ sell or take positions in gold/silver or for the purpose of trading or to hedge their exposures in bullion.
  - To aid in financialization of gold as an asset class.

5 IFSCA releases framework for regulatory sandbox

Context: The International Financial Services Centres Authority (IFSCA) introduced a f**ramework for regulatory sandbox** enabling entities regulated by the watchdog to test their new solutions in a live environment and on a limited set of real customers with necessary safeguards.

What is in the framework?

- Under this sandbox framework, entities operating in the capital market, banking, insurance and financial services space shall be granted certain facilities and flexibilities to experiment with innovative financial technology (fintech) solutions in a live environment with a limited set of real customers for a limited timeframe.
- **Eligibility:** All entities (regulated as well as unregulated) operating in the capital market, banking, insurance and pension sectors as well as individuals and startups from India and FATF compliant jurisdictions, shall be eligible for participation in the Regulatory Sandbox.
- These features shall be fortified with necessary safeguards for investor protection and risk mitigation.
- The Innovation Sandbox will be managed and facilitated by the Market Infrastructure Institutions operating within the IFSC.
- The regulatory sandbox will operate within the IFSC located at GIFT City.

About IFSCA

- The IFSCA has its head office in Gandhinagar.
  - The first IFSC in the country has been set up at the **Gujarat International Finance Tec-City (GIFT) in Gandhinagar.**
- It is a unified authority for regulating all financial activities at the IFSCs in the country.
- IFSCA, with an objective to develop a world-class fintech hub at the IFSC located at GIFT-City in Gandhinagar (Gujarat), endeavours to encourage the promotion of fintech initiatives across the spectrum of banking, insurance, securities and fund management.

6 IFSCA obtains Membership of International Association of Insurance Supervisors (IAIS)

Context: International Financial Services Centres Authority (IFSCA) obtained membership of International Association of Insurance Supervisors (IAIS).

What is IAIS?

- International Association of Insurance Supervisors (IAIS) is a voluntary membership organization of insurance supervisors and regulators from more than 200 jurisdictions, constituting 97% of the world's insurance premiums.
- Established in 1994, the IAIS headquartered in **Switzerland.**

Role and responsibilities

- It is the international standard-setting body responsible for developing and assisting in the implementation of principles, standards and other supporting material for the supervision of the insurance sector.
- The IAIS also provides a forum for Members to share their experiences and understanding of insurance supervision and insurance markets.
- In recognition of its collective expertise, the IAIS is routinely called upon by the G20 leaders and other international standard setting bodies.

7 NSE IFSC-SGX Connect

Context: The National Stock Exchange (NSE) and the Singapore Exchange (SGX) have entered into a formal agreement to cement the key terms for operationalising the **'NSE IFSC-SGX Connect',** which will bring international participants and **Gujarat International Finance Tec-City (GIFT)** agencies together to create a bigger liquidity pool for NIFTY products in GIFT City.

NSE IFSC-SGX Connect

- The proposed **NSE International Financial Service Centre (IFSC)-SGX Connect** aims to bring together the trading of Nifty products in the **Gujarat International Finance Tec-City (GIFT)** and create a larger pool of liquidity comprising international and home market participants.

> Gujarat International Finance Tec-City Co. Ltd (GIFT) is being developed as the country's first international financial services centre (IFSC).

What is IFSC?

- IFSC has been designated for all practical purposes as a 'deemed foreign territory' which would have the same ecosystem as other offshore locations, but which is physically on Indian soil.
- Any financial institution (or its branch) set up in the IFSC is:
  - treated as a non-resident Indian located outside India,
  - expected to conduct business in such foreign currency and with such entities, whether resident or non-resident, as the Regulatory Authority may determine, and
  - Nothing contained in any other regulations shall apply to a unit located in IFSC, subject to certain provisions.
- A bank in IFSC is not subject to CRR or SLR stipulations of RBI.
- Only one International Financial Services Centre is approved in a Special Economic Zone
- The units in IFSC will be recognised as non-resident entity under the FEMA regulations of Reserve Bank of India.

8 CAROTAR Rules 2020

Context: **Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020** sets guidelines for enforcement of the 'rules of origin' for allowing preferential rate on imports under free trade agreements took effect.

About:

- The Rules define the extent of information which is to be possessed by the importer.
- An importer needs to keep the origin related information specific to every Bill of Entry (B/E) for a minimum of 5 years. The five years period starts from the date of filing the B/E.
- The Rules mandate the inclusion of specific origin related information in B/E.
- It provides for the scenario where verification can be initiated from the exporting country.
- It sets the timeline for receipt of information from the verifying authorities, not provided in Trade Agreements.

- It sets the timeline to finalise decisions based on the information received from the importer or verifying authorities.
- It provides for the action that can be taken on the imported identical goods when the goods do not meet the originating criteria.

Free Trade Agreement

- A free trade agreement (FTA) is a treaty between two or more countries to facilitate trade and eliminate trade barriers. It aims at eliminating tariffs completely on specified products

9 International Finance Corporation (IFC)

Endiya Partners Fund II, a city-based venture capital fund has received a commitment of Rs 75 crore ($10M approx.) from the International Financial Corporation (IFC), a member of the World Bank Group.

What is IFC?

- It is a member of the **World Bank Group** and is headquartered in Washington, D.C. United States.
- It was established in 1956 as the private sector arm of the World Bank Group to advance economic development by investing in strictly for-profit and commercial projects that purport to reduce poverty and promote development.
- The IFC is owned and governed by its member countries, but has its own executive leadership and staff that conduct its normal business operations.
- It is a corporation whose shareholders are member governments that provide paid-in capital and which have the right to vote on its matters.
- The IFC has focused on a set of development goals that its projects are expected to target. Its goals are to increase sustainable agriculture opportunities, improve healthcare and education, increase access to financing for microfinance and business clients, advance infrastructure, help small businesses grow revenues, and invest in climate health.

- It offers an array of debt and equity financing services and helps companies face their risk exposures while refraining from participating in a management capacity.
- It advises governments on building infrastructure and partnerships to further support private sector development.

10 RBI issues draft Rupee interest rate derivatives

Context: The Reserve Bank of India proposed allowing foreign portfolio investors (FPIs) to undertake exchange-traded rupee interest rate derivatives transactions subject to an overall ceiling of Rs 5,000 crore.

What are Interest Rate Derivatives?

- **Interest Rate Derivatives (IRD)** are contracts whose value is derived from one or more interest rates, prices of interest-rate instruments, or interest rate indices.
- These may include interest rate futures, options, swaps, swaptions, and FRA's.
- Entities with interest rate risk can use these derivatives to hedge or minimize potential losses that may accompany a change in interest rates.
- The proposed Rupee Interest Rate Derivatives (Reserve Bank) Directions, 2020 are aimed at-
  - encouraging higher non-resident participation
  - enhance the role of domestic market makers in the offshore market
  - improve transparency
  - achieve better regulatory oversight

Where FPIs will be allowed?

- FPIs may transact in permitted exchange-traded IRDs subject to the conditions that, at any point in time "the net long position of FPIs, collectively, and across all exchanges, in exchange-traded IRDs shall not exceed Rs 5,000 crore".
- Also, the net short position of an FPI on exchange-traded IRDs should not exceed its long position in government securities and other rupee debt securities.

The Proposal

- Local companies with minimum networth of ₹500 cr can participate
- Retail participants can only hedge, but non-retail can use it for any purpose
- Exchanges to decide on design and participants; in OTC, banks and primary dealers can participate
- TFPIs can take exposure of up to ₹5,000 crore all put together

User classification:

- For the purpose of offering Rupee IRD contracts to a user, the market-maker (entities which provide bid and offer prices to users in order to provide liquidity to the market) should classify the user either as a retail user or as a non-retail user.
  - Non-retail users are entities regulated by RBI, SEBI, IRDAI or PFRDA; resident companies with a minimum net worth of Rs 500 crore; and non-residents, other than individuals.
  - Any user who is not eligible to be classified as a non-retail user shall be classified as a retail user.

11 TRIPS Agreement

Context: India and South Africa have presented a draft proposal to the World Trade Organization (WTO) for waiver of some provisions of its TRIPS Agreement on intellectual property (IP) protection to fight the novel coronavirus disease (COVID-19) pandemic

What is in the Joint Submission?

- Under the joint submission, India has sought removal, or waiver, of Sections 1, 4, 5, and 7 of Part II of the TRIPS Agreement that pertain to copyright, industrial designs, patents and protection of undisclosed information or trade secrets, for drugs and vaccines aimed at Covid-19.

TRIPS Agreement

- The TRIPS Agreement has been in force since 1995 and is to date the most comprehensive multilateral agreement on intellectual property.
- The TRIPS Agreement introduced global minimum standards for protecting and enforcing nearly all forms of intellectual property rights (IPR), including those for patents.
- International conventions prior to TRIPS did not specify minimum standards for patents.
- The TRIPS Agreement now requires all WTO members, with few exceptions, to adapt their laws to the minimum standards of IPR protection.

WTO members & compulsion

- The World Trade Organization (WTO) is the international organization dealing with the rules of trade between nations.
- As in 2020, WTO has 164 members and 24 observer governments.
- In becoming Members of the WTO, countries undertake to adhere to the 18 specific agreements annexed to the Agreement establishing the WTO.
- They cannot choose to be party to some agreements but not others (with the exception of a few "plurilateral" agreements that are not obligatory).

Compulsory License

- Compulsory licensing is when a government allows someone else to produce a patented product or process without the consent of the patent owner or plans to use the patent-protected invention itself. It is one of the flexibilities in the field of patent protection included in the WTO's agreement on intellectual property — the TRIPS
- In November 2001, WTO members adopted the Doha Declaration on the TRIPS Agreement and Public Health, which is categorical that every member has the right to grant compulsory licences (CLs) and the freedom to determine the grounds upon which such licences are granted.

12 Delhi, Male ink $400-mn pact for connectivity

Context: Following up on India's announcement of a $500 million line of credit to the Maldives, the Exim Bank of India and the Maldives's Ministry of Finance signed an agreement for $400 million in Male.

About:

- According to Line of Credit, the lender is ready to lend a maximum amount to the borrower.
- The borrower can withdraw money any time they want until they reach the maximum limit.
- The Line of Credit is **not a 'grant' but a 'soft loan'**.
- It is provided on **concessional interest rates** to developing countries, which has to be repaid by the borrowing government.
- It also helps to promote exports of Indian goods and services, as 75% of the value of the contract for connectivity projects in Maldives must be sourced from India.

The Agreement

- The line of credit (LoC) will fund the **Greater Male Connectivity Project (GMCP)**
- India has also pledged a grant of $ 100 million for the initiative.

Greater Male Connectivity Project

- The GMCP, a 6.7 km bridge and causeway network connecting Male, with islands Villingili, Gulhifalhu and Thilafushi

13 100% Foreign Direct Investment (FDI) in Air India

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

About:

- The **Foreign Exchange Management Act, 1999 (FEMA)** is to consolidate and amend the laws relating to foreign exchange.
- It aims to facilitate external trade and payments and for promoting the orderly development and maintenance of foreign exchange market in India.

Features of FEMA

- FEMA empowers the Central Government to initiate activities, such as making payments to a person outside the country or receiving money for it. In addition to this, foreign exchange, as well as foreign securities transactions, are also restricted by FEMA.
- Transactions cannot be made without specific or general consent of FEMA from any foreign country to India which deals with foreign security or foreign exchange as well as payments made by such foreign countries.
- All transactions must be carried out by an individual who has been authorized to do so.
- The Central Government may restrict an authorized individual from carrying out foreign exchange transactions within the current account, based on the general interest of the public.
- Although the withdrawal or sale of foreign currency by an authorized person, FEMA law empowers the Reserve Bank of India to place a number of restrictions on the transactions of the capital account.

14 Extant Foreign Direct Investment (FDI) policy

Context: The Government of India has reviewed the extant FDI policy to curb opportunistic takeovers of Indian companies due to the current COVID-19 pandemic and amended para 3.1.1 of extant FDI policy as contained in Consolidated FDI Policy, 2017.

Revised Position

- **Para 3.1.1:**
  - 3.1.1(a) A non-resident entity can invest in India, subject to the FDI Policy except in those sectors/activities which are prohibited.
    - However, an entity of a country, which shares land border with India or where the beneficial owner of an investment into India is situated in or is a citizen of any such country, can invest only under the Government route.

- Further, a citizen of Pakistan or an entity incorporated in Pakistan can invest, only under the Government route, in sectors/activities other than defence, space, atomic energy and sectors/activities prohibited for foreign investment.

- 3.1.1(b) In the event of the transfer of ownership of any existing or future FDI in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the restriction/ purview of the para 3.1.1(a), such subsequent change in beneficial ownership will also require Government approval.

Impact of the move:

- From now onwards, government approval will be necessary a company or an individual from a country that shares land border with India can invest in any sector.
  - India shares land borders with six countries – Bangladesh, Myanmar, China, Bhutan, Nepal and Pakistan.
- Until now, government permission was mandatory only for investments coming from Bangladesh and Pakistan.

15 Special Drawing Rights

Context: India will not support a general allocation of new **'Special Drawing Rights' by the International Monetary Fund** as it might not be effective in easing coronavirus-driven financial pressure.

About:

- The Special Drawing Rights (SDR) is an international reserve asset, created by the **International Monetary Fund** in 1969 to supplement its member countries' official reserves.
- The SDR serves as the unit of account of the IMF and some other international organizations.
- The SDR is neither a currency nor a claim on the IMF. Rather, it is a potential claim on the freely usable currencies of IMF members. SDRs can be exchanged for these currencies.
- The value of the SDR is based on a basket of five currencies:
  - the U.S. dollar
  - the euro
  - the Chinese renminbi
  - the Japanese yen
  - the British pound sterling

The SDR interest rate (SDRi):

- The SDRi provides the basis for calculating the interest rate charged to members on their non-concessional borrowing from the IMF and paid to members for their remunerated creditor positions in the IMF.
- It is also the interest paid to members on their SDR holdings and charged on their SDR allocation.

Why India is opposing SDR allocation?

- The new SDR allocation would provide all 189 members with new foreign exchange reserves with no conditions.
- Such a major liquidity injection could produce potentially costly side-effects if countries used the funds for "extraneous" purposes.

About IMF:

- The International Monetary Fund (IMF) was conceived in July 1944 at the **United Nations Bretton Woods Conference** in New Hampshire, United States.
- The IMF promotes international financial stability and monetary cooperation.
- It also facilitates international trade, promotes employment and sustainable economic growth, and helps to reduce global poverty.

16 WTO needs to change how it designates developing countries: US

Context: The United States is asserting pressure on the World Trade Organization to change how it designates developing countries, singling out China for unfairly getting preferential treatment.

Definition of developing countries:

- There are no WTO definitions of “developed” and “developing” countries.
- Members announce for themselves whether they are “developed” or “developing” countries.
- However, other members can challenge the decision of a member to make use of provisions available to developing countries.
- A developing country is also known as a low and middle income country (LMIC).
- In the WTO, developing countries are entitled to “special and differential treatment”

Provision referred as Special and Differential Treatement:

- longer time periods for implementing Agreements and commitments,
- measures to increase trading opportunities for developing countries,
- provisions requiring all WTO members to safeguard the trade interests of developing countries,

- support to help developing countries build the capacity to carry out WTO work, handle disputes, and implement technical standards, and
- provisions related to least-developed country (LDC) Members.

About WTO:

- The World Trade Organization (WTO) is the **only global international organization** dealing with the rules of trade between nations.
- The WTO was born out of GATT, an international trade agreement signed by 23 countries in 1947.
- The goal is to help producers of goods and services, exporters, and importers conduct their business.
- The WTO is run by its member governments. All major decisions are made by the membership as a whole, by Ministerial Conference (usually meet once in two years).

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5 AGRICULTURE

1 MSP for Farmers

Context: The recently enacted law that dismantles the monopoly of **APMC (agricultural produce market committee) mandis**, has raised concerns that farmers may no longer be assured MSP for their crop.

What is Minimum Support Price (MSP)?

- The **Minimum Support Price (MSP)** is only a government policy that is part of administrative decision-making. The government declares MSPs for crops, but there's **no law** mandating their implementation.
- The Centre currently fixes MSPs for 22 farm commodities —
  - 7 cereals (paddy, wheat, maize, bajra, jowar, ragi and barley)
  - 5 pulses (chana, arhar/tur, urad, moong and masur)
  - 7 oilseeds (rapeseed-mustard, groundnut, soyabean, sunflower, sesamum, safflower and nigerseed)
  - 4 commercial crops (cotton, copra and raw jute) — based on the CACP's recommendations.

Who announces MSP?

- The Cabinet Committee of Economic Affairs announces MSP 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 price is announced at the beginning of the sowing season.

Commission for Agricultural Costs & Prices (CACP)

- The Commission for Agricultural Costs & Prices (CACP) is an attached office of the Ministry of Agriculture and Farmers Welfare, Government of India.
- It came into existence in January 1965.
- Currently, the Commission comprises a Chairman, Member Secretary, one Member (Official) and two Members (Non-Official).
  - The non-official members are representatives of the farming community and usually have an active association with the farming community.

The next step in the process

- The Food Corporation of India, 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 **Public Distribution System (PDS)** and various food security programmes.

The Farmers Bill

- The **Farmers Produce Trade and Commerce (Promotion and Facilitation) Act, 2020** allows farmers to sell their produce outside APMC mandis to whoever, even the end customer, offers a higher price.
- The second one — **The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020** — allows farmers to enter into a contract farming agreement the buyer for procurement of crops at pre-approved prices.
- The third bill is **The Essential Commodities (Amendment) Act** which declassifies items like onions, cereals, pulses, potatoes, edible oilseeds and oils as essential items in normal circumstances.

2 MSP for MFP Scheme

Context: TRIFED has asked to initiate procurement of **Minor Forest Produces (MFPs) at Minimum Support Price (MSP)** from the available funds under MSP for MFP Scheme.

About:

- **'Minor Forest Produce (MFP)'** refers to all non-timber forest produce of plant origin. It is an important source of livelihoods for tribal people are non-wood forest products.
- MFP includes bamboo, canes, fodder, leaves, gums, waxes, dyes, resins and many forms of food including nuts, wild fruits, Honey, Lac, Tusser etc.
- They form a major portion of their food, fruits, medicines and other consumption items and also provide cash income through sale.

The Scheme:

- The government introduced the scheme of **"Mechanism for Marketing of Minor Forest Produce (MFP) through Minimum Support Price (MSP) and development of value chain".**
- The scheme is designed as a social safety net for improvement of livelihood of MFP gatherers by providing them fair price for the MFPs they collect. The scheme has been started with following objectives
  - To provide fair price to the MFP gatherers for the produce collected by them and enhance their income level
  - To ensure sustainable harvesting of MFPs.

About TRIFED:

- TRIFED was established in August 1987 under the Multi-State Cooperative Societies Act, 1984. Currently it is under Ministry of Tribal Affairs

- TRIFED is mandated to ringing about socio-economic development of tribals of the country by institutionalising the trade of Minor Forest Produce (MFP) & Surplus Agricultural Produce (SAP) collected/ cultivated by them.
- TRIFED plays the dual role of both a market developer and a service provider, empowering them with knowledge and tools to better their operations in a systematic, scientific manner and also assist them in developing their marketing approach.

3 Zero budget natural farming

Context: India is moving towards wider adoption of zero budget natural farming (ZBNF).

What is Zero budget natural farming?

- Zero budget natural farming (ZBNF) is a method of chemical-free agriculture drawing from traditional Indian practices.
- It was originally promoted by Maharashtrian agriculturist and Padma Shri recipient Subhash Palekar.
- He developed it in the mid-1990s as an alternative to the Green Revolution's methods driven by chemical fertilizers and pesticides and intensive irrigation.
- This is a fermented microbial culture that adds nutrients to the soil and acts as a catalytic agent to promote the activity of microorganisms and earthworms in the soil
- A mixture, called bijamrita, is used to treat seeds.
- The concoctions using neem leaves and pulp, tobacco, and green chillis are prepared for insect and pest management.
- The ZBNF method also promotes soil aeration, minimal watering, intercropping, bunds, and topsoil mulching and discourages intensive irrigation and deep plowing.

What are the benefits?

- Lesser cost of production
- Protect the soil
- Promote traditional methods of cultivation

Where it is being practiced?

- Several States, including Andhra Pradesh and Himachal Pradesh, have been aggressively driving a shift towards this model.

4 Cabinet approved Minimum Support Price of Copra for 2021 season

Context: The Cabinet Committee on Economic Affairs has given its approval for the Minimum Support Price (MSP) of copra for 2021 season.

Key-takeaways

- The approval is based on recommendations of the **Commission for Agricultural Costs and Prices (CACP).**

- **Nodal Agencies:** The **National Agricultural Cooperative Marketing Federation of India Limited (NAFED)** and **National Cooperative Consumer Federation of India Limited (NCCF)** will continue to act as Central Nodal Agencies to undertake price support operations at the MSP in the coconut growing States.

Copra

- Copra is a term that refers to sun-dried or smoked coconut "meat" or "flesh", the edible part of a coconut.
- Copra is mainly used to yield coconut oil, however, the byproducts themselves are used for additional purposes, mostly as food for livestock.
- **World producers:** Indonesia, the Philippines, India and Brazil are among the world's top coconut producers.
- **Major producing states (India):** Kerala, Karnataka, Tamil Nadu and Andhra Pradesh together account for more than 90% of coconut production in the country.

5 Sweet Revolution

Context: The government approved the allocation for Rs. 500 crores for the **National Beekeeping & Honey Mission (NBHM)** for three years (2020-21 to 2022-23) to achieve the goal of the sweet revolution.

National Beekeeping & Honey Mission (NBHM)

- The mission aims for the overall promotion & development of scientific beekeeping in the country to achieve the goal of **'Sweet Revolution'**.
- It is being implemented through National Bee Board (NBB).
- It was announced as part of the AtmaNirbhar Bharat scheme.

Sweet Revolution

- It is a strategic step to emphasize the increase in honey production.

Significance:

- It will be a major contributor to doubling the income of the farmers.
- It will contribute towards Atma Nirbhar Abhiyaan.

Other important revolutions

- **Pink Revolution:** Revolution in the technologies used in the **poultry and meat processing sector**
- **White Revolution:** Associated with a sharp increase in **milk production**
- **Golden Revolution:** Related to the production of **honey and horticulture**
- **Blue Revolution:** For the growth of the **aquaculture industry**
- **Silver Revolution:** Related to the immense growth of **egg production**
- **Green Revolution:** Related to the **Agriculture**
- **Yellow Revolution:** To increase the production **of edible oil,** especially mustard and sesame seeds

6 Eri Silk

Context: The State government of Assam has decided to provide clothes made of 'Eri'- to grade IV employees.

What is Eri silk?

- The word 'Eri' is inspired from the Assamese word 'era' which means castor.
- Eri Silk is one of the purest forms of **Silk** that is a true and genuine product of the Samia cynthia ricini worm.
- It is the only domesticated silk produced in India, as the process doesn't involve any killing of the silk worm, also naming Eri silk as 'Ahimsa silk or fabric of peace'.
- Around forty percent of Eri Silk is produced in Nagaland, Meghalaya, Manipur, Bihar, Orrisa, Karnataka, Assam, Andhra Pradesh and Jharkhand.
- The bulk of Eri Silk production gives Assam the name of Eri Silk state.
- The unique thing in Eri silk is the type of cocoon. Its fiber is not reeled. The cocoon is open-ended and the moth emerges or worm is extracted.
  - All other silk cocoons require boiling in hot water to reel the continuous fibers.

Silk varieties found in India

- There are four types of natural silk produced in India for commercial purposes. These are known as
  - **Mulberry silk:** Among these four kinds, the mulberry silk contributes to more than 80% of the silk produced in the country.
  - **Tasar silk:** It is primarily produced in the states of West Bengal, Bihar, Odisha, Jharkhand, Chattisgarh, Madhya Pradesh, and Maharashtra.
  - **Muga silk:** An exclusive specialty of Assam, the Muga silk is one of the rarest silks produced in the world. This silk is produced by the larva of a silkworm named Assam silkmoth (Antheraea assamensis).
  - **Eri silk:** It comes from the silkworm *Philosomia ricini* that feeds mostly on the leaves of the castor plant, *Ricinus communis.*

7 The concept of Precision farming in India

Context: India's yield from farming is low and the pressure on land is enormous. This needs to change with the help of precision farming.

What is Precision farming?

- Precision farming (PF) is an approach where inputs are utilised in precise amounts to get increased average yields, compared to traditional cultivation techniques.
- Commercial as well as horticultural crops also show a wider scope for PF in the cooperative farms.
- Farmers really need to take up precision farming due to the following reasons:
  - To increase agriculture productivity
  - Prevents soil degradation

- Reduction of chemical application in crop production
- Efficient use of water resources
- Dissemination of modern farm practices to improve quality, quantity and reduced cost of production
- Developing favourable attitudes
- Precision farming changing the socio-economic status of farmers

Drawbacks of precision farming

- High cost
- Lack of technical expertise knowledge and technology
- Not applicable or difficult/costly for small land holdings
- Heterogeneity of cropping systems and market imperfections

8 Horticulture and Kisan Melas to bring more area under fruit cultivation

Context: 'Kisan Melas' has being organised by Punjab Agriculture University (PAU), Ludhiana.

What is Horticulture?

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

Mission for Integrated Development of Horticulture (MIDH)

- MIDH is a Centrally Sponsored Scheme for the holistic growth of the horticulture sector covering fruits, vegetables, root & tuber crops, mushrooms, spices, flowers, aromatic plants, coconut, cashew and cocoa.
- In MIDH, there are 5 (five) schemes on Horticulture viz. (i) National Horticulture Mission (NHM), (ii) Horticulture Mission for North East and Himalayan States (HMNEH), (iii) National Horticulture Board (NHB), (iv) Coconut Development Board (CDB), (v) Central Institute of Horticulture (CIH), Nagaland.

Major interventions under National Horticulture Mission (NHM)

- Supply of quality planting material through establishment of nurseries and tissue culture units,
- production and productivity improvement programmes through area expansion and rejuvenation,
- technology promotion, technology dissemination, human resource development,
- creation of infrastructure for post harvest management and marketing in consonance with the comparative advantages of each State/region and their diverse agro-climatic conditions

National Horticulture Board (NHB)

- The National Horticulture Board (NHB) was established in the year 1984 by the Government of India as an autonomous organization and registered as a society
- The broad aims and objectives of the Board are the creation of production hubs for commercial horticulture development, post harvest infrastructure and cold chain facilities, promotion of new crops, and promotion of growers' associations

9 Kisan Rail

Context: Prime Minister Narendra Modi flagged off the 100th run of Kisan Rail in Maharashtra with the objective to empower farmers of the country.

What is Kisan Rail?

- The first Kisan Rail train service on the Indian Railways network was launched on 7 August 2020. The train runs between Devlali in Maharashtra and Danapur in the state of Bihar.
- Equipped with frozen containers, the Kisan Rail train service is building a seamless national cold supply chain of meat, milk, and fish.
- Kisan Rail generally carries produce that are of perishable nature
- The 100th run of the Kisan Rail was flagged off from Sangola in Maharashtra to Shalimar in West Bengal virtually.

Significance of the initiative

- Seamless national cold supply chain
- Doubling farmers' incomes by 2022

10 Agriota

Context: The **United Arab Emirates (UAE) launched Agriota**, a new technology-driven agri-commodity trading and sourcing e-market platform.

About:

- The market platform aims to bridge the gap between millions of rural farmers in India and the Gulf nation's food industry.
- This launch followed the India-UAE Virtual Buyer Seller Meet titled **"Forge a New Path in COVID-19" organised on August 20.**
- **India exported more than USD 38 billion of agricultural and processed food products in Middle East.**
- This platform guarantees secure transactions of funds through proprietary banking system with a multi-tier escrow structure and ensure traceability to create value for all stakeholders.
- This launch will also enable UAE to make a step closer to the top of the **Global Food Security Index.**

11 Demand of Organic Farming showing upward trend

Context: In a world battered by the Coronavirus pandemic, the demand is showing an upward trend and hence this is an opportune moment to be captured for a win-win situation for our farmers, consumers and the environment.

What is Organic Farming?

- Organic farming is where farmers till their land without the use of chemicals - largely relying on organic residues, cow dung, composts, etc.
- The primary aim of organic farming is to help soil stay in good health through the use of biological wastes, organic wastes and bio-fertilizers.
- Using organic manures help in sustainable crop production along with a pollution-free environment.
- The philosophy underlying organic farming of integration of the elements – soil, water, microbes, and 'waste' products, forestry, and agriculture is the correct recipe for sustainable use of natural resources
- This method avoids or excludes use of synthetic inputs like pesticides, fertilizers, hormones, etc.

How 'organic' is India's farming?

- India ranks first in the number of organic farmers and ninth in terms of area under organic farming.
- **Sikkim** became the **first state in the world** to become fully organic
- North East India has traditionally been organic and the consumption of chemicals is far less than the rest of the country.
- Similarly, the tribal and island territories are being nurtured to continue their organic story.

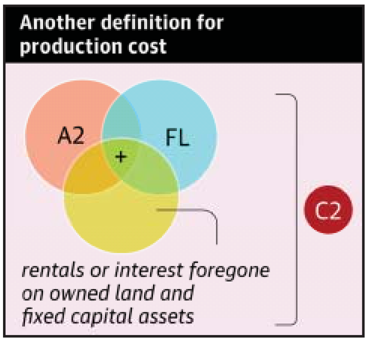
Recent government initiatives to promote organic farming

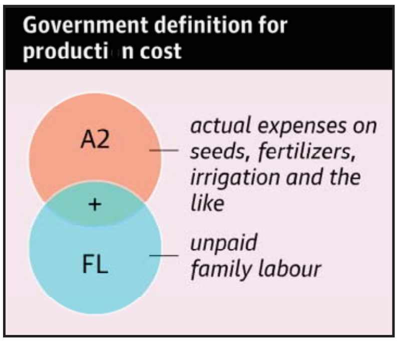
- **Paramparagat Krishi Vikas Yojana (PKVY)**
  - The Scheme envisages:
    - Promotion of commercial organic production through certified organic farming.
    - The produce will be pesticide residue free and will contribute to improve the health of consumer.
    - It will raise farmer's income and create potential market for traders.
    - It will motivate the farmers for natural resource mobilization for input production.
- **Mission Organic Value Chain Development for North East Region (MOVCD)**
  - It is a Central Sector Scheme, a sub-mission under National Mission for Sustainable Agriculture (NMSA), launched by the Ministry of Agriculture and Farmers Welfare for implementation in the states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura, during the 12th plan period.

12 Agriculture Cost of Production

Context: The farmers across India are protesting and one of main reason behind the farmers' protest is the Minimum Support Price (MSP) for crops which raises question on the cost of Production.

How the cost of agricultural produce is calculated?





- The CACP calculates cost of production at three levels:
  - A2, which includes cost of inputs such as seeds, fertilizer, labour;
  - A2+FL, which includes the implied cost of family labour (FL); and
  - C2, which includes the implied rent on land and interest on capital assets over and above A2+FL.

How is MSP Calculated?

- The Commission for Agricultural Costs & Prices (CACP) in the Ministry of Agriculture would recommend MSPs for 22 crops.
- The CACP considered various factors while recommending the MSP for a commodity, including cost of cultivation.
- It also took into account:
  - the supply and demand situation for the commodity
  - market price trends (domestic and global) and parity vis-à-vis other crops
  - implications for consumers (inflation), environment (soil and water use)
  - terms of trade between agriculture and non-agriculture sectors

Swaminathan Committee

- The Swaminathan Committee prescribed three variables to determine the production cost. These three variables are:
- As per the Committee, the ideal formula to calculate the MSP would be:
- **MSP =** C2+ 50% of C2

The 'Price Policy for Kharif Crops: The Marketing Season 2018-19' of the CACP stated the given 1.5 times formula to calculate the MSP:

- **1.5 times MSP Formula = 1.5 times the (A2+FL) costs**

13 Animal Husbandry Infrastructure Development Fund (AHIDF)

Context: Cabinet Committee on Economic Affairs has approved setting up of **Animal Husbandry Infrastructure Development Fund (AHIDF)** worth Rs. 15000 crore.

About:

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

Dairy Infrastructure Development Fund (DIDF)

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

14 Credit Guarantee Fund

Context: A Rs.750 crore Credit Guarantee Fund would be set up and managed by NABARD.

About:

- Credit guarantee would be provided to those sanctioned projects which are covered under MSME defined ceilings.
- Guarantee Coverage would be upto 25% of Credit facility of borrower.

Benefits of the Fund

- **Focused investment:** Investment incentivization in AHIDF would leverage 7 times private investment.
- **Higher productivity in farming:** It would also motivate farmers to invest more on inputs thereby driving higher productivity leading to increase in farmers income.
- **Livelihood creation:** The measures approved through AHIDF would also help in direct and indirect livelihood creation for 35 lakh.

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6 INFRASTRUCTURE

1 India’s first Seaplane Service

Context: India’s first seaplane service in Gujarat has started on the anniversary of Sardar Vallabhbhai Patel, with the aim of providing air connectivity from the Sabarmati Riverfront in Ahmedabad to the Statue of Unity in Kevadia.

The Project

- The first seaplane project of the country is part of a directive of the **Union Ministry of Civil Aviation.**
- For India’s first project being developed in Gujarat, the Kevadia terminal is likely to be built over 0.51 acres in the **Sardar Sarovar Narmada Nigam Ltd** premise in the **Panchmuli lake area**.

What is a seaplane?

- A seaplane is the amalgamation of the properties of speed and utility properties of an aeroplane and a boat, respectively.
- With fixed wings, a seaplane is equipped to take off and land on water.
- The two types of seaplane are
  - flying boats
    - A **flying boat** is a fixed-winged seaplane with a hull, allowing it to land on water, that usually has no type of landing gear to allow operation on land
  - floatplanes
    - A **floatplane** is a type of seaplane with one or more slender floats mounted under the fuselage to provide buoyancy.

2 SEBI moots new ownership framework for setting up market infrastructure institutions

Context: In a latest move, SEBI proposed a new framework for ownership of **Market Infrastructure Institutions (MIIs)** to facilitate new entrants to set up stock exchanges and depositories.

What are MIIs?

- **Intermediaries / Market Infrastructure Institutions:**
  - Recognised Intermediaries

- Processing Application Status
- Stock Exchanges
- Application Formats and Fees
- Clearing Corporations
- Depositories
- Entities Permitted to Send Stock Tips using Bulk SMS

- These institutions are systemically important institutions whose failure could lead to "bigger cataclysmic collapses" bringing down the economy.

Present framework

- The present framework caps the ownership of MIIs at a lower shareholding limit, which is not more than **5 percent** for individuals and institutions (domestic or foreign) in general and permits only up to **15 percent** ownership stake by select category of institutions.

3 SAROD Ports

Context: The government recently launched **'SAROD-Ports' (Society for Affordable Redressal of Disputes - Ports)** through a virtual ceremony to sort out dispute in the Maritime Sector.

What is SAROD-Port?

- SAROD-Port is a dispute redressal mechanism for all kinds of disputes related to the maritime sector.
- It consists of members from the-
  - Indian Ports Association (IPA)
  - Indian Private Ports and Terminals Association (IPTTA)
- SAROD-Ports have been established under the **Societies Registration Act, 1860** with the objectives of affordable and timely resolution of disputes in a fair manner, Enrichment of Dispute Resolution Mechanism with the panel of technical experts as arbitrators.
- 'SAROD-Ports' is similar to the provision available in the highway sector in the form of SAROD-Roads constituted by the **National Highways Authority of India (NHAI).**

Functions of the SAROD-Ports

- It will advise and assist in the settlement of disputes through arbitrations in the maritime sector, including ports and shipping sector in Major Port Trusts, Non-major Ports, including private ports, jetties, terminals, and harbours.
- It will also cover disputes between granting authority and Licensee/Concessionaire/Contractor and also disputes between Licensee/Concessionaire and their contractors arising out of and during the course of execution of various contracts.

4 Pan-India GTAM in electricity launched

Context: As a first step towards the 'greening' of the Indian short term power market, the Government launched the pan-India Green Term Ahead Market (GTAM) in electricity.

About:

- Transactions through GTAM will be bilateral in nature with clear identification of corresponding buyers and sellers, there will not be any difficulty in accounting for RPO.
- GTAM contracts will be segregated into Solar RPO & Non-Solar RPO as RPO targets are also segregated.
- Further, within the two segments GTAM contracts will have Green Intraday, Day Ahead Contingency, Daily and Weekly Contracts
  - Green Intraday Contract & Day Ahead Contingency Contract – Bidding will take place on a 15-minute time-block wise MW basis.
  - Daily & Weekly Contracts – Bidding will take place on MWh basis. Both buyers and sellers can submit the bid, however the seller will provide profile in terms of 15-minute time block wise quantity (MW) along with the price (Rs/MWh). After the contract gets executed scheduling will take place as per the profile. In case of multiple buyers, the profile will get allocated on a pro-rata basis.
- Price discovery will take place on a continuous basis i.e. price time priority basis. Subsequently, looking at the market conditions open auction can be introduced for daily & weekly contracts.
- Energy scheduled through GTAM contract shall be considered as deemed RPO compliance of the buyer.

5 Major reforms in Natural Gas Marketing

Context: The Government gave nod to major reforms in the marketing of Natural Gas in the country, taking another significant step to move towards gas based economy.

Key-highlights of the Policy

- **Standard Procedure:**
  - to prescribe standard procedure to discover market price of gas to be sold in the market by gas producers, through a transparent and competitive process,
  - permit Affiliates to participate in bidding process for sale of gas and allow marketing freedom to certain Field Development Plans (FDPs) where Production Sharing Contracts already provide pricing freedom.
- **Transparent Bidding Process:**
  - to provide standard procedure for sale of natural gas in a transparent and competitive manner to discover market price by issuing guidelines for sale by contractor through e-bidding.
  - rebidding will have to be done in case only affiliates participate, and there are no other bidders.
- **Freedom to FDPs**
  - The policy will also grant marketing freedom to the Field Development Plans (FDPs) of those Blocks in which Production Sharing Contracts already provide pricing freedom.

About Natural Gas

- Natural gas contains many different compounds.
  - The largest component of natural gas is methane (CH_4).
  - Natural gas also contains smaller amounts of natural gas liquids (NGL, which are also hydrocarbon gas liquids), and nonhydrocarbon gases, such as carbon dioxide and water vapor.

- Natural gas is used as a fuel and as a feedstock, with demand largely dependent on fertiliser industry (28%), power (23%), city gas distribution entities (16%), refinery (12%) and petrochemicals (8%) industries.

The **Ministry of Petroleum & Natural Gas** is entrusted with the responsibility of exploration and production of natural gas, their distribution and marketing, import, export and conservation of Liquified Natural Gas.

6 India's first gas exchange

Context: The government has launched the **Indian Gas Exchange (IGX), India's first gas exchange.**

About:

- The Indian Gas Exchange is a digital trading platform that will allow buyers and sellers of natural gas to trade both in the spot market and in the forward market for imported natural gas across three hubs:
  - Dahej and Hazira in Gujarat
  - Kakinada in Andhra Pradesh
- Imported Liquified Natural Gas (LNG) will be regassified and sold to buyers through the exchange, removing the requirement for buyers and sellers to find each other.
- The contracts traded at Exchange are for compulsory specific physical delivery
- Indian Energy Exchange, the country's largest electricity trading platform, is the parent of the gas exchange.
- The Exchange operates under the regulatory framework of **Petroleum and Natural Gas Regulatory Board (PNGRB).**

PNGRB

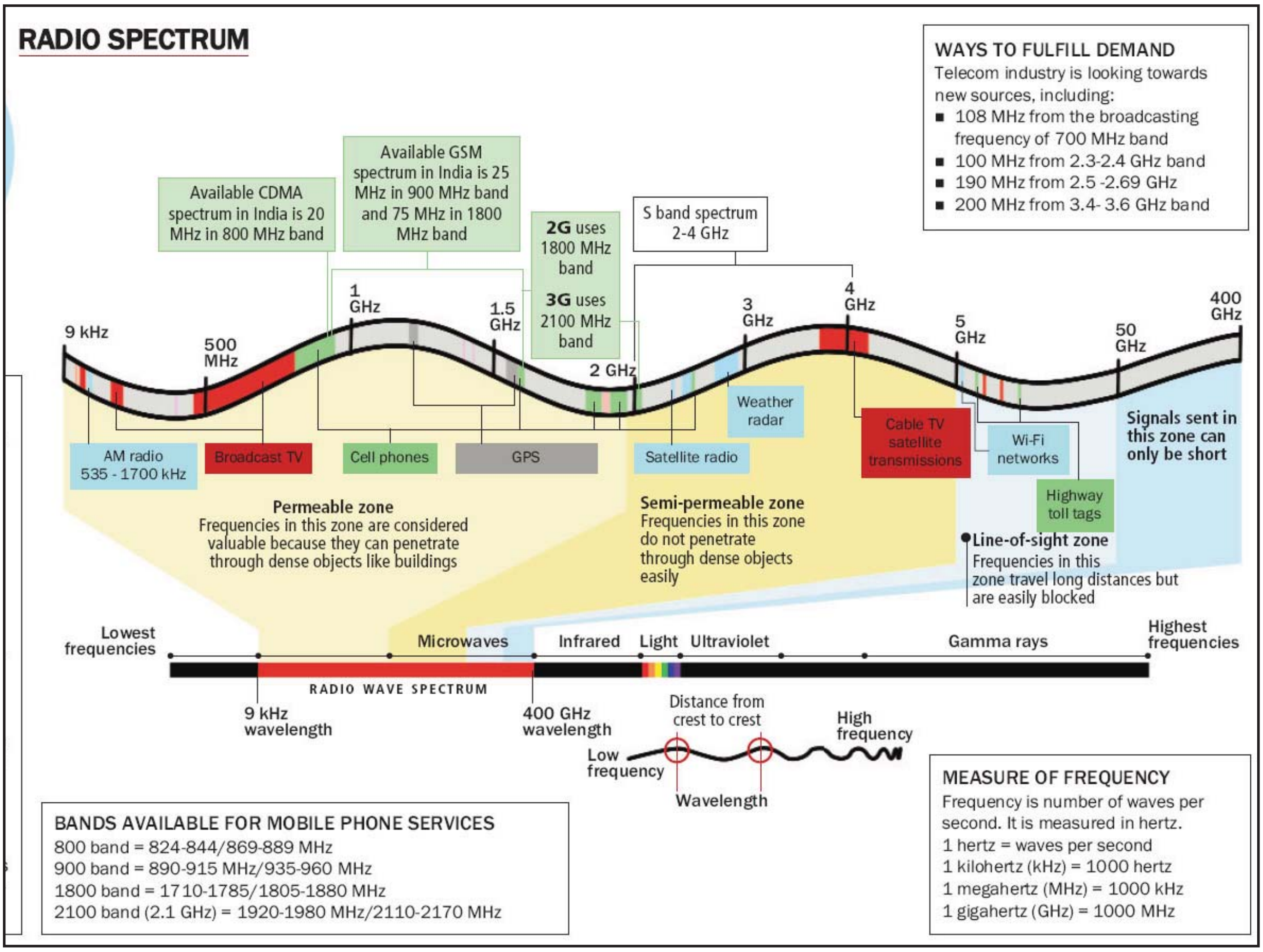
- The **Petroleum and Natural Gas Regulatory Board (PNGRB)** was constituted under The **Petroleum and Natural Gas Regulatory Board Act, 2006.**
- The Act provide for the establishment of Petroleum and Natural Gas Regulatory Board to protect the interests of consumers and entities engaged in specified activities relating to petroleum, petroleum products and natural gas and to promote competitive markets and for matters connected therewith or incidental thereto.
- Further as enshrined in the act, the board has also been mandated to regulate the refining, processing, storage, transportation, distribution, marketing and sale of petroleum, petroleum products and natural gas excluding production of crude oil and natural gas so as and to ensure uninterrupted and adequate supply of petroleum, petroleum products and natural gas in all parts of the country.

7 Centre garners RS. 77,814.80 cr after spectrum auction

Context: The telecom spectrum auctions concluded after bidding, with the Centre garnering RS. 77,814.80 crore in revenues.

What is electromagnetic spectrum?

- The electromagnetic (EM) spectrum is the range of all types of EM radiation, with different frequency and wavelength.
- In telecom industry, spectrum relates to the radio frequencies allocated to the mobile industry and other sectors for communication over the airwaves.



Process of spectrum allocation in India

- **Department of Telecom** prepares a proposal of "spectrum auction" along with specific bandwidths
- Cabinet approves DoTs recommendation.
- **Department of Telecommunication (DoT)** conducted several rounds of spectrum auctions using the Simultaneous Multiple Round Ascending method
- Spectrum Usage Charges (SUC) for the spectrum acquired in this auction will be payable at the rate of 3% of Adjusted Gross Revenue (AGR) of the licensee, excluding revenue from wireline services.
- The auction is concluded and these provisional results are subject to scrutiny and approval by the Government.

Supreme Court on Spectrum

- The spectrum is a scarce recognised natural resource.
- The State acts as a guardian and trustee of the natural resources.
- The licensee does not own the spectrum and has merely been granted a right to use, which is based on fulfilment of the conditions of the contract in the form of a Licence Agreement.

8 Public Wi-Fi networks across the length and breadth of the country

Context: The Union Cabinet approved the setting up of public Wi-Fi networks across the length and breadth of the country.

What is Public Wi-Fi access network?

- The public Wi-Fi Access Network Interface or PM-WANI aims to improve wireless connectivity. It will be an eco-system operated by different players:
- **Public Data Office (PDO):** These units will establish, operate, and maintain only the WANI compliant Wi-Fi access points and will deliver broadband services to subscribers.
- **Public Data Office Aggregator (PDOA):** These units will be an aggregator of the PDOs and will perform the functions relating to authorization and accounting.
- **App Provider:** An application will be developed to register users and discover the WANI-compliant Wi-Fi hotspots in the nearby area and display them within the application for accessing internet service.
- **Central Registry:** A central registry will maintain the details of the app providers, PDOAs, as well as PDOs.
  - This central registry will be maintained by C-DoT or Centre of Development for Telematics, a government-owned telecommunications technology development centre.

9 Mahabahu-Brahmaputra: Ro- Pax vessel in Assam

Context: The Ro-Pax vessel (roll-on/roll-off passenger service)- Mahabahu-Brahmaputra will be launched in Assam along with two bridges.

What is Mahabahu-Brahmaputra?

- It is **Ro-Pax vessel (roll-on/roll-off passenger service)** operation service.
- It will operate between-
  - Neamati-Majuli Island
  - North Guwahati-South Guwahati
  - Dhubri-Hatsingimari Shilanyasof Inland Water Transport (IWT) Terminal at Jogighopa
- Various tourist jetties on River Brahmaputra
- **Aim:** The program is aimed at providing seamless connectivity to the Eastern parts of India.

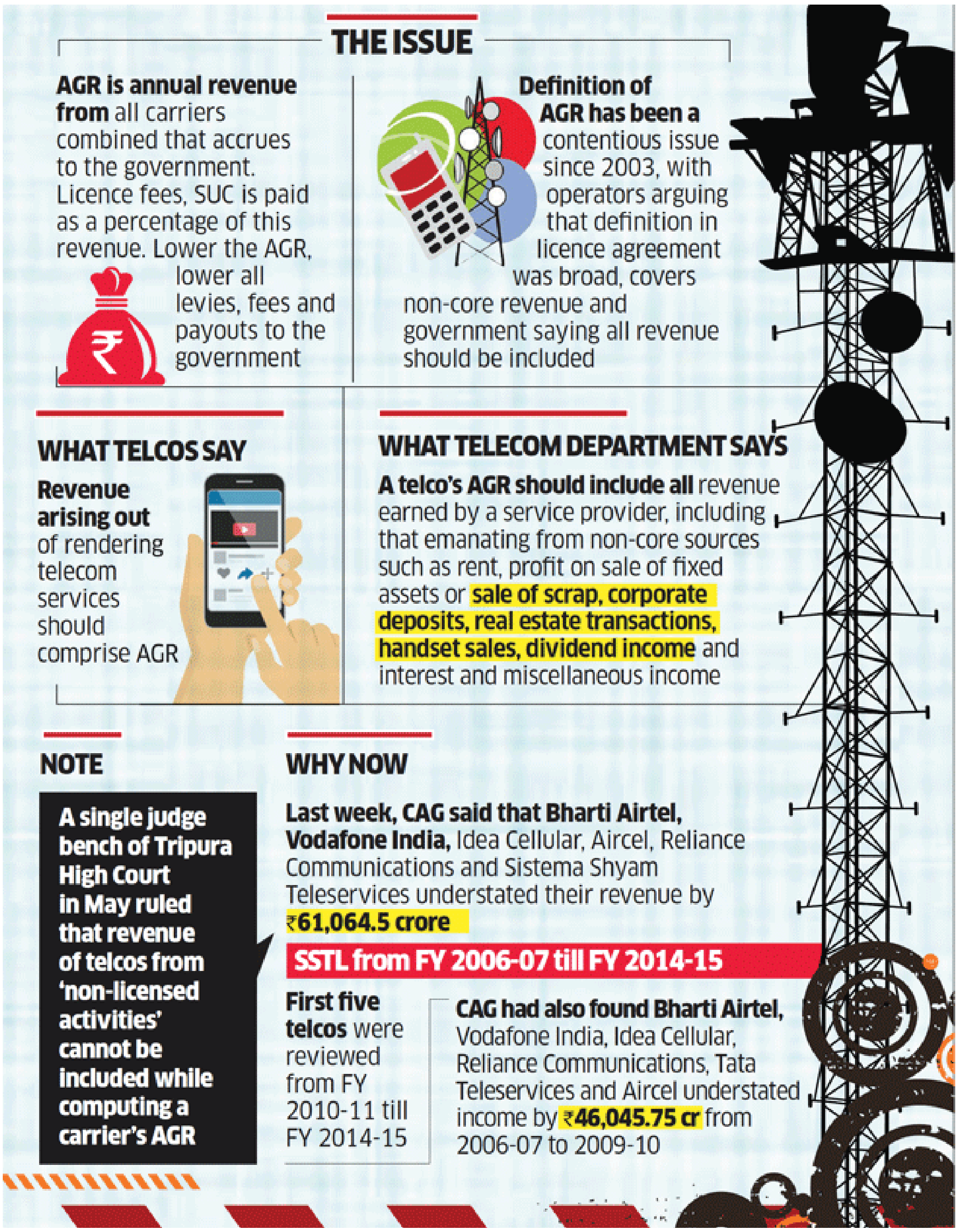
Ro-Pax vessel

- **Roll-on/roll-off (RORO or ro-ro)** ships are cargo ships.

- They are designed to carry wheeled cargo, such as cars, trucks, etc.
- Wheeled cargo is driven on and off the ship on their own wheels or using a platform vehicle, such as a self-propelled modular transporter.
- This is in contrast to lift-on/lift-off (LoLo) vessels, which use a crane to load and unload cargo.

10 Adjusted Gross Revenue (AGR)

Context: The Supreme Court has allowed telecom companies **10 years' time to pay their adjusted gross revenue (AGR) dues to the government.**



About:

- **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 per cent and 8 per cent 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.**
- **The telecom sector was liberalised under the National Telecom Policy, 1994** after which licenses were issued to companies in return for a fixed license fee.
- **However, to provide relief from the steep fixed license fee, the government in 1999 gave** an option to the licensees to migrate to the revenue sharing fee model.
- **The DoT argued that AGR includes all revenues (before discounts) from both telecom and non-telecom services.**
- The companies claimed that AGR should comprise just the revenue accrued from **core services and not dividend, interest income or profit on sale of any investment or fixed assets.**

11 Plan to privatise the railways

Context: In a big step towards public-private partnership, the Indian Railways has invited proposals from private entities to run trains on 109 origin destination (OD) pairs of routes using 151 modern trains.

About:

- Railways were first introduced to India **in 1853.** By 1947, the year of India's independence, there were forty-two rail systems.
- In 1951 the systems were nationalised as one unit, becoming one of the largest networks in the world. Indian Railways operates both long distance and suburban rail systems.
- Now, it is among the four largest rail networks in the world, along with the United States, China, and Russia, although every kilometre of track in India covers geographical area much less than Germany, Russia, China or Canada, indicating scope for expansion.

Background:

- In 2015, the expert panel chaired by **Bibek Debroy** recommended that the way forward for the railways was "liberalisation and not privatisation" in order to allow entry of new operators "to encourage growth and improve services."

Objective of the Scheme

- The objective of this initiative is to
  - introduce modern technology rolling stock with reduced maintenance, reduced transit time
  - boost job creation
  - provide enhanced safety
  - provide world-class travel experience to passengers
  - reduce demand supply deficit in the passenger transportation sector

12 Golden Quadrilateral-Golden Diagonal

Context: The Indian Railways authorities have increased the maximum speed to 130 km per hour for operating trains on **Golden Quadrilateral - Golden Diagonal (GQ-GD).**

Golden Quadrilateral (GQ)

- The Golden Quadrilateral (GQ) project is a large-scale highway construction and improvement project.
- At 5,846 km, it is the largest highway project in India and the fifth-longest in the world.
- The project connects the four major metro cities namely Delhi, Kolkata, Mumbai and Chennai.

Golden Diagonal (GD)

- Railway tracks connects Chennai to Delhi and Mumbai to Kolkata

13 Bharatmala Pariyojana

Context: A total of 322 projects in a length of 12,413 Km have been awarded under Bharatmala Pariyojana till August, 2020.

About:

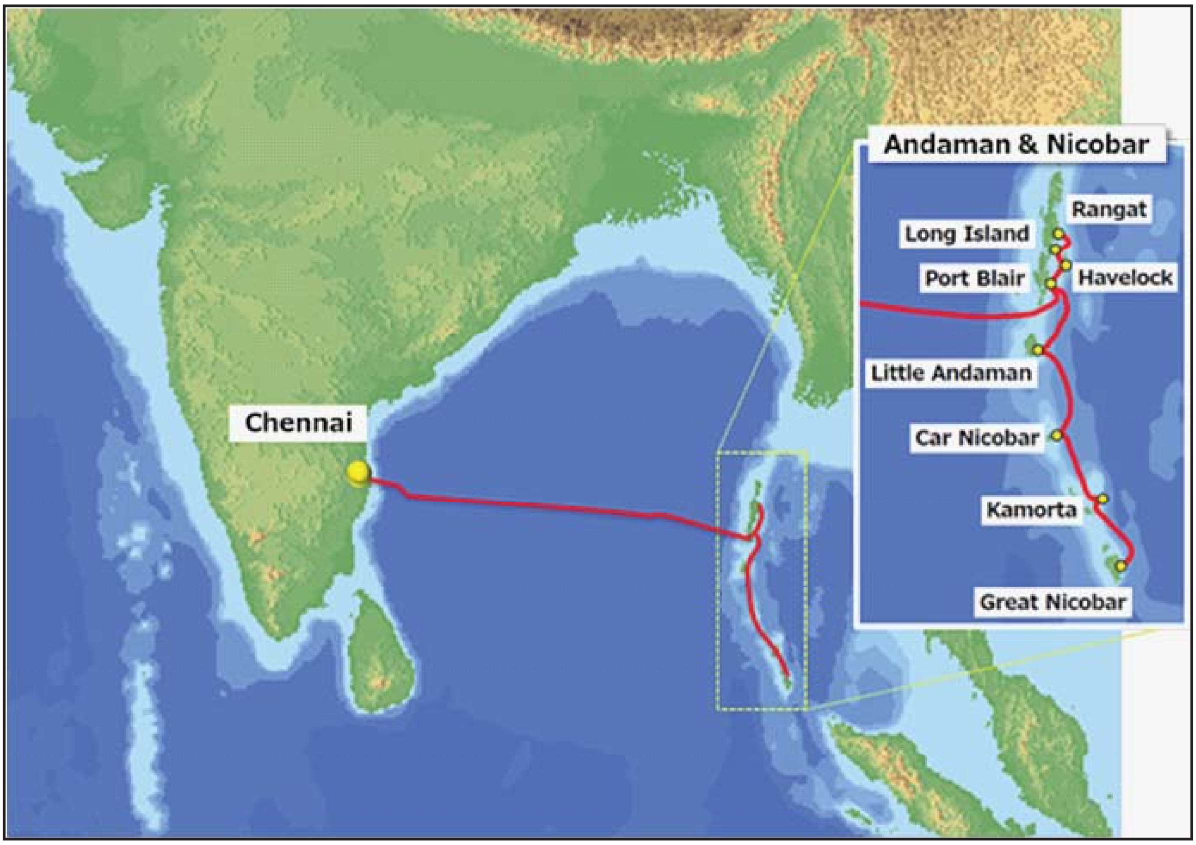
- Bharatmala Pariyojana is an umbrella program for the highways sector that focuses on optimizing efficiency of freight and passenger movement across the country by bridging critical infrastructure gaps through effective interventions.
- The launch of the scheme has been done for bring a new wave of development in the nation in the form of well-maintained and developed roads.
- Under this project, the construction of roads, in all parts of the nation will be undertaken.

Bharatmala project category

- Economic Corridor
- Feeder Route or Inter Corridor
- National Corridor Efficiency Improvement
- Border Road and International Connectivity
- Port Connectivity and Coastal Road
- Green Field Expressway
- Balance NHDP Works

14 Chennai-Andaman and Nicobar Island Submarine Cable System

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



About:

- The project envisages better connectivity from Chennai to Port Blair and seven other Islands -- Swaraj Deep (Havelock), Long Island, Rangat, Hutbay (Little Andaman), Kamorta, Car Nicobar and Campbell Bay (Great Nicobar).
- It is funded by the government through the Universal Service Obligation Fund under the Ministry of Communications.

What is Submarine Communication cable?

- A submarine communications cable is a cable laid on the seabed between land-based stations to transmit telecommunication signals across stretches of ocean and sea.
- Compared to satellites, using internet connection through submarine cables is more reliable, cost efficient and of large capacity.

The government has approved provision of submarine optical fibre cable connectivity **between Kochi and Lakshadweep Islands**, using the Universal Service Obligation Fund.The project entails provision of a direct communication link through a dedicated submarine Optical Fibre Cable between Kochi and 11 islands of Lakshadweep -- Kavaratti, Kalpeni, Agati, Amini, Androth, Minicoy, Bangaram, Bitra, Chetlat, Kiltan and Kadmat.

15 Travel Bubble

Context: In order to put economies back on track post-COVID lockdown, the Baltic countries of Estonia, Latvia, and Lithuania started 'travel bubble'.

About:

- Creating a travel bubble involves reconnecting countries or states that have shown a good level of success in containing the novel coronavirus pandemic domestically.
- The notion is simple: Two or more countries that have successfully curtailed COVID-19 agree to create a bubble. People who live inside the bubble could then travel freely and avoid a mandatory self-quarantine requirement.
- Potential travel bubbles among better-performing countries around the world would account for around 35 percent of the global GDP.
- Such arrangements are especially being favoured by smaller countries, who are likely to benefit after being able to trade again with larger partners.

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7 REPORTS/ COMMITTEES/ SUMMITS/INDICES

1 IEA and NITI Aayog launch Special Report on Sustainable Recovery Post Covid-19

Context: Against the backdrop of the ongoing Covid-19 crisis, **International Energy Agency (IEA)**, in collaboration with **NITI Aayog**, presented a '**Special Report on Sustainable Recovery**'.

About:

- It is a part of IEA's flagship **World Energy Outlook** series.
- The report proposes a number of actions that could be taken over the next three years to revitalize economies and boost employment while making energy systems cleaner and more resilient.
- It details energy-focused policies and investments that could help to:
  - boost economic growth
  - create jobs
  - put emissions into structural decline while making energy systems lower-cost, secure and resilient

International Energy Agency

- The International Energy Agency is a Paris-based autonomous intergovernmental organisation.
- It was established in the framework of the **Organisation for Economic Co-operation and Development (OECD)** in 1974 in the wake of the **1973 oil crisis**.
- The IEA works with governments and industry to shape a secure and sustainable energy future for all

2 NITI Aayog announces governing structure of India Energy Modelling Forum

Context: NITI Aayog has announced the governing structure of the India Energy Modelling Forum (IEMF)

About:

- The IEM Forum was jointly launched by NITI Aayog and United States Agency for International Development (USAID) under the **US–India Strategic Energy Partnership**.
- Part of the Sustainable Growth pillar of the US–India Strategic Energy Partnership (SEP), IEMF aims to engage Indian researchers, knowledge partners, think tanks and national and international government agencies and departments for **modelling** and long-term **energy planning**.

What are Energy Modelling Forums (EMF)?

- Energy modeling or energy system modeling is the process of building computer models of energy systems in order to analyze them.
- The Energy Modelling Forum (EMF) in USA was established in 1976 to connect leading modelling experts and decision makers from government, industry, universities, and other research organizations.
- The forum provides an unbiased platform to discuss the contemporary issues revolving around energy and environment.

3 The prize in Economic Science 2020

Context: The **Sveriges Riks bank** Prize in Economic Sciences in Memory of **Alfred Nobel 2020** was awarded jointly **to Paul R. Milgrom** and **Robert B. Wilson** "for improvements to **auction theory** and inventions of new auction formats."

About:

- It was established by **Sweden's central bank** and has been awarded since 1969 in memory of industrialist **Alfred Nobel.**

What is auction theory?

- It is about how auctions lead to the discovery of the price of a commodity. Auction theory studies-
  - how auctions are designed
  - what rules govern them
  - how bidders behave
  - what outcomes are achieved
- The nature of every commodities differs sharply. For instance-
  - A bankrupt person's property is starkly different from the spectrum for radio or telecom use.
  - Similarly, carbon dioxide emission credits are quite different from the spot market for buying electricity, which, in turn, is quite different from choosing which company should get the right to collect the local garbage.
- In other words, no one auction design fits all types of commodities or seller.

What are the key variables that determine the outcome of an auction?

Three key variables need to be understood while designing an auction.

- Rules of auction
- Commodity/ service put up for auction
- Uncertainty

4 National Statistics Day

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

About:

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

Ministry of Statistics and Programme Implementation

- The Ministry has two wings, one relating to Statistics and the other Programme Implementation.
- The Statistics Wing called the National Statistical Office(NSO) consists of the Central Statistical Office (CSO), the Computer center and the National Sample Survey Office (NSSO).
- The Programme Implementation Wing has three Divisions, namely, (i) Twenty Point Programme (ii) Infrastructure Monitoring and Project Monitoring and (iii) Member of Parliament Local Area Development Scheme.
- Besides these two wings, there is National Statistical Commission created through a Resolution of Government of India (MOSPI) and one autonomous Institute, viz., Indian Statistical Institute declared as an institute of National importance by an Act of Parliament.

5 COVID-19 to impact SDGs

Context: The novel coronavirus disease pandemic (COVID-19) will have severe negative impacts on most of the United Nations-mandated Sustainable Development Goals (SDGs), according to a report that has tracked the progress of 166 countries since 2015.

About:

- The SDGs are a collection of 17 global goals designed to be a "blueprint to achieve a better and more sustainable future for all".

S.No.	Goal	S.No.	Goal
1	No Poverty	2	Zero Hunger
3	Good Health and Well-being	4	Quality Education

5	Gender Equality	**6**	Clean Water and Sanitation
7	Affordable and Clean Energy	**8**	Decent Work and Economic Growth
9	Industry, Innovation and Infrastructure	**10**	Reduced Inequality
11	Sustainable Cities and Communities	**12**	Responsible Consumption and Production
13	Climate Action	**14**	Life Below Water
15	Life on Land	**16**	Peace and Justice Strong Institutions
17	Partnerships to achieve the Goal		

What does the report say?

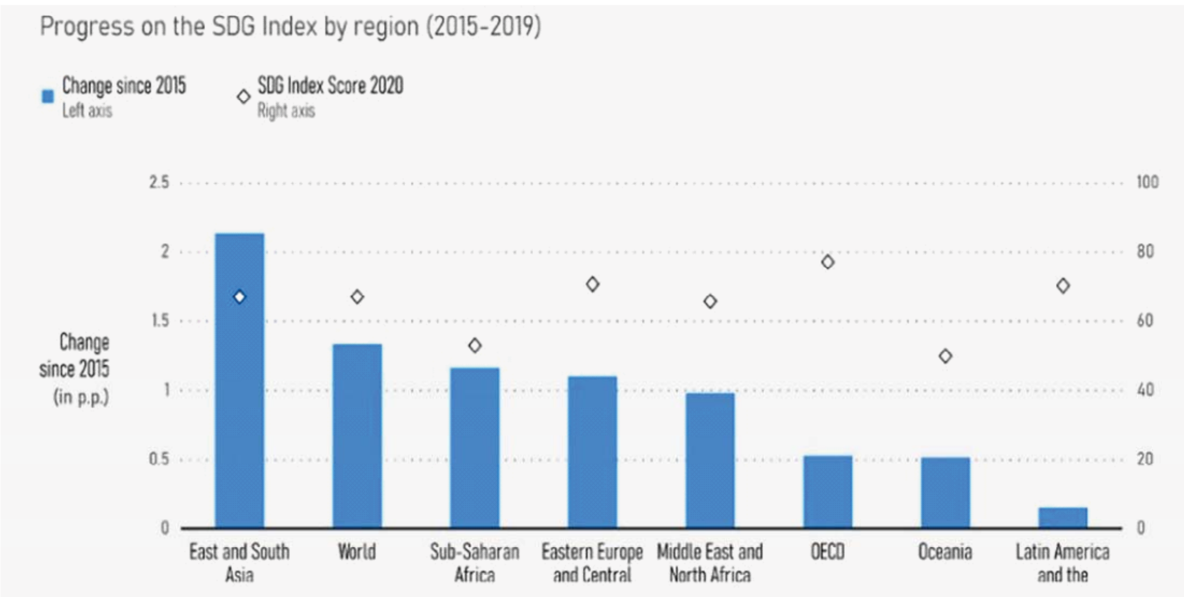
- The report said COVID-19 had negatively affected several goals including:
  - SDG 1 (no poverty)
  - SDG 2 (zero hunger)
  - SDG 3 (good health and wellbeing)
  - SDG 8 (decent work and economic growth)
  - SDG 10 (reduced inequalities)

At the same time, the pandemic had brought “immediate relief” in areas related to:

- SDG 12 (responsible consumption and production)
- SDG 13 (climate action)
- SDG 14 (life below water)
- SDG 15 (life on land)

The progress so far

- Since 2015, the world had seen the most rapid progress towards SDG 1 (No Poverty), SDG 9 (Industry, Innovation and Infrastructure), and SDG 11 (Sustainable Cities and Communities.



- Most of countries faced major challenges on SDG 2 (Zero Hunger), SDG 3 (Good Health and Well-Being), SDG 5 (Gender Equality), SDGs 12–15 on climate change mitigation and biodiversity protection and SDG 16 (Peace, Justice and Strong Institutions).

Where does India stand?

- India ranked at 117, with a score of 61.9 out of 100. It ranked below two South Asian nations — Pakistan and Afghanistan.
- India faces major challenges major challenges in 10 of the 17 SDGs which include — zero hunger, good health, gender inequality among others.
- There are significant challenges in another three SDGs — no poverty (SDG 1), Life below water (SDG 14) and Life on land (SDG 15).

6 Business Reform Action Plan (BRAP) ranking of states

Context: The Government announced the 4th edition of **Business Reform Action Plan (BRAP)** ranking of states.

About:

- **Ranking of States based on the implementation of Business Reform Action Plan** started in the year 2015. Till date, State Rankings have been released for the years 2015, 2016 and 2017-18.
- The **Business Reform Action Plan 2019 released by Department for Promotion of Industry and Internal Trade (DPIIT).**
- Objective: to introduce healthy competition among states and UTs and thereby attract investments and increase the ease of doing business.
- It contains a list of **80 reforms (187 reform action points) to be implemented by 19 State departments.**

QUICK PROGRESS FOR UP

State Business Reform Action Plan (BRAP) ranking comparison

State/UT	Rank 2019	Rank 2018	Change (+/-)
Andhra Pradesh	1	1	0
Uttar Pradesh	2	12	10
Telangana	3	2	-1
Madhya Pradesh	4	7	3
Jharkhand	5	4	-1
Chhattisgarh	6	6	0
Himachal Pradesh	7	16	9
Rajasthan	8	9	1

- **Andhra Pradesh retained its top position** while Telangana slipped from second to third position.
- **Uttar Pradesh jumped 10 positions (2nd Rank)** since the 2017-18 rankings, when it had ranked 12th.

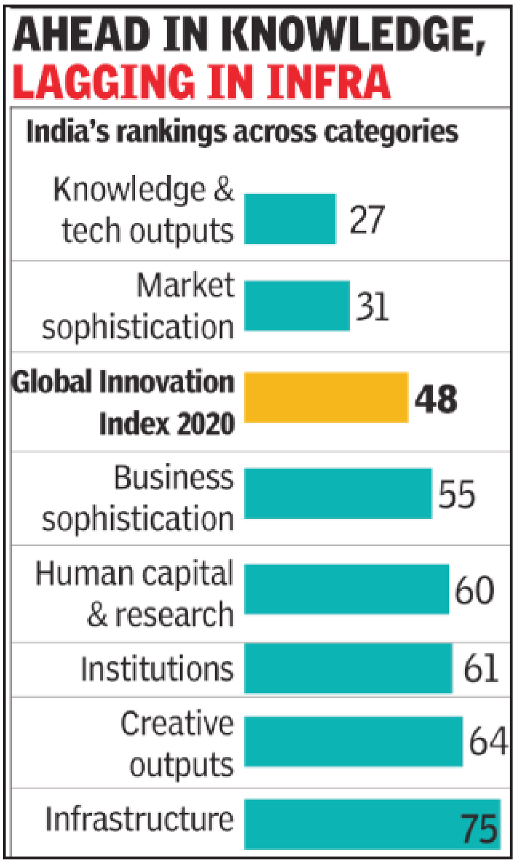
- Chandigarh is tied with Arunachal Pradesh, Manipur, Meghalaya, Nagaland, Odisha, Sikkim and Tripura at the 29th position.
- **'Nivesh Mitra' is the Uttar Pradesh's** single window portal about the investment in the state.
- **Ease of Doing Business** is a joint initiative by the Department for Promotion of Industries and Internal Trade and the World Bank to improve the overall business environment in the States.

7 Global Innovation Index

Context: India has climbed 4 spots and has been ranked **48th by the World Intellectual Property Organization (WIPO)** in the Global Innovation **Index 2020 rankings.**

Key-highlights

- **India ranked 48th with jump of 4 spot.**
- **India became the third most innovative lower middle-income economy in the world.**
- **A total of 131 countries were analysed** under the GII before arriving at the rankings for 2020.
- **Switzerland bagged the first spot in the GII** ranking followed by Sweden, USA, UK and Netherlands.



About Global Innovation Index (GII)

- The Global Innovation Index (GII) is an annual ranking of **countries by their capacity for, and success in, innovation.**
- The index, compiled **by World Intellectual Property Organisation (WIPO)** along with Cornell University and the **INSEAD business school.**
- The index was started in 2007 by **INSEAD and World Business, a British magazine. The GII is commonly used by corporate and government** officials to compare countries by their level of innovation
- **It is based on both subjective and objective data derived from several sources, including** the International Telecommunication **Union, the World Bank and the World Economic Forum.**

8 World Economic Outlook report released

Context: World Economic Outlook October 2020 report titled, "A Long and Difficult Ascent" was recently released.

Key-highlights

- **Released by: International Monetary Fund**
- According to the report, Global output is projected to shrink 4.4% in 2020.
- After 2021, global growth is expected to be moderate at 3.5% in the medium term.
- India's economy is expected to contract 10.3% in the current fiscal year due to COVID-19 pandemic.

- There will be a downgrade of 5.8 percentage points from its June forecast.
- It is expected to rebound in April 2021 with 8.8% growth — an upgrade of 2.8% compared to the June update.
- Consumer prices are expected to grow at 4.9% in 2020 and by 3.7% in 2021.
- The current account balance is projected to grow by 0.3% in 2020 and -0.9% in 2021.

9 PM addresses WEF's Davos Dialogue

Context: The Prime Minister Narendra Modi addressed the World Economic Forum's Davos Dialogue via video conferencing.

Davos Dialogue

- The Davos Dialogues agenda marks the launch of the World Economic Forum's Great Reset Initiative in the post COVID world.
- The Dialogue Series on New Economic and Social Frontiers provides a space to identify such cutting-edge, forward-looking policy and business responses and supports objective, transparent policy-making and widespread understanding of the issues.
- The Davos World Economic Forum brings together business leaders, investors, politicians and journalists from across the globe to discuss current global economic and social issues.

World Economic Forum

- The **World Economic Forum** (**WEF**), based in Cologny, Geneva Canton, Switzerland.
- It is an international NGO, founded on 24 January 1971.
- The WEF's mission is stated as "committed to improving the state of the world by engaging business, political, academic, and other leaders of society to shape global, regional, and industry agendas".
- The WEF hosts an annual meeting at the end of January in Davos, a mountain resort in Graubunden, in the **eastern Alps region of Switzerland**.

Important reports of WEF

- Global Competitiveness Report
- Global Information Technology Report
- Global Gender Gap Report
- Global Risks Report
- Global Travel and Tourism Report
- Global Enabling Trade Report

10 NITI Aayog launches Second Edition of India Innovation Index 2020

Context: NITI Aayog released the **second edition** of the **India Innovation Index 2020**.

What is India Innovation Index 2020?

- The India Innovation Index 2020 seeks to rank the states and union territories based on their relative performance of supporting innovation, and to empower them to improve their innovation polices by highlighting their strengths and weaknesses.
- The first was launched in October 2019.
- The states and union territories have been divided for effectively comparing their performance:
  - 17 'Major States'
  - 10 'North-East and Hill States'
  - 9 'City States and Union Territories'
- The index captures the trends and provides detailed analyses of the various factors that drive innovation at the country, state, and district levels.

11 Export Preparedness Index (EPI) 2020

Context: NITI Aayog in partnership with the **Institute of Competitiveness has released the Export Preparedness Index (EPI) 2020.**

About

- It is the first report **to examine export preparedness and performance of Indian states.**
- **The EPI is a data-driven effort to identify the core areas crucial for export promotion at the sub-national level.**
- **All the states and UTS have been assessed on crucial parameters that are critical for any typical economic unit to achieve sustainable export growth.**
- **The report** is prepared with the aim of:
  - **To identify challenges and opportunities.**
  - **To enhance the effectiveness of government policies.**
  - **To encourage a facilitative regulatory framework.**
- The Export Preparedness Index 2020 **evaluates states' potentials and capacities.**

12 Innovation Exchange Platform to foster innovative practices in urban ecosystem

Context: The government launched the **City Innovation Exchange (CiX)** to foster innovative practices in cities.

City Innovation Exchange (CiX)

- The City Innovation Exchange (CiX) is a platform to bring together Citizen Organisations-Academia-Businesses- Government.
- CiX will connect cities to innovators across the national ecosystem to design innovative solutions for their pressing challenges.
- Built on the concept of 'open innovation', the platform will help in the flow of ideas 'outside in and inside out', enhancing the skills and capacity required to deliver smart urban governance.
- The Platform has more than 400 start-ups, 100 smart cities, more than 150 challenges statements and over 215 solutions at the time of launch.

Benefits of CiX

- **Converting ideas to real environment:** The platform will benefit cities in the transfer of ideas from 'labs' to real environment.
- **Easy adoption of tested solution:** Furthermore, it will ensure adoption of tested solutions that will be impactful and sustainable.
- **Improvement in ease of doing business:** The platform will help cities in adopting solutions that will enhance the quality of life for its residents and significantly improve the Ease of Doing Business.

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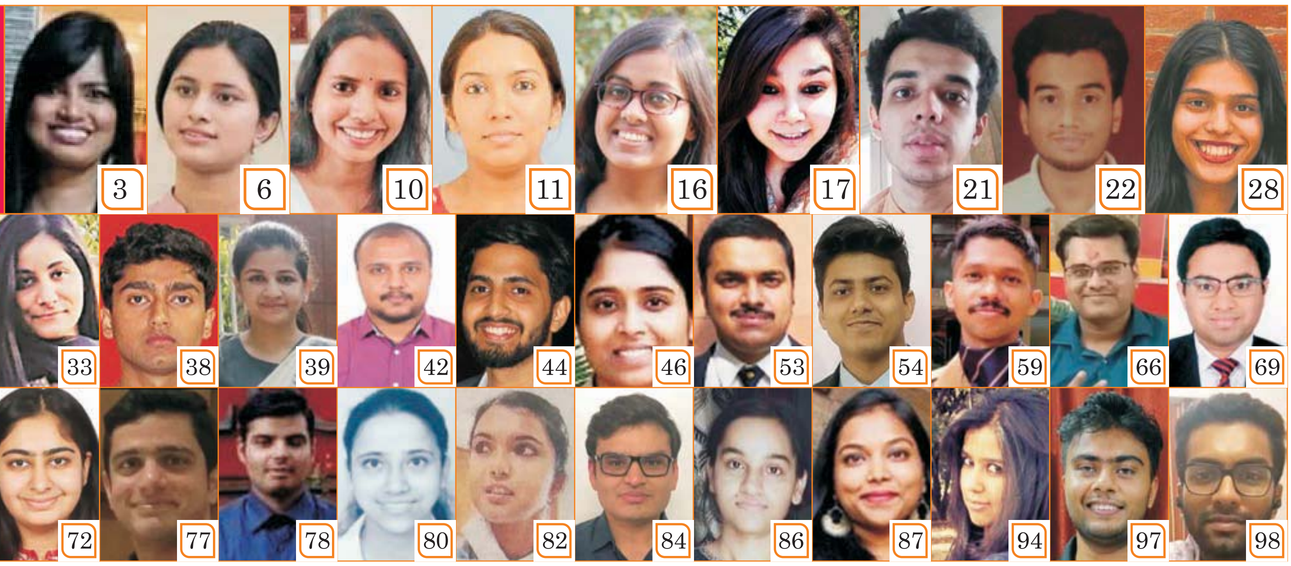
GS SCORE

An Institute for Civil Services

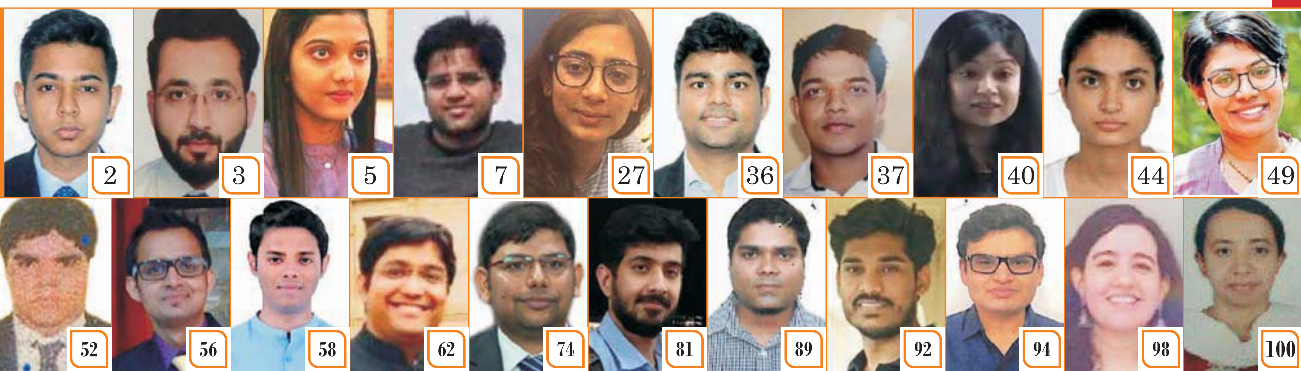
CSE RESULTS

TOP 100
ALL INDIA RANKING
CSE 2019

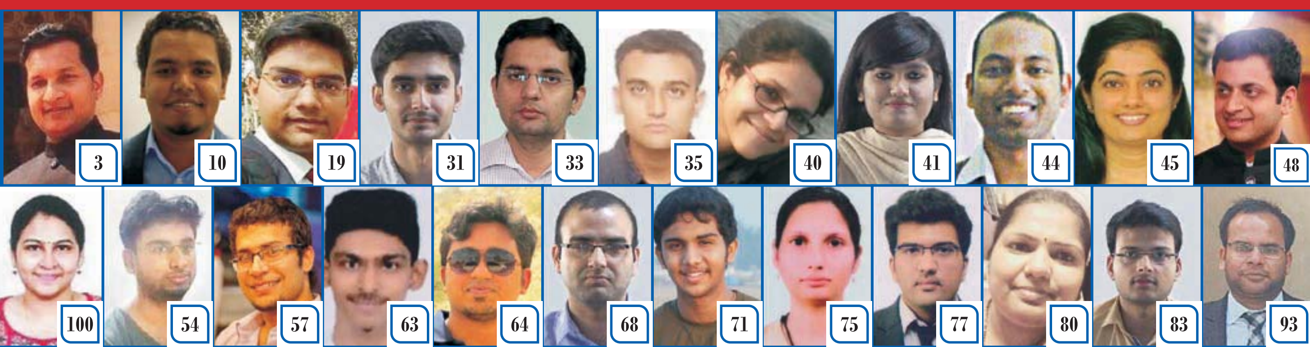


SUCCESS IS A PRACTICE WE DO!

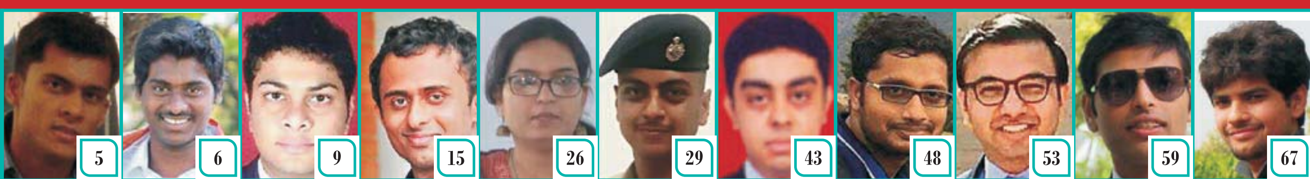
TOP 100
ALL INDIA RANKING
CSE 2018



TOP 100
ALL INDIA RANKING
CSE 2017



TOP 100
ALL INDIA RANKING
CSE 2016



TOP 100
ALL INDIA RANKING
CSE 2015