INSIGHTSIAS
SIMPLIFYING IAS EXAM PREPARATION

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ECONOMY

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Table of Contents

Schemes / Government Initiatives

NOTES

1. Universal Basic Income (UBI)

- Sikkim's ruling party, the Sikkim Democratic Front (SDF), recently declared to include the **Universal Basic Income scheme** in its manifesto ahead of the Assembly election in 2019 and aims to implement it by 2022.
- If everything goes according to the plan, ***it will be the first state to implement UBI in India***.
- ***Sikkim has set up examples in the country in different areas in the past also, some of them being:***
  - Sikkim is ***the best state for women in the workplace***, thanks to its high rates of female workforce participation, there's less crime against women.
  - Sikkim's ***literacy rate increased to 82.2% from 68.8% in 2001***, among the country's highest.
  - Sikkim is ***the least populated state in India, has its per capita GDP growing in double digits since 2004-05***.
  - Sikkim also became ***the first fully organic state***.
- ***What is Universal Basic Income?***
  - Universal Basic Income (UBI) is a programme for providing all citizens of a country or other geographic area/state with a given sum of money, regardless of their income, resources or employment status.
  - The main idea behind UBI is ***to prevent or reduce poverty and increase equality among citizens***. The essential principle behind Universal basic income is the idea that all citizens are entitled to a livable income, irrespective of the circumstances they're born in.
  - The Economic Survey 2016-17 advocated the concept of Universal Basic Income (UBI) as an alternative to the various social welfare schemes in an effort to reduce poverty.
  - The Survey points out that the two prerequisites for a successful UBI are: (a) functional JAM (Jan Dhan, Aadhar and Mobile) system as it ensures that the cash transfer goes directly into the account of a beneficiary and (b) Centre-State negotiations on cost sharing for the programme.

2. Gold Monetization Scheme

- **Reserve Bank of India** has allowed central and state governments and entities owned by them to deposit gold under its ***Gold Monetization Scheme***. Furthermore, charitable institutions have also been made eligible to deposit gold with banks to earn interest under the program.
- Gold Monetization Scheme was launched in 2015. The basic ***aim of this scheme is to monetise all the gold which is lying idle with individuals or institutions like banks***.
- ***The key features of Gold Monetization scheme are as follows:***

NOTES

- The persons can open **Gold Saving Account** in designated banks and anyone can deposit physical gold via BIS certified collection, purity testing centres (CPTCs). The minimum amount of gold thus deposited is 30 gms, no upper limit.
- The gold is deposited for short term (1-3 years), medium term (5-7 years) and long term (12-15 years).
- The gold thus collected is sent to refineries and banks have tripartite / bipartite agreements with refineries and CPTCs.
- On maturity, one can get back the cash / physical gold for short term deposits and cash only for long term deposits.
- The scheme allows banks' customers to deposit their idle gold holdings for a fixed period in return for interest in the range of 2.25 per cent to 2.50 per cent.

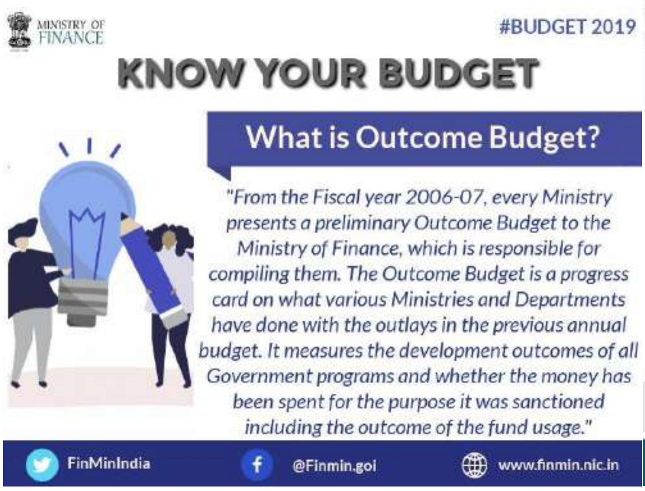
3. Pradhan Mantri Mudra Yojana (PMMY)

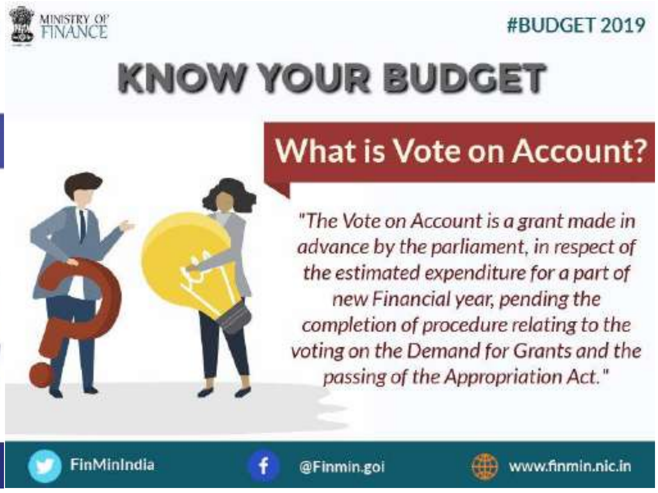
- The finance ministry has asked the banks ***to review all loans sanctioned under the Pradhan Mantri Mudra Yojana (PMMY or Mudra loan scheme)***, as the non-performing assets (NPA) have crossed Rs 11,000 crore within three years of the launch of the scheme.
- ***Pradhan Mantri MUDRA Yojana (PMMY) scheme:***
  - The PMMY Scheme was launched in April, 2015.
  - PMMY is a scheme to extend collateral free loans by Banks, Non-Banking Financial Companies (NBFCs) and Micro Finance Institutions (MFIs) to Small/Micro business enterprises and individuals in the non-agricultural sector to enable them to setup or expand their business activities and to generate self-employment.
  - Banks, NBFCs and MFIs can draw ***refinance under the MUDRA Scheme*** after becoming member-lending institutions of MUDRA.
  - ***Mudra Loans are available for non-agricultural activities upto Rs. 10 lakh and activities allied to agriculture*** such as Dairy, Poultry, Bee Keeping etc, are also covered.
  - ***Mudra's unique features include a Mudra Card*** which permits access to Working Capital through ATMs and Card Machines.
- ***There are three types of loans under PMMY:***
  - Shishu (up to Rs.50,000).
  - Kishore (from Rs.50,001 to Rs.5 lakh).
  - Tarun (from Rs.500,001 to Rs.10,00,000).

4. Know Your Budget Series

- It is a ***fortnight series started by the union Finance Ministry on Twitter*** which explains the importance of Union Budget and its making. It aims to educate the general public about the budgetary process.
- The first series of tweets explained what is Union Budget and Vote on Account.
- ***What is Budget?***

- Budget is ***the most comprehensive report of the government's finances in which revenues from all sources and outlays for all activities are consolidated***.
- The budget, which is presented by means of the **Finance bill** and the **Appropriation bill** has to be passed by Lok Sabha before it can come into effect.
- The Budget also contains estimates of the government's accounts for the next fiscal year called **Budget estimates.**





- ***Article 266*** of the Constitution of India mandates that Parliamentary approval is required to draw money from the Consolidated Fund of India.
- Besides, ***Article 114 (3)*** of the Constitution stipulates that no amount can be withdrawn from the Consolidated Fund without the enactment of a law (appropriation bill).
- ***What is a vote on account?***
  - A vote on account essentially means that ***the government seeks the approval of Parliament for meeting expenditure*** — paying salaries, ongoing programmes in various sectors etc — with no changes in the taxation structure, until a new government takes over and presents a full Budget that is revised for the full fiscal.
- ***Why present a vote on account?***
  - The reasoning is that there is ***little time*** to get approvals from Parliament for various grants to ministries and departments, and to debate these as well as any provisions for changes in taxation.
  - More importantly, the reasoning is that ***it would be the prerogative of the new government to signal its policy direction, which is often reflected in the Budget***.
- ***Difference between Full Budget and Vote on Account:***
  - Full Budget deals with both expenditure and revenue side but Vote-on-account deals only with the expenditure side of the government's budget.
  - The vote-on-account is normally valid for two months but full budget is valid for 12 months (a financial year).

What's an Interim Budget?

- An ***Interim Budget is not the same as a 'Vote on Account'***.
- While a 'Vote on Account' deals only with the expenditure side of the government's budget, an Interim Budget is a complete set of accounts, including both expenditure and receipts.
- An Interim Budget gives the complete financial statement, very similar to a full Budget.
  - The government of the day presents an interim budget if it does not have the time to present a full Budget or because national elections may be near.

NOTES

- As a convention, a vote-on-account is treated as a formal matter and passed by Lok Sabha without discussion. But passing for budget happens only after discussions and voting on demand for grants.

5. Pradhan Mantri Rozgar Protsahan Yojana (PMRPY)

- The ***Pradhan Mantri Rozgar Protsahan Yojana (PMRPY)***, the flagship scheme of the Union Government for employment generation, crossed the milestone of one crore beneficiaries on January 14, 2019.
- ***About Pradhan Mantri Rojgar Protsahan Yojana:***
    - The scheme "Pradhan Mantri Rojgar Protsahan Yojana" (PMRPY) was announced in the Budget for 2016-17.
    - The objective of the scheme is ***to promote employment generation***.
    - The scheme is being ***implemented by the Ministry of Labour and Employment*** through the Employees' Provident Fund Organization (EPFO).
    - Under the scheme, Government is paying full employers' contribution of 12% (towards Employees' Provident Fund and Employees' Pension Scheme both), for a period of 3 years in respect of new employees who have been registered with the EPFO on or after 1st April 2016, with salary up to Rs. 15,000 per month.
- PMRPY has a dual benefit –
    - ***The employer is incentivised*** for increasing the employee base in the establishment through payment of EPF contribution of 12% of wage, which otherwise would have been borne by the employer.
    - A ***large number of workers find jobs in such establishments***.
    - A direct benefit is that these workers have access to social security benefit through Provident Fund, Pension and Death Linked Insurance.

6. National Entrepreneurship Awards 2018

- The **Ministry of Skill Development and Entrepreneurship (MSDE)** has instituted the National Entrepreneurship Awards (NEA) to recognize and honour outstanding young first generation Entrepreneurs and their Ecosystem Builders for their outstanding contribution in entrepreneurship development.

7. Arbitration

- Arbitration is a **settlement of dispute** between two parties to a contract by a **neutral third party** i.e. the arbitrator without resorting to court action. The process can be tailored to suit parties' particular needs.
- Arbitrators can be chosen for their expertise. It is confidential and can be speedier and cheaper than court. There are limited

grounds of appeal. **Arbitral awards are binding and enforceable through courts.**

- The Lok Sabha has passed the **New Delhi International Arbitration Centre Bill** to set up a revamped International Arbitration Centre at New Delhi with an aim to make India the hub of arbitration.
    - The New Delhi International Arbitration Centre will take over the undertakings of the **International Centre for Alternative Dispute Resolution (ICADR).** The chief justice of India is the ex-officio chairperson of the ICADR.
    - The New Delhi International Arbitration Centre is being set up as per the recommendation of the **Justice B N Srikrishna committee** formed to identify the roadblocks in the development of institutional arbitration in India.

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8. Transport Subsidy Scheme

- To facilitate the process of industrialization in hilly, remote and inaccessible areas, transport incentive is provided to the states of:
    - North Eastern Region (including Sikkim) under **North Eastern Industrial Development Scheme** (NEIDS) – 2017
    - Jammu & Kashmir under **Industrial Development Scheme** – 2017
    - Lakshadweep and A&N Islands under **Lakshadweep and Andaman & Nicobar Island Development Scheme** – 2018
- **Industrial Units can avail Incentives:**
    - Under the above mentioned schemes, all eligible industrial units can avail incentive on transportation of only finished goods through Railways or the Railway Public Sector Undertakings, Inland Waterways or scheduled airline (shipping for Andaman & Nicobar and Lakshadweep islands also) for five years from the date of commencement of commercial production/operation.
- **Freight Subsidy Scheme (FSS):**
    - The FSS (2013) replaced the Transport Subsidy Scheme, 1971.
    - It was in operation in all 8 North Eastern States, Himachal Pradesh, Uttarakhand, J&K, Darjeeling District of West Bengal, Andaman & Nicobar Islands and Lakshadweep islands.
    - The FSS has been discontinued since 22.11.2016. But, the industrial units under these schemes during their currency are eligible for the benefits of the scheme.
    - While the inland transport incentive is available for certain landlocked states, there is no proposal to provide the same to the state of Chhattisgarh.
- **About Transport Subsidy Scheme –**
    - Government of India had introduced Transport Subsidy Scheme (TSS) on 23.7.1971 to develop industrialization in the remote, hilly and inaccessible areas.

- The objective is to develop industrialization in the remote, hilly and inaccessible areas in 8 North Eastern Region.
- DIPP (Department of Industrial Policy and Promotion) (The name of the Department of Industrial Policy and Promotion (DIPP) has been changed as Department for Promotion of Industry and Internal Trade (DPIIT)) is the implementing agency of TSS/FSS.

9. Insolvency and Bankruptcy Code

- Supreme Court has upheld the *Insolvency & Bankruptcy Code's constitutional validity in its 'entirety'.*
- The IBC was enacted in 2016, replacing a host of laws, with the aim to streamline and speed up the resolution process of failed businesses.
- *The **code covers all individuals, companies, Limited Liability Partnerships (LLPs) and partnership firms***. It provides for a time-bound process to resolve insolvency. When a default in repayment occurs, creditors gain control over debtor's assets and must take decisions to resolve insolvency within a 180-day period.
- The Code also consolidates provisions of the current legislative framework to form ***a common forum for debtors and creditors of all classes to resolve insolvency***.
- ***The Code creates various institutions to facilitate resolution of insolvency. These are as follows:***
  - ***Insolvency Professionals:*** A specialised cadre of licensed professionals is created. These professionals will administer the resolution process, manage the assets of the debtor, and provide information for creditors to assist them in decision making.
  - ***Insolvency Professional Agencies:*** The insolvency professionals will be registered with insolvency professional agencies.
  - ***Information Utilities:*** Creditors will report financial information of the debt owed to them by the debtor. Such information will include records of debt, liabilities and defaults.
  - ***Adjudicating authorities****:* The proceedings of the resolution process will be adjudicated by the **National Companies Law Tribunal (NCLT),** for companies; and the **Debt Recovery Tribunal (DRT),** for individuals.
  - ***Insolvency and Bankruptcy Board:*** The Board will regulate insolvency professionals, insolvency professional agencies and information utilities set up under the Code. The Board will consist of representatives of Reserve Bank of India, and the Ministries of Finance, Corporate Affairs and Law.

NOTES

10.Agri-Vision 2019

- Agri-Vision 2019, a two-day conference on 'Envisioning Agro Solutions for Smart and Sustainable Agriculture' was held at Hyderabad.
- **Indian Agriculture**
  - **Agriculture sector accounts for 18 per cent of India's GDP** and provides employment to 50 per cent of the workforce of the country.
  - The Gross Value Added by agriculture, forestry and fishing is estimated at Rs 17.67 trillion (US$ 274.23 billion) in FY18.
  - During 2017-18 crop year, food grain production is estimated at record 284.83 million tonnes.
- **Food processing industry**
  - The Indian food and grocery market is the world's sixth largest.
  - The Indian food processing industry accounts for 32 per cent of the country's total food market, one of the largest industries in India.
- **Livestock**
  - The contribution of livestock output to the total output of the agriculture sector has significantly increased from 15 per cent in 1981-82 to 29 per cent in 2015-16
- **Dairy industry**
  - **India is also the world's second largest milk producer** and is emerging as a major exporter now.
  - It is contributing around 26 per cent to total agriculture GDP.

11.Vision of a New India – USD 5 Trillion Economy

- The **Ministry of Commerce & Industry** is creating an action-oriented plan which highlights specific sector level interventions to bolster India's march towards becoming a **USD 5 trillion economy before 2025.**
  - Services sector – USD 3 trillion,
  - Manufacturing sector – USD 1 trillion, and
  - Agriculture sector – USD 1 trillion.
- **Impact on Services Sector:**
  - The share of India's services sector in global services exports was 3.3% in 2015 compared to 3.1% in 2014. Based on this initiative, a goal of 4.2% has been envisaged for 2022.
- **Promotion of Trade:**
  - The Commerce Minister has identified 15 strategic overseas locations where the **Trade Promotion Organizations (TPOs)** are proposed to be created.
- **Trade Infrastructure for Export Scheme (TIES):**
  - The objective of the TIES is to **enhance export competitiveness** by bridging gaps in export infrastructure, and first-mile and last-mile connectivity.

NOTES

- The scheme **replaces** a centrally sponsored scheme — **Assistance to States for creating Infrastructure for the Development and growth of Exports (ASIDE).**
- TIES aid with setting up and up-gradation of infrastructure projects with overwhelming export linkages like the **Border Haats, Land customs stations**, etc.
- The Central and State Agencies, including Export Promotion Councils, Commodities Boards, SEZ authorities and apex trade bodies recognized under the EXIM policy of Government of India, are eligible for financial support under this scheme.

- **India Improves Ranking in Ease of Doing Business:**
  - India had made a leap of 23 ranks in the World Bank's Ease of Doing Business Ranking this year (2018) to be ranked at 77.
  - **India now ranks first in Ease of Doing Business Report among South Asian countries compared to 6thin 2014.**
- **Multi-Modal Logistics Parks Policy (MMLPs):**
  - MMLPs is to improve the country's logistics sector by lowering over freight costs, reducing vehicular pollution and congestion and cutting warehouse costs with a view to promoting moments of goods for domestic and global trade.

12.Governing Council for MSME Exports

- Ministry of Micro, Small and Medium Enterprises (MoMSME) has released its Strategy Action Plan on Unlocking the potential of MSME exports.
- ***Highlights of the strategic action plan proposed:***
  - ***Aim***: The strategy action plan prepared by the Ministry aims to create a sustainable ecosystem for entire MSME development.
  - ***The action plan aims to achieve the objectives of*** – Finance; Access to affordable trade finance; Target of USD 100 billion of exports from India by 2020; Evaluate readiness of MSMEs to export their products and services; Recognize areas where improvements are required in order to be able to export effectively and efficiently; Integration of MSMEs into Global Value Chain.
  - ***Governing Council***: To ensure efficient and effective delivery of all MSME export related interventions, the Strategy Action Plan proposed to formulate a governing council that shall be chaired by Secretary, M/o MSME and Co-chaired by DC, M/o MSME.
  - ***Composition***: The council shall comprise of senior officials and members from M/o MSME, Commerce, MSME Export Promotion Councils, Export Development Authorities, Commodity Boards, and other bodies.

13.National Investment & Manufacturing Zones (NIMZs)

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- **National Investment & Manufacturing Zones (NIMZs)** are one of the important instruments of National Manufacturing Policy, 2011.
- NIMZs are envisaged as large areas of developed land with the requisite eco-system for promoting world class manufacturing activity.
- Objective of Special Economic Zones –
  - To **promote exports**, while NIMZs are based on the principle of industrial growth in partnership with States and focuses on manufacturing growth and employment generation.
  - **NIMZs are different from SEZs in terms of size, level of infrastructure planning, governance structures related to regulatory procedures, and exit policies.**
  - For the Financial Year 2016 – 2017, Rs. 3.35 crores has been earmarked under the **'Scheme for Implementation of National Manufacturing Policy'** for **'Master Planning of NIMZs'** and **Technology Acquisition and Development Fund (TADF)**.

14. One District, One Product Regional Summit

- The One District, One Product Regional Summit was held recently in Varanasi.
- ODOP is aimed at giving a major **push to traditional industries** synonymous with the respective districts of the state.
- The objective of the ODOP is ***to optimise production, productivity and income, preservation and development*** of local crafts, promotion of art, improvement in product quality and skill development.
- ***Background:***
  - ODOP is basically ***a Japanese business development concept***, which gained prominence in 1979. It is aimed at promoting a competitive and staple product from a specific area to push sales and improve the standard of living of the local population.
  - Over time, it has been replicated in other Asian countries as well.
- ***The main objectives of the One District One Product Scheme of Uttar Pradesh are as follows:***
  - Preservation and development of local crafts / skills and promotion of the art.
  - Increase in the incomes and local employment (resulting in decline in migration for employment).
  - Improvement in product quality and skill development.
  - Transforming the products in an artistic way (through packaging, branding).
  - To connect the production with tourism (Live demo and sales outlet – gifts and souvenir).

NOTES

  - To resolve the issues of economic difference and regional imbalance.
  - To take the concept of ODOP to national and international level after successful implementation at State level.
- ***Facts for Prelims:***
  - ***UP is uniquely famous for product-specific traditional industrial hubs across 75 districts***, including Varanasi (Banarasi silk sari), Bhadohi (carpet), Lucknow (chikan), Kanpur (leather goods), Agra (leather footwear), Aligarh (locks), Moradabad (brassware), Meerut (sports goods) and Saharanpur (wooden products).

15.Minimum Support Price Scheme

- The Union government has declared inclusion of 17 new minor forest produce (MFP) under the government's minimum support price scheme.
- The new MFP under the scheme includes Mahua flowers (dried), Tejpatta (dried) and Kokum (dry).
- ***Background:***
  - The Pricing Cell, constituted by the Tribal Cooperative Marketing Development Federation of India Ltd (TRIFED), recommended inclusion of new MFPs under the scheme, given their importance to the economy of local communities.
- ***MSP:***
  - In theory, an MSP is the minimum price set by the Government at which farmers can expect to sell their produce for the season. When market prices fall below the announced MSPs, procurement agencies step in to procure the crop and 'support' the prices.
- ***Who announces?***
  - The **Cabinet Committee of Economic Affairs announces MSP** for various crops at the beginning of each sowing season based on the **recommendations of the Commission for Agricultural Costs and Prices (CACP).**
  - The CACP takes into account demand and supply, the cost of production and price trends in the market among other things when fixing MSPs.
  - MSPs ensure that farmers get a minimum price for their produce in adverse markets. MSPs have also been used as a tool by the Government to incentivise farmers to grow crops that are in short supply.

16.Agriculture Export Policy, 2018

- The Union Cabinet chaired by Prime Minister has approved the Agriculture Export Policy, 2018.
- The Cabinet has **also approved the proposal for establishment of Monitoring Framework at Centre with Commerce** as the nodal Department with representation from various line Ministries/Departments and Agencies and representatives of

concerned State Governments, to oversee the implementation of Agriculture Export Policy.

- **Vision of the Agriculture Export Policy:**
  - Harness export potential of Indian agriculture, through suitable policy instruments, to make India global power in agriculture and raise farmers' income.
- **Objectives:**
  - To double agricultural exports from present US$ 30+ Billion to US$ 60+ Billion by 2022 and reach US$ 100 Billion in the next few years thereafter, with a stable trade policy regime.
  - To diversify our export basket, destinations and boost high value and value added agricultural exports including focus on perishables.
  - To promote novel, indigenous, organic, ethnic, traditional and non-traditional Agri products exports.
  - To provide an institutional mechanism for pursing market access, tackling barriers and deal with sanitary and phyto-sanitary issues.
  - To strive to double India's share in world agri exports by integrating with global value chain at the earliest.
  - Enable farmers to get benefit of export opportunities in overseas market.
- **Background:**
  - **The Government has come out with a policy to double farmers' income by 2022.**

17. National Mission on Government e-Market Place GeM (NMG)

- The **National Mission on GeM (NMG)** was launched on 5th September 2018 to accelerate the adoption and use of Procurement by Major Central Ministries, States and UTs and their agencies (including CPSUs/PSUs, Local Bodies) on the GeM platform.
- GeM aims to enhance transparency, efficiency and speed in public procurement. It provides the tools of e-bidding, reverse e-auction and demand aggregation to facilitate the government users achieve the best value for their money.
- **Objectives of the NMG:**
  - Promote inclusiveness by catapulting various categories of sellers and service providers
  - Highlight and communicate **'value add'** by way of transparency and efficiency in public procurement, including corruption free governance.
  - **Achieve cashless, contactless and paperless transaction**, in line with the Digital India objectives.
  - **Increase overall efficiency** leading to significant cost saving on government expenditure in Procurement.

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NOTES

- Maximizing ease in availability of all types of products and services bought by Government buyers.

- **Background:**
  - **GeM** is a short form of one stop **Government e-Market Place** hosted by Directorate General of Supplies and Disposals (DGS&D) where common user goods and services can be procured.
  - **GeM** has recorded about $1.5 billion worth of transactions since its launch.

18.E-Commerce Portal of the Department of Posts (DoP)

- E-Commerce Portal of the Department of Posts (DoP) was launched.
- It will provide an e-Market place to sellers especially to rural artisans/self-help groups/ women entrepreneurs/State and Central PSUs/Autonomous Bodies etc. to sell their products to buyers across the Country.
- **Major Highlights:**
  - The small and local sellers (who were left) will now, by leveraging the vast physical and IT network of DoP, be able to maximize their reach and retailing power.
  - The buyers can access the products of their choice displayed by sellers on the portal and place online orders by making digital payments.
- **Post Office Savings Bank (POSB):**
  - Under Core Banking Solution (CBS), an internet banking facility for Post Office Savings Bank (POSB) customers has been launched.
  - Now, nearly 17 Crore POSB accounts will be intra-operable and customers can also transfer funds online to RD and PPF accounts of Post Offices.
  - It helps to do transactions without physically visiting post offices.

19.Udyam Abhilasha

- It is a **National Level Entrepreneurship Awareness Campaign** launched by Small Industries Development Bank of India (SIDBI) on the occasion of Birth Anniversary of Mahatma Gandhi.
- The campaign has been launched in 115 Aspirational Districts identified by NITI Aayog in 28 States.
- About the Campaign:
  - The campaign would create and strengthen cadre of more than 800 trainers to provide entrepreneurship training to the aspiring youths across these districts thus encouraging them to enter the admired segment of entrepreneurs.
  - SIDBI has partnered with **CSC e-Governance Services India Limited,** a Special Purpose Vehicle, (CSC SPV) set up by the Ministry of Electronics & IT, Govt. of India for implementing the campaign through their CSCs.
- The objectives of the missionary campaign include:

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

- **About SIDBI:**
  - Small Industries Development Bank of India (SIDBI) was set up on 2nd April 1990 under an Act of Parliament.
  - It acts as the **Principal Financial Institution for Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector** as well as for co-ordination of functions of institutions engaged in similar activities.
  - SIDBI operates under the **Department of Financial Services**, Government of India.
  - SIDBI is one of the four **All India Financial Institutions** regulated and supervised by the Reserve Bank; other three are EXIM Bank, NABARD and NHB.
  - In order to **increase and support money supply to the MSE sector**, it operates a **refinance program known as Institutional Finance program**. Under this program, SIDBI extends Term Loan assistance to Banks, Small Finance Banks and Non-Banking Financial Companies. Besides the refinance operations, SIDBI also lends directly to MSMEs.
  - **State Bank of India is the largest individual shareholder of SIDBI**, followed by Government of India and Life Insurance Corporation of India.

20. Open Acreage Licensing Programme (OALP)

- The OALP, a part of the government's **Hydrocarbon Exploration and Licensing Policy (HELP),** gives exploration companies the option to select the exploration blocks on their own, without having to wait for the formal bid round from the Government.
- **Hydrocarbon Exploration & Licensing Policy (HELP):**
  - The Hydrocarbon Exploration & Licensing Policy (HELP) opens up Indias' entire sedimentary basin for investment from **domestic and foreign players** under a simplified, transparent and investor -friendly fiscal and administrative regime.
  - ***The new policy aims to*** provide Investors a ready access to huge amount of seismic data available in **National Data Repository (NDR),** flexibility to carve out exploration acreages through an **open acreage licensing process** and increased operational autonomy through a new **revenue sharing model**.
  - ***The National Data Repository (NDR)*** manifested through an open acreage licensing (OAL) process will be a key facilitator by providing seamless access to India's entire E&P data process through a digital medium to all investors with the objective of harnessing the potential of India's large basinal area.

What is TReDS?

- TReDS is an online electronic institutional mechanism for facilitating the financing of trade receivables of MSMEs through multiple financiers.
- The TReDS Platform will enable discounting of invoices/bills of exchange of MSME Sellers against large Corporates including Govt. Departments and PSUs, through an auction mechanism, to ensure prompt realization of trade receivables at competitive market rates.

- Such initiatives help India attract enough investment to meet the government's objective of reducing oil imports by 10% by 2022.
- HELP is more about gas than oil.

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21.TReDS Platform

- State-owned aerospace and defence PSU Hindustan Aeronautics Limited (HAL) has executed its first digitised invoice discounting transaction on ***RXIL TReDS platform***.
- This makes HAL the first PSU (public sector unit) to transact on TReDS across platforms.
- RXIL, India's first TReDS platform, enables MSMEs to gain control of their receivables with enhanced visibility and timeliness.
- Salient Features of TReDS:
    - Unified platform for Sellers, Buyers and Financiers.
    - Eliminates Paper.
    - Easy Access to Funds.
    - Transact Online.
    - Competitive Discount Rates.
    - Seamless Data Flow.
    - Standardised Practices.

22.Strategic Investment Fund under NIIF

- As on date, three funds have been established by the Government under the NIIF platform and registered with SEBI as Category II Alternative Investment Funds and ***National Investment and Infrastructure Fund II ('Strategic Fund')*** is one of those three funds.
- ***The other two funds are*** National Investment and Infrastructure Fund (or Master Fund) and NIIF Fund of Funds – I.
- **About NIIF:**
    - The government had set up the ₹40,000 crore NIIF in 2015 as an investment vehicle for funding commercially viable Greenfield, brownfield and stalled infrastructure projects.
    - The Indian government is investing 49% and the rest of the corpus is to be raised from third-party investors such as sovereign wealth funds, insurance and pension funds, endowments, etc.
    - NIIF's mandate includes investing in areas such as energy, transportation, housing, water, waste management and other infrastructure-related sectors in India.
    - NIIF currently manages three funds each with its distinctive investment mandate. The funds are registered as Alternative Investment Fund (AIF) with the Securities and Exchange Board of India (SEBI).
- **The three funds are:**
    - ***Master Fund:*** The Master Fund is an infrastructure fund with the objective of primarily investing in operating assets

in the core infrastructure sectors such as roads, ports, airports, power etc.
  - ***Fund of Funds:*** Fund of Funds anchor and/or invest in funds managed by fund managers who have good track records in infrastructure and associated sectors in India. Some of the sectors of focus include Green Infrastructure, Mid-Income & Affordable Housing, Infrastructure services and allied sectors.
  - ***Strategic Investment Fund:*** The Strategic Fund will focus on green field and brown field investments in the core infrastructure sectors.
- Singapore's Temasek has agreed to invest as much as $400 million in the National Investment and Infrastructure Fund (NIIF).
- With this, Temasek joins government of India, Abu Dhabi Investment Authority (ADIA), HDFC Group, ICICI Bank Ltd, Kotak Mahindra Life Insurance and Axis Bank Ltd as investors in NIIF's Master Fund.

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23.Concessional Financing Scheme (CFS)

- The Union Cabinet has approved the first extension of ***Concessional Financing Scheme (CFS)*** to support Indian Entities bidding for strategically important infrastructure projects abroad. Under the CFS, the Govt. of India has been supporting Indian Entities bidding for strategically important infrastructure projects abroad since 2015-16.
- How CFS works?
  - Under the Scheme, MEA selects the specific projects keeping in view strategic interest of India and sends the same to Department of Economic Affairs (DEA).
  - The strategic importance of a project to deserve financing under this Scheme, is decided, on a case to case basis, by a Committee chaired by Secretary, DEA.
  - The Scheme is presently being operated through the **Export-Import Bank of India**, which raises resources from the market to provide concessional finance.
  - Government of India (GoI) provides counter guarantee and interest equalization support of 2% to the EXIM Bank.
  - Under the Scheme, EXIM Bank extends credit at a rate not exceeding LIBOR (avg. of six months) + 100 bps. The repayment of the loan is guaranteed by the foreign government.

24.Support Initiatives for MSME Sector

- The government has launched a historic support and outreach programme for the Micro, Small and Medium Enterprises (MSME) sector. As part of this programme, the Prime Minister of India recently unveiled 12 key initiatives which will help the growth, expansion and facilitation of MSMEs across the country.
- **The 12 initiatives include:**

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- ***59 minute loan portal*** to enable easy access to credit for MSMEs. Loans upto Rs. 1 crore can be granted in-principle approval through this portal, in just 59 minutes.
- ***A 2% interest subvention*** for all GST registered MSMEs, on fresh or incremental loans. For exporters who receive loans in the pre-shipment and post-shipment period, there will be an increase in interest rebate from 3% to 5%.
- All companies with a turnover more than Rs. 500 crore, must now compulsorily be brought on the ***Trade Receivables e-Discounting System (TReDS)***. Joining this portal will enable entrepreneurs to access credit from banks, based on their upcoming receivables. This will resolve their problems of cash cycle.
- Public sector companies have now been asked to compulsorily ***procure 25%, instead of 20% of their total purchases, from MSMEs***.
- Out of the 25% procurement mandated from MSMEs, ***3% must now be reserved for women entrepreneurs***.
- All public sector undertakings of the Union Government must now ***compulsorily be a part of GeM***.
- ***20 hubs will be formed across the country***, and 100 spokes in the form of tool rooms will be established.
- ***Clusters will be formed of pharma MSMEs***. 70% cost of establishing these clusters will be borne by the Union Government.
- ***The return under 8 labour laws and 10 Union regulations*** must now be filed only once a year.
- Now the establishments to be visited by an Inspector will be decided through a ***computerised random allotment***.
- Under air pollution and water pollution laws, now both these have been ***merged as a single consent***. The return will be accepted through self-certification.
- ***An Ordinance has been brought, under which, for minor violations under the Companies Act, the entrepreneur will no longer have to approach the Courts***, but can correct them through simple procedures.

25.Global Digital Content Market (GDCM) 2018

- The **Department of Industrial Policy and Promotion (DIPP),** (The name of the Department of Industrial Policy and Promotion (DIPP) has been changed as Department for Promotion of Industry and Internal Trade (DPIIT)) Ministry of Commerce and Industry, is hosting a conference on Global Digital Content Market (GDCM) 2018.
- India has been chosen as a host nation for the conference by **World Intellectual Property Organization (WIPO)** due to the strong creative industry in the country in films, music and media.
- The focus for this year's conference is the **Asia Pacific region.**

- GDCM is a platform to discuss vital issues and enhance development of the digital and IP generating industries such as publishing, films, music, and gaming all of which are major contributors to the Indian GDP.

26. Invest India

- Invest India, the country's investment promotion body, has won **United Nations (UN) Award for excellence in promoting investments in sustainable development**.
- Invest India is the ***National Investment Promotion and Facilitation Agency*** of India and acts as the first point of reference for investors in India.
- Invest India is set up as ***a non-profit venture under the Department of Industrial Policy and Promotion***, (The name of the Department of Industrial Policy and Promotion (DIPP) has been changed as Department for Promotion of Industry and Internal Trade (DPIIT)) Ministry of Commerce and Industries, Government of India.
- ***A joint venture:*** Operationalized in early 2010, Invest India is set up as a joint venture company between the Department of Industrial Policy & Promotion (DIPP), (The name of the Department of Industrial Policy and Promotion (DIPP) has been changed as Department for Promotion of Industry and Internal Trade (DPIIT)) Ministry of Commerce & Industry (35% equity), Federation of Indian Chambers of Commerce and Industry (FICCI) (51% equity), and State Governments of India (0.5% each).
- ***Functions:*** The core mandate of Invest India is investment promotion and facilitation. It provides sector-specific and state-specific information to a foreign investor, assists in expediting regulatory approvals, and offers hand-holding services. Its mandate also includes assisting Indian investors to make informed choices about investment opportunities overseas.
- **UN Investment Promotion Award:**
    - The awards are given annually by **United Nations Conference on Trade and Development (UNCTAD)** since 2002 as part of its investment promotion and facilitation programme.
        - It honours investment promotion agencies (IPAs) and their governments for their achievements.
        - It also seeks to showcase best practices in attracting investment into Sustainable Development Goals (SDGs)-related projects that can inspire investment promotion practitioners in developing and developed countries.

27. Pradhan Mantri Jan Dhan Yojana (PMJDY)

- The Union Government has decided to make the Pradhan Mantri Jan Dhan Yojana (PMJDY) an open-ended scheme and added more incentives to encourage people to open bank accounts.

- Under the new incentives:
  - The overdraft limit for account holders has now been doubled to Rs 10000.
  - The free accident insurance cover for those opening Jan Dhan accounts after August 28 too has been doubled to Rs 2 lakh.
  - There will be no conditions attached for over-draft of up to Rs 2,000.
  - The upper age limit for availing the facility has also been hiked to 65 from the earlier 60 years.
- About PMJDY:
  - The primary aim of this scheme is to provide poor people access to bank accounts.
  - The scheme ***covers both urban and rural areas of India***. All bank accounts will be linked to a debit card which would be issued under the Ru-Pay scheme. Rupay is India's own unique domestic card network owned by National Payments Corporation of India and has been created as an alternative to Visa and Mastercard.
  - Under the first phase of this scheme, every individual who opens a bank account becomes eligible to receive ***an accident insurance cover*** of up-to Rs 1 Lakh for his entire family.
  - ***Life Insurance coverage*** is also available under PMJDY. Only one person in the family will be covered and in case of the person having multiple cards/accounts, the benefit will be allowed only under one card i.e. one person per family will get a single cover of Rs 30,000.
  - ***The scheme also provides incentives to business and banking correspondents*** who serve as link for the last mile between savings account holders and the bank by fixing a minimum monthly remuneration of Rs 5000.

28.Psbloansin59minutes.com

- Finance and Corporate Affairs Ministry has launched a web portal which is a transformative initiative in MSME credit space. The web portal ***psbloansin59minutes.com*** will enable in principle approval for MSME loans up to Rs. 1 crore within 59 minutes from SIDBI and 5 Public Sector Banks (PSBs).
- About the Portal "PSBLoansin59min":
  - It is one of its kind platforms in MSME segment which integrates advanced fintech to ensure seamless loan approval and management. The loans are undertaken without human intervention till sanction and or disbursement stage.
  - The Portal sets a new benchmark in loan processing and reduces the turnaround time from 20-25 days to 59

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minutes. Subsequent to this in principle approval, the loan will be disbursed in 7-8 working days.
  - The solution uses sophisticated algorithms to read and analyse data points from various sources such as IT returns, GST data, bank statements, MCA21 etc. in less than an hour while capturing the applicant's basic details.

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29. Jan Dhan Darshak App

- **Department of Financial Services (DFS),** Ministry of Finance and **National Informatics Centre (NIC)** has jointly developed a mobile app called Jan Dhan Darshak as a part of financial inclusion (FI) initiative.
- About Jan Dhan Darshak app:
  - The app will be in a unique position to provide a citizen centric platform for **locating financial service touch points** across all providers such as banks, post office, CSC, etc. These services could be availed as per the needs and convenience of the common people.
- Some of the salient features of this App are as follows:
  - Find nearby Financial touch points, based on current location (Branches/ATM/Post offices).
  - Search by place name.
  - Search by place name also available with Voice Interface.
  - Phone number of bank branches available in app, with the facility of call button for integrated dialing.
  - Users' feedback will go directly to the concerned bank for carrying out the necessary updation in data on financial touch points.

30. Dairy Processing & Infrastructure Development Fund

- NABARD has set up the DIDF with a corpus of Rs 8,004 crore to bring more dairy farmers into organised milk marketing through cooperatives. The fund is implemented through **National Dairy Development Board (NDDB) and National Cooperative Development Corporation (NCDC).**
- The major activities of DIDF:
  - The project will focus on building an efficient milk procurement system by setting up of chilling infrastructure & installation of electronic milk adulteration testing equipment, creation/modernization/expansion of processing infrastructure and manufacturing faculties for Value Added Products for the Milk Unions/ Milk Producer Companies.
- Management of DIDF:
  - The project will be implemented by National Dairy Development Board (NDDB) and National Dairy Development Cooperation (NCDC) directly through the End Borrowers such as Milk Unions, State Dairy Federations, Multi-state Milk Cooperatives, Milk Producer Companies

and NDDB subsidiaries meeting the eligibility criteria under the project.
- An Implementation and Monitoring Cell (IMC) located at NDDB, Anand, will manage the implementation and monitoring of day-to-day project activities.
- The end borrowers will get the loan @ 6.5% per annum. The period of repayment will be 10 years with initial two years moratorium.
- The respective State Government will be the guarantor of loan repayment. Also for the project sanctioned if the end user is not able to contribute its share; State Government will contribute the same.

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31.Jute Sector

- A recent initiative called ***'The Jute Foundation' (TJF)*** is trying to address many issues pertaining to the environment-friendly product. It is trying to engage all stakeholders –farmers, workers, mills, research organisations and consumers.
- The ***I-CARE programme*** unveiled by the National Jute Board and the Jute Corporation of India is planning to introduce a pilot project on retting technologies aimed at increasing farmers' returns.
- ***West Bengal is India's single largest raw jute cultivator*** producing almost 75 % of the crop in Nadia, Dinajpur, Murshidabad and North 24 Parganas districts.

32.Central Road and Infrastructure Fund (CRIF)

- The administrative control of Central Road and Infrastructure Fund (CRIF) has been transferred to the **Department of Economic Affairs (DEA),** Finance Ministry. So far, it was under the domain of Ministry of Road Transport and Highways.
- Background:
  - Over the last one and a half decade, the Central Road Fund (CRF) was a major revenue for the government to finance ambitious road projects. ***The CRF launched in 2000 is basically a cess imposed along with excise duty on petrol and diesel***.
  - The cess revenue was accrued to the CRF which was uniquely created and out of this major road projects were financed ever since its launch.
- Conversion of CRF into Central Road and Infrastructure Fund (CRIF):
  - The budget 2018 has amended the Central Road Fund Act, 2000, and has renamed the Central Road Fund as Central Road and Infrastructure Fund (CRIF).
  - ***Main purpose of the amendment*** is to use the proceeds of the road cess under CRIF to finance other infrastructure projects including waterways, some portion of the railway infrastructure and even social infrastructure including education institutions, medical colleges etc.

- The amendment prescribes that ***road cess is first credited to the Consolidated Fund of India and later, after adjusting for the cost of tax collection, should go to the CRIF***.
- As per the amendment, ***the share for each infrastructure areas and projects from the CRIF shall be finalised by a Committee, constituted by the Central government***. ***The Committee will be headed by the Finance Minister***.

33.Merchandise Export from India Scheme

- Merchandise Exports from India Scheme (MEIS) is one of the two schemes introduced in **Foreign Trade Policy of India 2015-20**, as a part of Exports from India Scheme. The other scheme is Service Exports from India Scheme (SEIS).
- Objective of Merchandise Exports from India Scheme (MEIS) as per Indian Foreign Trade Policy 2015-20 (FTP 2015-20) is to offset infrastructural inefficiencies and associated costs involved in export of goods/products, which are produced/manufactured in India, especially those having high export intensity, employment potential and thereby enhancing India's export competitiveness.
- Under this scheme, Ministry of Commerce gives duty benefits to several products.

34.Common Service Centres (CSCs)

- Small Industries Development Bank of India (SIDBI) has signed a Memorandum of Understanding (MoU) with the Special Purpose Vehicle (SPV) that operates Common Service Centres (CSCs).
- Through the MoU, the SIDBI seeks to extend financial support to the Village Level Entrepreneurs (VLEs) of Common Services Centers, with minimum one year of operation, under the Direct Financing Window of SIDBI.
- Significance of CSCs:
  - CSCs are more than service delivery points in rural India. They are positioned as change agents, promoting rural entrepreneurship and building rural capacities and livelihoods. They are enablers of community participation and collective action for engendering social change through a bottom-up approach with key focus on the rural citizen.
- Key facts:
  - CSC e-Governance Services India Limited is a Special Purpose Vehicle (CSC SPV) incorporated under the Companies Act, 1956 by the Ministry of Electronics and Information Technology (MeitY), to monitor the implementation of the Common Services Centers Scheme. It provides a centralized collaborative framework for delivery of services to citizens through CSCs, besides ensuring systemic viability and sustainability of the scheme.

What are CSCs?

Common Services Centers (CSCs) are a strategic cornerstone of the Digital India programme. It is an initiative of the Ministry of Electronics & IT (MeitY), Government of India. They are the access points for delivery of various electronic services to villages in India, thereby contributing to a digitally and financially inclusive society. CSCs enable the three vision areas of the Digital India programme:

- Digital infrastructure as a core utility to every citizen.
- Governance and services on demand.
- Digital empowerment of citizens.

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- A wide variety of content and services that are offered are:
  - Agriculture Services (Agriculture, Horticulture, Sericulture, Animal Husbandry, Fisheries, Veterinary)
  - Education & Training Services (School, College, Vocational Education, Employment, etc.)
  - Health Services (Telemedicine, Health Check-ups, Medicines)
  - Rural Banking & Insurance Services (Micro-credit, Loans, Insurance)
  - Entertainment Services (Movies, Television)
  - Utility Services (Bill Payments, Online bookings)
  - Commercial Services (DTP, Printing, Internet Browsing, Village level BPO).

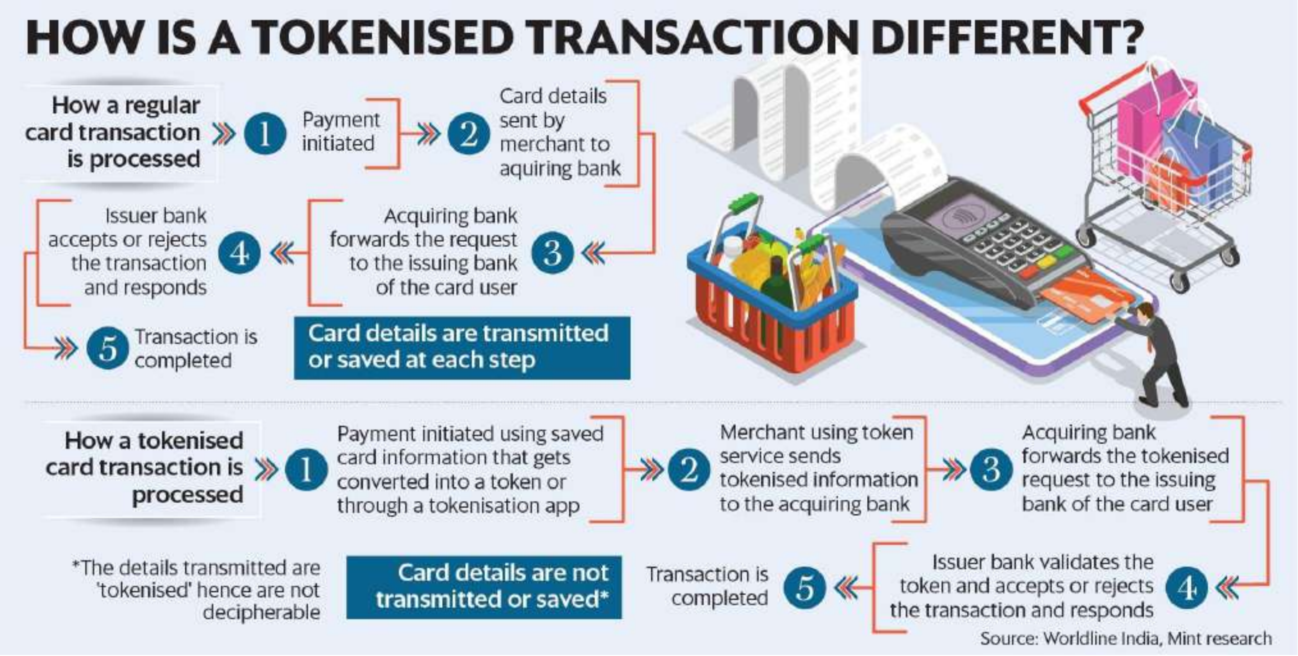
35. Change in the basis of classifying Micro, Small and Medium enterprises

- The Union Cabinet approved change in the basis of classifying Micro, Small and Medium enterprises **from 'investment in plant & machinery/equipment' to 'annual turnover'.**
- **Section 7 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006** was amended to define units producing goods and rendering services in terms of annual turnover as follows:
  - A **micro enterprise** will be defined as a unit where the annual turnover does not exceed five crore rupees;
  - A **small enterprise** will be defined as a unit where the annual turnover is more than five crore rupees but does not exceed Rs 75 crore;
  - A **medium enterprise** will be defined as a unit where the annual turnover is more than seventy five crore rupees but does not exceed Rs 250 crore.
  - Additionally, the Central Government may, by notification, vary turnover limits, which shall not exceed thrice the limits specified in Section 7 of the MSMED Act.

Banking Sector / Financial Sector

1. Tokenization of Card Transactions

- The Reserve Bank of India has allowed ***tokenization of debit, credit and prepaid card transactions*** to enhance the safety of the digital payments ecosystem in the country.
- The bank has offered permission for the process using all types of payment services and methods, including near-field communication (NFC), magnetic secure transmission (MST), in-app payment methods and cloud services.
- ***What is Tokenization?***
  - Tokenization will replace card details with a code, called a "token," which will be specifically for the card, the token requestor and the device being used to pay.
  - Instead of the card's details, the token will act as the card at point of sale (POS) terminals and quick response (QR) code payment systems.
  - The goal of the process is to improve the safety and security of payments.



2. Angel Tax

- The government has notified changes to ***Section 56 of the Income Tax Act***, in a move that brings relief to start-up founders and investors dealing with the issue of "Angel Tax".
- Angel Tax is a 30% tax that is levied on the funding received by startups from an external investor. However, this 30% tax is levied when startups receive angel funding at a valuation higher than its 'fair market value'. It is counted as income to the company and is taxed.
- ***The tax, under section 56(2)(viib), was introduced by in 2012 to fight money laundering***. The stated rationale was that bribes and commissions could be disguised as angel investments to escape taxes. But given the possibility of this section being used to harass genuine startups, it was rarely invoked.
- This tax is applicable only on individual investors, and not to venture capital funds.
- ***Why is Angel tax problematic?***

NOTES

- ***There is no definitive or objective way to measure the 'fair market value' of a startup***. Investors pay a premium for the idea and the business potential at the angel funding stage. However, tax officials seem to be assessing the value of the startups based on their net asset value at one point. Several startups say that they find it difficult to justify the higher valuation to tax officials.

3. Debt- to- GDP ratio of Centre and States

- The centre has released a Status Paper on Government Debt for 2017-18.
- The Centre's total debt as a percentage of GDP reduced to 46.5% in 2017-18 from 47.5% as of March 31, 2014.
- ***The total debt of the States has risen*** to 24% in 2017-18, and is estimated to be 24.3% in 2018-19.
- In absolute terms, the Centre's total debt increased from March 2014 to 2017-18, representing a 45% increase. The total debt of the States increased over the same period, an increase of almost 63%.
- While the Centre is moving in the right direction in terms of meeting the N.K. Singh Committee recommendations on public debt, the States are moving in the opposite direction.
- Outstanding liabilities of States have increased sharply during 2015-16 and 2016-17, ***following the issuance of UDAY bonds in these two years***.
- ***Recommendations by N.K. Singh committee:***
  - The N.K. Singh-headed FRBM (Fiscal Responsibility and Budget Management) Review Committee report had recommended ***the ratio to be 40% for the Centre and 20% for the States, respectively, by 2023***.
  - It said that ***the 60% consolidated Central and State debt limit was consistent with international best practices***, and was an essential parameter to attract a better rating from the credit ratings agencies.

4. Central Bank Autonomy

- In India, ***RBI does not have formal autonomy***. While RBI's mandate is to ensure price stability keeping in mind the objective of growth, ***its board is dominated by government nominees***. In effect, ***the government has formal control over RBI.***

Current point of contention between RBI and the government:

- ***Section 7 (1) of The Reserve Bank of India Act, 1934***, became a contentious issue after the tension between the central bank and government turned into a public spat over the last few months.

What is Section 7 of RBI act and how it empowers centre to intervene in the functioning of RBI?

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- *Section 7 says:* The Central Government may from time to time give such directions to the Bank as it may, after consultation with the Governor of the Bank, consider necessary in the public interest.
- Subject to any such directions, the general superintendence and direction of the affairs and business of the Bank shall be entrusted to a *Central Board of Directors* which may exercise all powers and do all acts and things which may be exercised or done by the Bank.
- Save as otherwise provided in regulations made by the Central Board, the Governor and in his absence the Deputy Governor nominated by him in this behalf, shall also have *powers of general superintendence and direction of the affairs and the business of the Bank, and may exercise all powers and do all acts and things which may be exercised or done by the Bank*.
- Clearly, *the section empowers the government to issue directions in public interest to the central bank*, which otherwise does not take orders from the government.

5. Central Board of RBI

- The RBI Board is a body comprising officials from the central bank and the Government of India, including officials nominated by the government.
- According to the RBI, the "**general superintendence and direction of the affairs and business of the RBI is entrusted to the Central Board"** and the Board exercises all powers and does all acts and things that are exercised by the RBI.
- The Board is also to recommend to the government the design, form and material of bank notes and also when and where they can serve as legal tender.
- *Who sits on the Board?*
    - The Board consists of official directors, who include the **Governor** and up to four Deputy Governors, non-official directors, who include up to ten directors from various fields and two government officials, and one director from each of four local boards of the RBI.
    - According to the RBI Act, the director of the RBI Board cannot be a salaried government official (except for the ones specifically nominated by the government), be adjudicated as insolvent or have suspended payments to creditors, an officer or employee of any bank (again, this does not include the government nominee), or, interestingly, "is found lunatic or becomes of unsound mind".
- *When does the Board meet?*

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- The Governor has to call a Board meeting at least six times in a year, and at least once each quarter. A meeting can be called if a minimum of four Directors ask the Governor to call a meeting. The Governor or, if for any reason unable to attend, the Deputy Governor authorised by the him to vote for him, presides the Board meetings. In the event of split votes, the Governor has a second, or deciding vote.

6. Transfer of Surplus from RBI to Government

- According to Bank of America Merrill Lynch report, the Reserve Bank has "more than adequate" reserves and it can transfer over Rs 1 trillion to the government after a specially constituted panel identifies the "excess capital".
- How does a central bank like the Reserve Bank of India (RBI) make profits?
  - **The RBI is a "full service" central bank** — not only is it mandated to keep inflation or prices in check, it is also supposed to manage the borrowings of the Government of India and of state governments; supervise or regulate banks and non-banking finance companies; and manage the currency and payment systems. While carrying out these functions or operations, it makes profits.
  - Typically, the central bank's income comes from the **returns it earns on its foreign currency assets** — which could be in the form of bonds and treasury bills of other central banks or top-rated securities, and deposits with other central banks.
  - It also **earns interest on its holdings of local rupee-denominated government bonds or securities**, and while **lending to banks for very short tenures**, such as overnight. It claims a management commission on handling the borrowings of state governments and the central government.
  - Its expenditure is mainly on the printing of currency notes and on staff, besides the commission it gives to banks for undertaking transactions on behalf of the government across the country, and to primary dealers, including banks, for underwriting some of these borrowings.
- What is the nature of the arrangement between the government and RBI on the transfer of surplus or profits?
  - Although RBI was promoted as a private shareholders' bank in 1935 with a paid up capital of Rs 5 crore, the government nationalised it in January 1949, making the sovereign its "owner".
  - What the central bank does, therefore, is transfer the "surplus" — that is, the excess of income over expenditure — to the government, in accordance with ***Section 47 (Allocation of Surplus Profits) of the Reserve Bank of India Act, 1934***.
- Does the RBI pay tax on these earnings or profits?

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- No. Its statute provides exemption from paying income-tax or any other tax, including wealth tax.
- How does the government build this surplus into its Budget early in the year?
  - Well before the annual Budget is unveiled, senior RBI and government officials discuss the likely amount which could be transferred. Typically, the government pitches for a higher share of the surplus while the central bank sometimes prefers to set aside funds for contigencies.
  - Based on these talks, and calculations such as likely income and earnings, an indicative figure is given to the government, which it puts under the head 'non-tax revenue' in the receipts budget.
- Is there an explicit policy on the distribution of surplus?
  - No. But a **Technical Committee of the RBI Board headed by Y H Malegam,** which reviewed the adequacy of reserves and a surplus distribution policy, recommended, in 2013, a higher transfer to the government.
  - Earlier, the RBI transferred part of the surplus to the Contigency Fund, to meet unexpected and unforeseen contigencies, and to the Asset Development Fund, to meet internal capital expenditure and investments in its subsidiaries in keeping with the recommendation of a committee to build contigency reserves of 12% of its balance sheet. But after the Malegam committee made its recommendation, in 2013-14, the RBI's transfer of surplus to the government as a percentage of gross income (less expenditure) shot up to 99.99% from 53.40% in 2012-13.

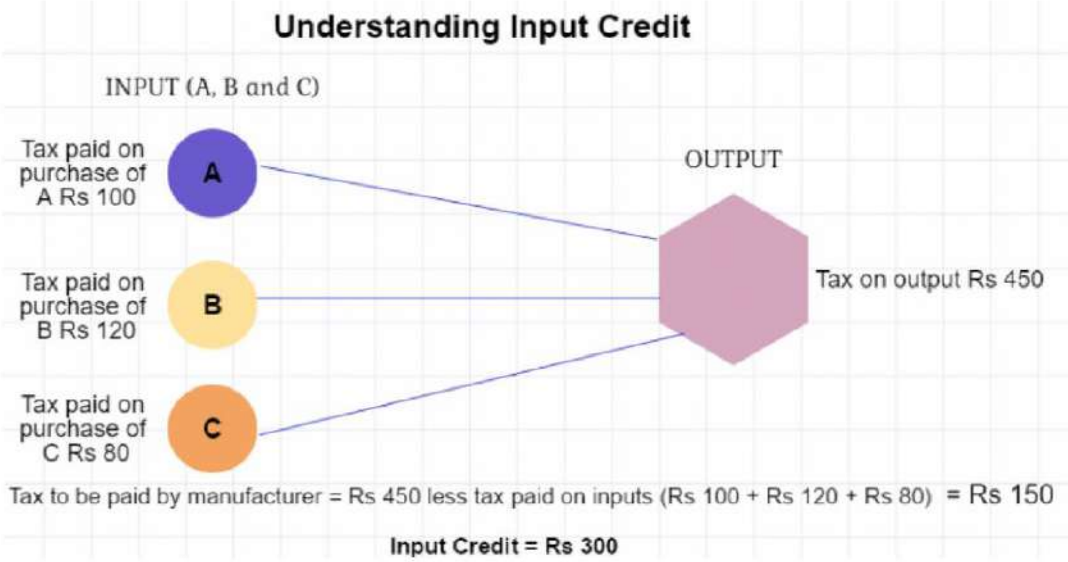
7. RBI Panel on Economic Capital Framework

- RBI has constituted ***a panel on economic capital framework***. It will be ***headed by Ex-RBI governor Bimal Jalan***.
- The expert panel on RBI's economic capital framework has been ***formed to address the issue of RBI reserves***—one of the sticking points between the central bank and the government.
- ***Terms of reference:***
  - The panel will decide ***whether RBI is holding provisions***, reserves and buffers in surplus of the required levels.
  - It would propose ***a suitable profits distribution policy*** taking into account all the likely situations of the RBI, including the situations of holding more provisions than required and the RBI holding less provisions than required.
  - The ECF committee will ***also suggest an adequate level of risk provisioning*** that the RBI needs to maintain. That apart, any other related matter, including treatment of surplus reserves created out of realized gains, will also come within the ambit of this committee.
- ***What is economic capital framework?***

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

8. Input Tax Credit (ITC)

- It is ***the tax that a business pays on a purchase and that it can use to reduce its tax liability when it makes a sale***. In other words, businesses can reduce their tax liability by claiming credit to the extent of GST paid on purchases.
- A business under composition scheme cannot avail of input tax credit. ITC cannot be claimed for personal use or for goods that are exempt.
- ***Significance of ITC:***
  - One of the positive features of GST is that it helps to avoid the undesirable cost cascading effect (or tax on tax) that existed previously. Now, in the case of GST, there is the mechanism of ***Input Tax Credit (ITC) which helps to eliminate the cost cascading effect of the pre-GST tax regime***.



9. EXIM Bank

- Cabinet approves ₹6,000 crore capital infusion in Exim Bank and an increase in the Exim Bank authorised capital from ₹10,000 crore to ₹20,000 crore.
- ***About EXIM bank:***
  - Export–Import Bank of India was established under the **Export-Import Bank of India Act 1981**.
  - EXIM Bank is a specialized financial institution, **wholly owned by Government of India**, set up in 1982, for financing, facilitating and promoting foreign trade of India.
  - EXIM Bank extends **Lines of Credit (LOCs)** to overseas financial institutions, regional development banks, sovereign governments and other entities overseas, to enable buyers in those countries to import developmental and infrastructure projects, equipments, goods and services from India, on deferred credit terms.
  - EXIM Bank has laid strong emphasis on **enhancing project exports**, the funding options for which have been enhanced with introduction of the **Buyer's Credit-National Export Insurance Account (BC-NEIA) program**.
  - The Bank facilitates **two-way technology transfer** by financing import of technology into India, and investment abroad by Indian companies for setting up joint ventures, subsidiaries or undertaking overseas acquisitions.
- ***Functions:***

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- It provides direct financial assistance to exporters of plant, machinery and related service in the form of medium-term credit.
- Underwriting the issue of shares, stocks, bonds, debentures of any company engaged in exports.
- It provides rediscount of export bills for a period not exceeding 90 days against short-term usance export bills discounted by commercial banks.
- The bank gives overseas buyers credit to foreign importers for import of Indian capital goods and related services.
- Developing and financing export oriented industries.

10.Public Credit Registry

- The Reserve Bank of India has shortlisted six major IT companies, including TCS, Wipro and IBM India, to set up a wide-based **digital Public Credit Registry (PCR)** to capture details of all borrowers and wilful defaulters.
- The PCR will be an extensive database of **credit information for India** that is accessible to all stakeholders. The idea is to capture all relevant information in one large database on the borrower and, in particular, the borrower's entire set of borrowing contracts and outcomes.
- ***The PCR will also include*** data from entities like market regulator Sebi, the corporate affairs ministry, Goods and Service Tax Network (GSTN) and the Insolvency and Bankruptcy Board of India (IBBI) to enable banks and financial institutions to get a 360-degree profile of the existing as well as prospective borrowers on a real-time basis.
- ***Management of PCR:***
  - Generally, a **PCR is managed by a public authority like the central bank or the banking supervisor,** and reporting of loan details to the PCR by lenders and/or borrowers is mandated by law.
- ***Benefits of having a PCR:***
  - A PCR can potentially **help banks in credit assessment and pricing of credit** as well as in making risk-based, dynamic and counter-cyclical provisioning.
  - The PCR can also **help the RBI in understanding if transmission of monetary policy is working**, and if not, where are the bottlenecks.
  - Further, it can **help supervisors, regulators and banks in early intervention** and effective restructuring of stressed bank credits.
  - A PCR will also **help banks and regulators as credit information is a 'public good'** and its utility is to the credit market at large and to society in general.
- ***Task force on PCR:***

- The Reserve Bank of India (RBI) had formed a high-level task force on public credit registry (PCR) for India. ***The task force was chaired by Y M Deosthalee***.
- The task force has suggested the registry should capture all loan information and borrowers be able to access their own history. Data is to be made available to stakeholders such as banks, on a need-to-know basis. Data privacy will be protected.

NOTES

11.FDI policy on E-Commerce

- The **Department of Industrial Policy & Promotion** (The name of the Department of Industrial Policy and Promotion (DIPP) has been changed as Department for Promotion of Industry and Internal Trade (DPIIT)) recently issued a clarification to the existing rules pertaining to Foreign Direct Investment in e-commerce companies.
- ***The main features of the clarification include:***
  - Vendors that have any stake owned by an e-commerce company cannot sell their products on that e-commerce company's portal.
  - Any vendor who purchases 25% or more of its inventory from an e-commerce group company will be considered to be controlled by that e-commerce company, and thereby barred from selling on its portal. This provision aims to ensure that vendors in which marketplaces, such as Amazon, have a stake do not sell the bulk of their items to a third-party vendor who then goes on to sell those items on the e-commerce marketplace.
  - In other words, the provision seeks to deny control by the marketplace entity over vendors.
  - E-commerce firm will not be allowed to influence the price of a product sold on its portal by giving incentives to particular vendors.
- ***Background:***
  - E-commerce companies can operate under ***two different models in India***.
  - The first is the ***marketplace model*** where the e-commerce firm simply acts as a platform that connects buyers and sellers. ***FDI is allowed in e-commerce companies in this model***.
  - The second model is ***inventory-based*** where the inventory of goods sold on the portal is owned or controlled by the e-commerce company. ***FDI is not allowed under this model***.
- ***Significance:***
  - The thrust of the DIPP policy (The name of the Department of Industrial Policy and Promotion (DIPP) has been changed as Department for Promotion of Industry and Internal Trade (DPIIT)) is directed at **protecting small vendors on e-commerce websites**. It seeks to ensure small players selling

on the portals are not discriminated against in favour of vendors in which e-commerce companies have a stake.
    - The new set up will ensure a **level playing field for all vendors** looking to sell on the e-commerce portals. Smaller marketplaces that do not have stake in any vendors will also be able to now compete with the big daddies.

NOTES

12. Commodity Derivatives Contract in Gold and Silver

- **Bombay Stock Exchange became the first stock exchange in the country to launch commodity derivatives contract in gold and silver.**
- Background:
    - Till date, commodity derivatives contract are available only on MCX and NCDEX, the two specialised commodity derivatives exchanges in the country.
    - The launch of commodity derivatives platform on the BSE will help in **efficient price discovery, reduce timeline and make it cost-effective.**
- A **derivative is a contract between two parties which derives its value/price from an underlying asset.** The most common types of derivatives are futures, options, forwards and swaps.
- The value of the underlying asset is bound to change as the value of the underlying assets keep changing continuously. Generally stocks, bonds, currency, commodities and interest rates form the underlying asset.

13. Monetary Policy and Monetary Policy Committee (MPC)

- RBI uses monetary policy to control inflation, interest rates, supply of money and credit availability.
- The RBI has a government-constituted ***Monetary Policy Committee (MPC)*** which is tasked with **framing monetary policy** using tools like the repo rate, reverse repo rate, bank rate, cash reserve ratio (CRR).
- **Composition of MPC:**
    - The committee will have **six members**. Of the six members, the government will nominate three. No government official will be nominated to the MPC.
    - The other three members would be from the RBI with the **governor being the ex-officio chairperson.** Deputy governor of RBI in charge of the monetary policy will be a member, as also an executive director of the central bank.
- **Decision**: Decisions will be taken by **majority vote** with each member having a vote.
- **RBI governor's role**: The **RBI Governor will chair the committee**. The governor, however, will not enjoy a veto power to overrule the other panel members, but will have a casting vote in case of a tie.
- **Selection**: The government nominees to the MPC will be selected by a Search-cum-Selection Committee under Cabinet Secretary with RBI Governor and Economic Affairs Secretary and

three experts in the field of economics or banking or finance or monetary policy as its members.
- **Term**: Members of the MPC will be appointed for a period of four years and shall not be eligible for reappointment.

NOTES

14. Unified Payments Interface (UPI)

- The Reserve Bank of India has released the guidelines for interoperability between prepaid payment instruments (PPIs) such as wallets and cards to transfer money from one wallet to another.
- Unified Payments Interface (UPI) is a payment system **launched by National Payments Corporation of India (NPCI)** to aid instant transfer of money using a cashless system. Using UPI services, one just requires a smartphone and a banking app to send and receive money instantly or to pay a merchant for retail purchase.
- In the long run, UPI is likely to replace the current NEFT, RTGS, and IMPS systems as they exist today.
- The UPI ecosystem functions with three key players:
  - **Payment service providers (PSPs)** to provide the interface to the payer and the payee. Unlike wallets, the payer and the payee can use two different PSPs.
  - **Banks to provide the underlying accounts**. In some cases, the bank and the PSP may be the same.
  - **NPCI to act as the central switch** by ensuring VPA resolution, effecting credit and debit transactions through IMPS.
- How does it work?
  - UPI, built on IMPS, allows a payment directly and immediately from bank account. There is no need to pre-load money in wallets.
  - It allows payments to different merchants without the hassle of typing one's card details or net-banking password.

15. Payment Regulatory Board (PRB)

- **The Reserve Bank of India (RBI) has opposed the Centre's proposal to set up an independent Payment Regulatory Board (PRB)** which will oversee all payment systems in the country stating that the proposed body "must remain with the Reserve Bank" and headed by the RBI Governor.
- Coming out strongly against the Inter-Ministerial Committee's proposal to take PRB out of the RBI's purview, the RBI said there has been no evidence of any inefficiency in payment systems of India.
- Background:
  - The seven-member government panel was headed by Subhash Chandra Garg.
  - The panel proposed in August that a payments regulator should be established independent of the RBI, with a

chairperson appointed by the government in consultation with the RBI.
  - The proposal overruled the central bank's recommendation that its governor should be head of the payments regulator.
- Why the RBI is opposing this move?
  - The RBI cited the report of the **Ratan Watal Committee on digital payments** as recommending the establishment of the PRB within the overall structure of the RBI, arguing therefore that there is no need for any deviation.

NOTES

16.Commercial Papers

- Commercial papers have become one of the popular routes for corporates to raise funds when compared with loans from banks in recent times.
- What is a commercial paper?
  - A commercial Paper (CP) is an **unsecured loan raised by firms in money markets** through instruments issued in the form of a **promissory note.** CPs can be issued for maturities between a minimum of 7 days and a maximum of up to one year from the date of issue.
- Why are CPs popular?
  - Because of surplus liquidity, short-term borrowing rates in money markets have significantly declined post demonetisation and are much lower than the lowest benchmark lending rates of the banks.
- What are the advantages of issuing CPs?
  - Apart from being a **cheaper source of funds**, it helps meet funding requirements relatively quickly for better-rated corporates.
  - Procedural requirements for securing bank facilities and charge creation on assets is not required.
- What are the key challenges with CPS?
  - As the CP is an **unsecured loan**, the investor in commercial papers largely prefers highly-rated corporates or public sector entities in terms of credit rating. Lender appetite is limited to better rated companies.
  - Also commercial paper markets can be seasonal and vulnerable to liquidity conditions.

17.Participatory Notes (P-notes)

- **Investments through participatory notes into Indian capital markets have plunged to over nine-year low** of Rs 80,341 crore till July-end amid stringent norms put in place by the watchdog SEBI to check misuse of these instruments.
- The decline could be attributed to several measures taken by the market watchdog to stop the misuse of the controversy-ridden participatory notes.
- WHAT ARE P-NOTES?
  - These are **used by overseas market participants that don't want to get registered as foreign institutional**

investors (FIIs). P-notes are not issued in India, rather these are **issued by an India registered FII to other overseas investors.**
  - The FII will be the entity to initiate a transaction in our stock markets, which could be on behalf of foreign clients.
  - P-notes are then issued by the FII to the client, underlining that the securities are held on behalf of the client albeit in the name of the FII.
- What are govt & regulator's concerns?
  - The primary reason why P-Notes are worrying is because of the **anonymous nature** of the instrument as these investors could be beyond the reach of Indian regulators.
  - Further, there is a view that it is being used in **money laundering** with wealthy Indians, like the promoters of companies, using it to bring back unaccounted funds and to manipulate their stock prices.

NOTES

18. Prompt Corrective Action (PCA) Framework

- PCA norms allow the regulator to **place certain restrictions** such as **halting branch expansion and stopping dividend payment**. It can even **cap a bank's lending limit** to one entity or sector. Other corrective action that can be imposed on banks include special audit, restructuring operations and activation of recovery plan.
- Banks' promoters can be asked to bring in new management, too. The RBI can also supersede the bank's board, under PCA.
- **When is PCA invoked?**
  - The PCA is invoked when **certain risk thresholds are breached**. There are three risk thresholds which are based on certain levels of asset quality, profitability, capital and the like.
  - The third such threshold, which is maximum tolerance limit, sets net NPA at over 12% and negative return on assets for four consecutive years.
- **What are the types of sanctions?**
  - There are two type of restrictions, **mandatory and discretionary**. Restrictions on dividend, branch expansion, directors compensation, are mandatory while discretionary restrictions could include curbs on lending and deposit.
- **What will a bank do if PCA is triggered?**
  - Banks are not allowed to re new or access costly deposits or take steps to increase their fee-based income. Banks will also have to launch a special drive to reduce the stock of NPAs and contain generation of fresh NPAs. They will also not be allowed to enter into new lines of business. **RBI will also impose restrictions** on the bank on borrowings from interbank market.

NOTES

19. Treasury Bills

- The National Stock Exchange (NSE) has launched an app and web-based platform, ***'NSE goBID'***, for retail investors to buy government securities.
- ***About 'NSE goBID':***
  - The app would allow investors to invest in treasury bills (T-Bills) of 91 days, 182 days and 364 days and various government bonds from one year to almost 40 years.
  - The retail investors would be able to make payment directly from their bank accounts using Unified Payments Interface (UPI) and Internet banking.
  - While investment could be done almost every week after a one-time registration, the app would be available to all investors registered with NSE's trading members.
- ***Significance:***
  - The launch assumes significance as **government securities are among the safer investment options** available to retail investors as such securities are credit risk free instruments while providing portfolio diversification with longer investment durations.
- ***What you need to know about Treasury bills?***
  - T-bills are **short term securities** issued on behalf of the government by the RBI and are used in managing short term liquidity needs of the government.
  - 91-day T-bills are auctioned every week on Wednesday and 182-day and 364-day T-bills are auctioned every alternate week on Wednesdays.
  - **T-Bills are issued on discount to face value**, while the holder gets the face value on maturity. The return on T-Bills is the difference between the issue price and face value. Thus, return on T-Bills depends upon auctions. When the liquidity position in the economy is tight, returns are higher and vice versa.
  - **Individuals, Firms, Trusts, Institutions and banks** can purchase T-Bills. The commercial and cooperative banks use T-Bills for fulfilling their SLR requirements.
  - Treasury Bills are **issued only by the central government** in India. The State governments do not issue any treasury bills.
  - The secondary market of T-Bills is very active so they have a higher degree of tradability.

20. India Post Payments Bank (IPPB)

- India Post Payments Bank (IPPB) has been launched. It will focus on providing banking and financial services to people in rural areas.
- The India Post Payments Bank (IPPB) is a **public sector company under the department of posts and ministry of communication** with a 100 per cent equity of the government of India, and governed by the Reserve Bank of India (RBI).

NOTES

- Key facts:
  - It started operations on 30 January, 2017, by opening two pilot branches, one at Raipur and the other at Ranchi.
  - India Post Payments Bank will offer 4 per cent interest rate on savings accounts.
  - India Post Payments Bank will offer a range of products such as savings and current accounts, money transfer, direct benefit transfers, bill and utility payments, and enterprise and merchant payments.
  - India Post Payments Bank has been allowed to link around 17 crore postal savings bank (PSB) accounts with its accounts.
- What are payment banks?
  - Payment banks are **non-full service banks**, whose main objective is to accelerate financial inclusion. These banks have to use the word 'Payment Bank' in its name which will differentiate it from other banks.
- Key facts:
  - ***Capital requirement:*** The minimum paid-up equity capital for payments banks is Rs. 100 crore.
  - ***Leverage ratio:*** The payments bank should have a leverage ratio of not less than 3%, i.e., its outside liabilities should not exceed 33.33 times its net worth (paid-up capital and reserves).
  - ***Promoter's contribution:*** The promoter's minimum initial contribution to the paid-up equity capital of such payments bank shall at least be 40% for the first five years from the commencement of its business.
  - ***Foreign shareholding:*** The foreign shareholding in the payments bank would be **as per the Foreign Direct Investment (FDI) policy for private sector banks** as amended from time to time.
  - ***SLR:*** Apart from amounts maintained as **Cash Reserve Ratio (CRR)** with the Reserve Bank on its outside demand and time liabilities, it will be required to i**nvest minimum 75% of its "demand deposit balances" in Statutory Liquidity Ratio (SLR) eligible Government securities**/treasury bills with maturity up to one year and hold maximum 25% in current and time/fixed deposits with other scheduled commercial banks for operational purposes and liquidity management.
- **What are the scopes of activities of Payment Banks?**
  - Payments banks will mainly deal in **remittance services** and accept deposits of up to Rs 1 lakh.
  - They will not lend to customers and will have to deploy their funds in government papers and bank deposits.
  - They can accept demand deposits.
  - Payments bank will initially be restricted to holding a maximum balance of Rs. 100,000 per individual customer.
  - They can issue ATM/debit cards but not credit cards.

NOTES

- Distribution of non-risk sharing simple financial products like mutual fund units and insurance products, etc. is allowed.

21. Banking Ombudsman Scheme

- The Reserve Bank of India has tightened ***the banking ombudsman scheme*** with the objective to strengthen the grievance redressal mechanism for customers.
- **New guidelines:**
  - The banking regulator has asked all commercial banks having 10 or more banking outlets to have ***an independent internal ombudsman (IO)*** to review customer complaints that are either partly or fully rejected by the banks.
  - ***The IO shall***, inter alia, examine customer complaints which are in the nature of deficiency in service on the part of the bank, that are partly or wholly rejected by the bank.
  - As banks should internally escalate complaints that are not fully redressed to their respective IOs before conveying the final decision to the complainant, customers need not approach the IO directly.
- **Internal Ombudsman Scheme:**
  - ***The Internal Ombudsman Scheme of 2018*** mandates banks to grant a fixed term of three to five years, which cannot be renewed, to the IO.
  - ***The IO can be removed*** only with prior approval from RBI. The remuneration would have to be decided by the customer sub-committee of the board and not by any individual.
  - ***The Ombudsman Scheme of 2018 covers*** appointment/tenure, roles and responsibilities, procedural guidelines and oversight mechanism for the IO, among others.
  - The implementation of IO Scheme 2018 will be ***monitored by the bank's internal audit mechanism*** apart from regulatory oversight by RBI.
- **Who is a Banking Ombudsman?**
  - Banking ombudsman is ***a quasi-judicial authority***, created to resolve customer complaints against banks relating to certain services provided by them.
  - The Ombudsman is ***a senior official***, who has been appointed by the Reserve Bank of India to address grievances and complaints from customers, pertaining deficiencies in banking services.
  - It ***covers all kinds of banks*** including public sector banks, Private Banks, Rural banks as well as co-operative banks.

22. Total Expense Ratio (TER)

- **Securities and Exchange Board of India (SEBI) has announced changes to total expense ratio (TER) of mutual funds.**

NOTES

- **What is total expense ratio and why is it important for investing in mutual funds?**
    - Mutual funds are investments where an investor entrusts his/her money with an investment manager (of an asset management company) to manage the money smartly and efficiently.
    - This money management comes at a cost, which is usually charged as a percentage of the investment. The official regulator of mutual funds has laid down rules on how much an asset management company can charge an investor to manage their funds.
    - For an investor this is important because it is a ***charge (called total expense ratio or TER in short) levied on their investment***, and the money they get back from their investment is reduced by this figure.
    - So, for an investor, TER is an important number to focus on since it has a direct impact on their returns. However, it is not the only number to look at and investors should evaluate funds based on various parameters such as consistency of performance and risk levels.
- **What are the changes made by SEBI now to TER?**
    - SEBI has, across the board, lowered the TER that a fund house can charge its investors. The reduction is higher for larger funds and lower for smaller funds — larger and smaller being a measure of how much money a fund manages.

23. Currency Derivatives

- The Multi Commodity Exchange of India (MCX), the country's largest commodity bourse in terms of market share, is planning to enter the currency derivatives segment.
- **What are currency derivatives?**
    - Currency derivatives are **exchange-based futures and options contracts** that allow one to hedge against currency movements.
    - Simply put, one can use a currency future contract to **exchange one currency for another** at a future date at a price decided on the day of the purchase of the contract.
    - In India, one can use such derivative contracts to **hedge against currencies** like dollar, euro, U.K. pound and yen. Corporates, especially those with a significant exposure to imports or exports, use these contracts to hedge against their exposure to a certain currency.
    - While all such currency contracts are cash-settled in rupees, the **Securities and Exchange Board of India (SEBI)** recently, gave a go-ahead to start cross currency contracts as well on euro-dollar, pound-dollar and dollar-yen.
- **Why were such derivatives introduced on exchange platforms?**
    - Prior to the introduction of currency derivatives on exchanges, there was only the OTC – over the counter –

market to hedge currency risks and where forward contracts were negotiated and entered into.
  - It was kind of an opaque and closed market where mostly banks and financial institutions traded. Exchange-based currency derivatives segment is a regulated and transparent market that can be used by small businesses and even individuals to hedge their currency risks.
- **Facts for Prelims: What is MCX?**
  - **Multi Commodity Exchange (MCX)** as the name suggests is an exchange like BSE and NSE where commodities are traded.
  - It is a platform for commodity traders that facilitate online trading, settlement and clearing of commodity futures transactions, thereby providing a platform for risk management (hedging).
  - It was established in November **2003** under the regulatory framework of **FMC (Forward Markets Commission)**.
  - In 2016, the FMC was merged with SEBI and MCX as an exchange falls under the regulatory purview of SEBI.

NOTES

24. Inter-Creditor Agreement (ICA)

- More than 50 banks and financial institutions in India have entered into an inter-creditor agreement to **speed up the resolution of stressed assets** of Rs 50 crore and above that are under consortium lending.
- The inter-creditor agreement is ***aimed at the resolution of loan accounts with a size of ₹50 crore and above*** that are under the control of a group of lenders. ***It is part of the "Sashakt" plan*** approved by the government to address the problem of resolving bad loans.
- The agreement is based on a recommendation by ***the Sunil Mehta committee*** that looked into resolution of stressed assets.
- The agreement says if 66% of lenders by value agree to a resolution plan, it would be ***binding on all lenders***. The dissenting creditors will, however, have ***the option to sell their loans to other lenders at a discount of 15% to the liquidation value, or buy the entire portfolio*** paying 125% of the value agreed under the debt resolution plan by other lenders.

25. Recapitalization of Regional Rural Banks

- Cabinet approves extension of Scheme of Recapitalization of Regional Rural Banks upto 2019-20.
- Impact:
  - This will enable the RRBs to maintain the minimum prescribed **Capital to Risk Weighted Assets Ratio (CRAR)** of 9%.
  - A strong capital structure and minimum required level of CRAR will ensure **financial stability of RRBs** which will enable them to play a greater role in financial inclusion and meeting the credit requirements of rural areas.

- **About RRBs:**
  - RRBs are **jointly owned by Government of India, the concerned State Government and Sponsor Banks** with the issued capital shared in the proportion of 50%, 15% and 35% respectively.
  - RRBs were set up with the objective to provide credit and other facilities, especially to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs in rural areas for development of agriculture, trade, commerce, industry and other productive activities.
- **Facts for Prelims:**
  - A Regional Rural Banks Ordinance was promulgated in September 1975, which was replaced by the **Regional Rural Banks Act 1976.**
  - They are scheduled commercial banks (Government banks).
  - RRBs can also set branches set up for **urban operations** and their area of operation may include semi urban or urban areas too.
  - They **carry out government operations** like disbursement of wages of MGNREGA workers, distribution of pensions etc.
  - They provide **para-Banking facilities** like locker facilities, debit and credit cards and can also function as Small financial banks.

26.Bad Bank

- The concept of having a 'bad bank' to take over the troubled loans of public sector banks (PSBs) is being considered by the government to enable them to get back to business.
- Background:
  - The Bad Bank concept was pioneered at the Pittsburgh-headquartered Mellon Bank in 1988 in response to problems in the bank's commercial real-estate portfolio.
  - According to McKinsey & Co, the concept of a "bad bank" was applied in previous banking crises in Sweden, France, and Germany.
- How does a bad bank work?
  - It would be largely based on the principles of an **asset restructuring company (ARC),** which buys bad loans from the commercial banks at a discount and tries to recover the money from the defaulter by providing a systematic solution over a period of time.
  - Since a bad bank specialises in loan recovery, it is expected to perform better than commercial banks, whose expertise lies in lending.
- In 31st January 2017, the idea of setting up of a bad bank in India was put forward in the Economic Survey under the name of **"Centralized Public Sector Asset Rehabilitation Agency" (PARA),** which would take up the cases of NPAs in the banking system.

27.Liberalised Remittance Scheme (LRS)

- Concerned over funds sent abroad under the 'maintenance of close relative' category of the Liberalised Remittance Scheme (LRS), the Reserve Bank of India **(RBI) has narrowed the definition of relatives to check the flow of funds.**
- **The new definition:**
  - RBI has aligned the definition of 'relative' with the definition given in **Companies Act, 2013** instead of Companies Act, 1956. Hence, funds under the 'maintenance of close relative' category can be sent only to immediate relatives such as parents, spouses, children and their spouses.
- **About Liberalised Remittance Scheme (LRS):**

Relatively stricter

Funds under the 'close relatives' category can now be sent only to kin such as parents, spouses, children and their spouses. Earlier, the term had multifarious interpretations

Year	Outward remittances*	Maintenance of close relatives
FY14	1,093.9	173.9
FY15	1,325.8	174.4
FY16	4,642.6	1,372.1
FY17	8,170.7	2,169.5
FY18	11,333.6	2,937.4

All figures in $million *Under LRS

Source: RBI

NOTES

- Under LRS, all resident individuals can freely remit $250,000 overseas every financial year for a permissible set of current or capital account transactions.
- ***Permitted:*** Remittances are permitted for overseas education, travel, medical treatment and purchase of shares and property, apart from maintenance of relatives living abroad, gifting and donations. Individuals can also open, maintain and hold foreign currency accounts with overseas banks for carrying out transactions.
- ***Not permitted:*** However, the rules do not allow remittances for trading on the foreign exchange markets, margin or margin calls to overseas exchanges and counterparties and the purchase of Foreign Currency Convertible Bonds issued by Indian companies abroad. Sending money to certain countries and entities is also barred. Under LRS, people can't send money to countries identified as 'non cooperative' by the Financial Action Task Force. Remittances are also prohibited to entities identified as posing terrorist risks.

28. Small Finance Banks (SFB)

- The Reserve Bank of India has decided to allow urban co-operative banks (UCB) to convert into small finance banks (SFB), a move aimed at bringing these entities into mainstream banking.
- Significance of this move:
  - UCBs currently face regulation by both the RBI and the respective State governments. By turning into SFBs, they will be regulated only by the RBI.
- **What are small finance banks?**
  - The small finance bank will primarily undertake **basic banking** activities of acceptance of **deposits** and lending **to unserved and underserved sections** including **small business units**, small and marginal **farmers**, micro and small industries and unorganised sector entities.
- **RBI guidelines, the eligible entities / persons to apply for small finance banks:**
  - Professionals with 10 years' experience in banking; existing NBFCs, Micro Finance Institutions, and Local Area Banks owned and controlled by residents can also opt for conversion into small finance bank; Promoter group must have 5 years track record.
- **What they can do?**
  - Take small deposits and disburse loans.
  - Distribute mutual funds, insurance products and other simple third-party financial products. Lend 75% of their total adjusted net bank credit to priority sector.
  - Maximum loan size would be 10% of capital funds to single borrower, 15% to a group. Minimum 50% of loans should be up to 25 lakhs.

NOTES

- **What they cannot do?**
    - Lend to big corporates and groups.
    - Cannot open branches with prior RBI approval for first five years.
    - Other financial activities of the promoter must not mingle with the bank.
    - It cannot set up subsidiaries to undertake non-banking financial services activities. Cannot be a business correspondent of any bank.
- **The guidelines they need to follow:**
    - Promoter must contribute minimum 40% equity capital and should be brought down to 30% in 10 years.
    - Minimum paid-up capital would be Rs 100 cr.
    - Capital adequacy ratio should be 15% of risk weighted assets, Tier-I should be 7.5%. Foreign shareholding capped at 74% of paid capital, FPIs cannot hold more than 24%. Priority sector lending requirement of 75% of total adjusted net bank credit.
    - 50% of loans must be up to Rs 25 lakh.

29. Business Correspondents (BCs)

- The government is planning to make all CSCs across the country Business Correspondents of Banks. 2.90 lakh CSCs will be able to work as Business Correspondents (BCs).
- Business Correspondents are **retail agents** engaged by banks for providing **banking services at locations other than a bank branch/ATM.**
- Banks are required to take full responsibility for the acts of omission and commission of the BCs that they engage and have, therefore, to ensure thorough due diligence and additional safeguards for minimizing the agency risk.
- Basically, **BCs enable a bank to expand its outreach and offer limited range of banking services** at low cost, as setting up a brick and mortar branch may not be viable in all cases. BCs, thus, are an integral part of a business strategy for achieving greater financial inclusion.
- **What they can do?**
    - Identification of borrowers, collection and preliminary processing of loan applications including verification of primary information/data, creating awareness about savings and other products, education and advice on managing money and debt counseling, processing and submission of applications to banks, promoting, nurturing and monitoring of Self Help Groups/ Joint Liability Groups, post-sanction monitoring, follow-up of recovery.
    - They can also attend to 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.

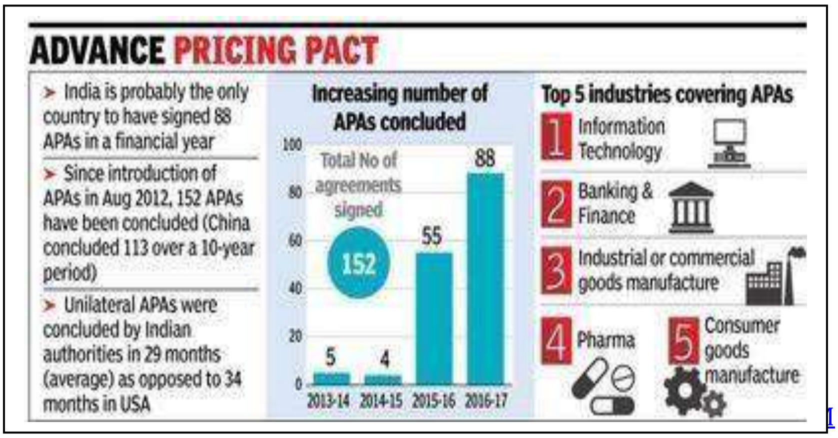
- **Who can be engaged as BCs?- The banks may engage the following individuals/entities as BC:**
    - Individuals like retired bank employees, retired teachers, retired government employees and ex-servicemen, individual owners of kirana / medical /Fair Price shops, individual Public Call Office (PCO) operators, agents of Small Savings schemes of Government of India/Insurance Companies, individuals who own Petrol Pumps, authorized functionaries of well-run Self Help Groups (SHGs) which are linked to banks, any other individual including those operating Common Service Centres (CSCs).
    - NGOs/ MFIs set up under Societies/ Trust Acts and Section 25 Companies.
    - Cooperative Societies registered under Mutually Aided Cooperative Societies Acts/ Cooperative Societies Acts of States/Multi State Cooperative Societies Act.
    - Post Offices.
    - Companies registered under the Indian Companies Act, 1956 with large and widespread retail outlets, excluding Non-Banking Financial Companies (NBFCs).

30.BHARAT-22 Exchange Traded Fund (ETF)

- The government has announced the first Further Fund Offer (FFO) of Bharat 22 Exchange Traded Fund (ETF). This is in pursuance of its disinvestment policy targeting an initial amount of Rs.8,000 crore.
- Bharat 22 consists of 22 stocks of CPSE's, PSB's & strategic holding of SUUTI. Bharat 22 is a well-Diversified portfolio with 6 sectors (Basic Materials, Energy, Finance, FMCG, Industrials & Utilities).
- The Bharat 22 Index will be rebalanced annually. ICICI Prudential AMC will be the ETF Manager and Asia Index Private Limited (JV BSE and S& P Global) will be the Index Provider.
- **Exchange-traded funds (ETFs)**
    - An **exchange-traded fund** (**ETF**) is an investment fund traded on stock exchanges, much like stocks.
    - They are basically basket of stocks with assigned weights that reflects the composition of an index.
    - They are similar to mutual funds in a certain manner but are more liquid as they can be sold quickly on stock exchanges like shares.
    - ETFs may be attractive as investments because of their low costs, tax efficiency, and stock-like features.
    - ETF route is considered as safer mode of disinvestment as it shields investors against stock market volatility.

31.Advance Pricing Agreement

- The Central Board of Direct Taxes (CBDT) recently achieved another milestone of having signed its 200th Unilateral Advance Pricing Agreement (UAPA).
- The total number of APAs entered into by CBDT has gone up to 220, which, inter alia include 20 Bilateral APAs.
- **About the APA scheme:**



- The APA scheme was introduced in the **Income-tax Act in 2012** and the "rollback" provisions were introduced in 2014. The scheme endeavors to provide certainty to taxpayers in the domain of **transfer pricing** by specifying the methods of pricing and determining the prices of international transactions in advance.
- Since its inception, the APA scheme has evinced a lot of interest from taxpayers and that has resulted in more than 700 applications (both unilateral and bilateral) being filed so far in about five years.
- An APA brings extra revenue to the tax administration.
- An APA can be **unilateral, bilateral, or multilateral.**
- The progress of the APA Scheme strengthens the government's resolve of fostering a non-adversarial tax regime. The Indian APA program has been appreciated nationally and internationally for being able to address complex transfer pricing issues in a fair and transparent manner.

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- **About CBDT:**
  - The Central Board of Direct Taxes is a statutory authority functioning under the **Central Board of Revenue Act, 1963.** It is a part of the **Department of Revenue** in the Ministry of Finance, Government of India.
  - It provides **essential inputs for policy and planning of direct taxes** in India and is also responsible for administration of the direct tax laws through Income Tax Department.
  - It is also **India's official Financial Action Task Force** unit.
  - The CBDT Chairman and Members of CBDT are selected from Indian Revenue Service (IRS) whose members constitute the top management of Income Tax Department.

32. Nilekani Panel to strengthen the Digital Payments Ecosystem

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

External Sector

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1. Fugitive Economic Offender

- ***Vijay Mallya has become the first person to be declared a fugitive offender under the Fugitive Economic Offenders Act***. The order was passed under Section 2F of FEOA against Mallya by the PMLA court.
- The investigative agency can now confiscate properties of Mallya which are not directly related to the cases against him.
- The decision comes against an application by the Enforcement Directorate before the special ***Prevention of Money Laundering Act (PMLA)*** court to classify Mallya as a fugitive economic offender.
- ***Definition- Fugitive Economic Offender:***
    - The fugitive economic offenders' law came into force in August 2018.
    - *A person can be named an offender under this law if there is an arrest warrant against him or her for involvement in economic offences involving at least Rs. 100 crore or more and has fled from India to escape legal action*.
- ***The procedure:***
    - The investigating agencies have to file ***an application in a Special Court under the Prevention of Money-Laundering Act, 2002*** containing details of the properties to be confiscated, and any information about the person's whereabouts.
    - The Special Court will issue ***a notice for the person to appear at a specified place and date*** at least six weeks from the issue of notice.
    - ***Proceedings will be terminated if the person appears***. If not the person would be declared as a Fugitive Economic Offender based on the evidence filed by the investigating agencies.
    - ***The person who is declared as a Fugitive Economic Offender can challenge the proclamation in the High Court within 30 days*** of such declaration according to the Fugitive Economic Offenders Act, 2018.

2. Financial Action Task Force (FATF)

- After an on-site assessment of the steps taken by Pakistan to curb terror financing and money laundering, a visiting Financial Action Task Force (FATF) team has finalised a report with 40 recommendations for de-listing Islamabad from its grey list.
- **Background:**
    - Pakistan was placed on the grey list by the FATF recently for failing to curb anti-terror financing.
    - It has been scrambling in recent months to avoid being added to a list of countries deemed non-compliant with anti-money laundering and terrorist financing regulations by the Paris-based FATF, a measure that officials here fear could further hurt its economy.

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- **About FATF:**
  - The Financial Action Task Force (FATF) is an **inter-governmental body** established in 1989 on the **initiative of the G7.**
  - It is a **"policy-making body"** which works to generate the necessary political will to bring about national legislative and regulatory reforms in various areas.
  - The **FATF Secretariat is housed at the OECD headquarters in Paris.**
  - The FATF currently comprises 36 member jurisdictions including India and 2 regional organisations (the Gulf Cooperation Council and the European Commission), representing most major financial centres in all parts of the globe.
- **Objectives:**
  - The objectives of the FATF are to set standards and promote effective **implementation of legal, regulatory and operational measures for combating money laundering**, terrorist financing and other related threats to the integrity of the international financial system.
- **Functions:**
  - The FATF monitors the progress of its members in implementing necessary measures, reviews money laundering and terrorist financing techniques and counter-measures, and promotes the adoption and implementation of appropriate measures globally.
  - In collaboration with other international stakeholders, the FATF works to identify national-level vulnerabilities with the aim of **protecting the international financial system from misuse**.

3. International Year of Millets

- The **160th session of the Food and Agriculture Organization (FAO) Council**, held in Rome, **approved India's proposal to observe an International Year of Millets in 2023**.
- In addition, the FAO Council also approved **India's membership to the Executive Board of the United Nations World Food Program (WFP)** for 2020 and 2021.
- This international endorsement comes in the backdrop of **India celebrating 2018 as the National Year of Millets** for promoting cultivation and consumption of these nutria-cereals.
- This is further supported by **increase in Minimum Support Prices (MSP) of millets.**
- Millets consists of Jowar, Bajra, Ragi and minor millets together termed as nutria-cereals.
- Through the Department of Food and Public Distribution, State Governments are allowed to procure jowar, bajra, maize and ragi from framers at MSP.
- **About FAO –**

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- The **Food and Agriculture Organization (FAO)** is specialized agency of the **United Nations** that leads international efforts to defeat hunger.
- **Headquarters: Rome, Italy**
- **Founded: 16 October 1945**
- **Goal of FAO:** Their goal is to **achieve food security for all** and make sure that people have regular access to enough high-quality food to lead active, healthy lives.
- Serving both developed and developing countries, **FAO acts as a neutral forum where all nations meet as equals** to negotiate agreements and debate policy.
- FAO is also a **source of knowledge and information**, and helps developing countries in transition modernize and improve agriculture, forestry and fisheries practices, ensuring good nutrition and food security for all.
- Its motto is **"Let there be bread".** It has 194 Member Nations, one member organization, and two associate members.

- **What are Millets?**
  - Millet is a common term to categorize small-seeded grasses that are often termed nutri-cereals or dryland-cereals, and includes sorghum, pearl millet, ragi, small millet, foxtail millet, proso millet, barnyard millet, kodo millet and other millets.
- **Benefits of Millets:**
  - ***They have multiple untapped uses such as food, feed, fodder, biofuels and brewing***.
  - ***Nutritionally superior to wheat & rice*** owing to their higher levels of protein with more balanced amino acid profile, crude fiber & minerals such as Iron, Zinc, and Phosphorous.
  - ***The anaemia (iron deficiency), B-complex vitamin deficiency, pellagra (niacin deficiency) can be effectively tackled***.
  - ***Millets can also help tackle health challenges such as obesity, diabetes and lifestyle problems*** as they are gluten free, have a low glycemic index and are high in dietary fibre and antioxidants.
  - They are the backbone for dry land agriculture.
  - ***Photo-insensitive & resilient to climate change***, millets are hardy, resilient crops that have a low carbon and water footprint, can withstand high temperatures and grow on poor soils with little or no external inputs.

4. Cross-Border Insolvency

- The **Insolvency Law Committee (ILC)** on October 22, 2018 submitted its 2nd Report on Cross Border Insolvency.
- The ILC was constituted by the **Ministry of Corporate Affairs** to recommend amendments to Insolvency and Bankruptcy Code of India, 2016.
- The ILC recommended the adoption of the **UNCITRAL Model Law of Cross Border Insolvency, 1997** as it provides for a

comprehensive framework to deal with cross border insolvency issues.

- **Benefits associated:**
  - Inclusion of cross-border insolvency framework will further **enhance ease of doing business**, provide a mechanism of cooperation between India and other countries in the area of insolvency resolution, and protect creditors in the global scenario.
  - Also, it will **make India an attractive investment destination for foreign creditors** given the increased predictability and certainty of the insolvency framework.
- **UNCITRAL Model Law of Cross Border Insolvency, 1997:**
  - The UNCITRAL Model Law has till now been adopted in 44 countries and forms part of international best practices in dealing with cross border insolvency issues. The model law gives precedence to domestic proceedings and protection of public interest.
  - The advantages of the model law include **greater confidence generation among foreign investors,** adequate flexibility for seamless integration with the domestic Insolvency Law and a robust mechanism for international cooperation.
- **Four major principles of UNCITRAL Model Law- The model law deals with four major principles of cross-border insolvency, namely:**
  - Direct access to foreign insolvency professionals and foreign creditors to participate in or commence domestic insolvency proceedings against a defaulting debtor.
  - Recognition of foreign proceedings & provision of remedies.
  - Cooperation between domestic and foreign courts & domestic and foreign insolvency practioners.
  - Coordination between two or more concurrent insolvency proceedings in different countries. The main proceeding is determined by the concept of centre of main interest (COMI).
- **Global scenario:**
  - On the global scale, the UNCITRAL (United Nations Commission on International Trade Law) Model Law on Cross-Border Insolvency, 1997 (Model Law) has emerged as the most widely accepted legal framework to deal with cross-border insolvency issues while ensuring the least intrusion into the country's domestic insolvency law.
  - Due to the growing prevalence of multinational insolvencies, the Model Law has been adopted by 44 States till date, including Singapore, UK and US.

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5. Dispute Settlement Body (DSB)

- The World Trade Organisation's dispute settlement body has set up a panel to examine the US complaint against certain export-subsidy measures by India as both the sides failed to resolve the issue at consultation level.

- The US has challenged India's export subsidy programmes such as **Merchandise Exports from India Scheme** in the WTO, asserting that these initiatives harm its companies by creating an uneven playing field.
- Dispute Settlement Body:
    - The General Council convenes as the Dispute Settlement Body (DSB) to deal with disputes between WTO members. Such disputes may arise with respect to any agreement contained in the Final Act of the Uruguay Round that is subject to the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU).
    - The DSB has authority to establish dispute settlement panels, refer matters to arbitration, adopt panel, Appellate Body and arbitration reports, maintain surveillance over the implementation of recommendations and rulings contained in such reports, and authorize suspension of concessions in the event of non-compliance with those recommendations and rulings.

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6. Inverted Duty Structure (IDS)

- An IDS means **higher duty on intermediate as opposed to final/finished goods**.
- Inverted duty structure is a situation where **import duty on finished goods is low compared to the import duty on raw materials** that are used in the production of such finished goods.
- For example, suppose the tariff (import tax) on the import of tyres is 10% and the tariff on the imports of natural rubber which is used in the production of tyres is 20%; this is a case of inverted duty structure.
- **Concerns associated with IDS:**
    - When the import duty on raw materials is high, it will be more difficult to produce the concerned good domestically at a competitive price.
    - Several industries depend on imported raw materials and components.
    - High tax on the raw materials compels them to raise price.
    - On the other hand, foreign finished goods will be coming at a reduced price because of low tax advantage.
    - **In conclusion,** manufactured goods by the domestic industry become uncompetitive against imported finished goods**.**
    - The disadvantage of the inverted duty structure increases with the increased use of imported raw materials.
    - An inverted duty structure **discourages domestic value addition**.

7. Enforcement Directorate

- It is a **law enforcement agency and economic intelligence agency** responsible for enforcing economic laws and fighting economic crime in India.

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- It is part of the **Department of Revenue**, Ministry of Finance.
- **Objectives:**
  - The prime objective of the Enforcement Directorate is the enforcement of two key Acts-
    - The Foreign Exchange Management Act 1999 (FEMA) and the Prevention of Money Laundering Act 2002 (PMLA).
    - Other objectives are primarily linked to **checking money laundering** in India.
- **Composition:**
  - It comprises officers of the Indian Revenue Service, Indian Police Service and the Indian Administrative Service.
- **Background:**
  - The origin of this Directorate goes back to 1 May 1956, when an 'Enforcement Unit' was formed, in Department of Economic Affairs, for handling Exchange Control Laws violations under Foreign Exchange Regulation Act, 1947.
  - In the year 1957, this Unit was renamed as 'Enforcement Directorate'.

8. Letters of undertaking (LoUs)

- Technically, Letter of Undertaking is a **bank guarantee** under which a bank allows its customer to raise money from another Indian bank's foreign branch in the form of short-term credit.
- The loan is used to **make payment to the customer's offshore suppliers in foreign currency**.
- The overseas bank usually lends to the importer based on the LoU issued by the importer's bank.
- LoUs are important instruments that allow those in the import trade to transact their business.
- As an importer in India cannot simply buy dollars and send it abroad to make payments to his supplier, various instruments such as LoUs and Letters of Credit are required to carry out the transaction.
- LoUs, which are essentially **a form of guarantee**, have come to be a far cheaper and convenient way for importer to raise credit.

Reports / Ranking / Committees / Awards

1. Global Economy Watch Report

- ***Global Economy Watch report is*** released by London based multinational professional services network- ***PricewaterhouseCoopers (PwC)***.
- ***PwC's Global Economy Watch*** is a short publication that looks at the trends and issues affecting the global economy and details its latest projections for the world's leading economies.
- ***As per the report*** India is likely to surpass the United Kingdom in the world's largest economy rankings in 2019.

2. Future of Consumption in Fast-Growth Consumer Market – India

- World Economic Forum (WEF) has released a report titled ***Future of Consumption in Fast-Growth Consumer Market – India***.
- As per the report, domestic private consumption that accounts for a major portion of India's gross domestic product (GDP) is expected ***to develop into a $6 trillion growth opportunity*** that would make India the world's third-largest economy by 2030.

3. National Commission on Farmers (NCF)

- The National Commission on Farmers (NCF), with **MS Swaminathan as its chairman**, was formed in 2004.
- ***Aim:*** To come up with a system for **sustainability in farming system** and make it more profitable and cost competitive in farm commodities. To also recommend measures for credit and other marketing steps.
- *The commission submitted five reports* between December 2004 and October 2006. The fifth and final report is considered the most crucial as it contains suggestions for the agriculture sector as a whole.

The Commission's observations:

- ***Farmers need an assured access to and control over basic resources of farming***. These include land, water, fertilizers and pesticides, credit and crop insurance. Knowledge of farming technology and markets is also key.
- ***Farmers' concerns and other agriculture-related issues must be implemented in the concurrent list***, to make it a high priority for both state and central governments.

Key recommendations of the Commission:

- ***Distribute ceiling-surplus and wasteland among farmers***, prevent the non-agricultural use of farmland, secure grazing rights and seasonal forest access to forest tribals.
- ***Establish a National Land Use Advisory Service***, which would link land use decisions with ecological and marketing factors of season and geography-specific basis.
- ***Reform irrigation resources and its distribution among farmers***. Use rainwater harvesting, water level recharging to increase water supply.
- ***Spread outreach of institutional credit*** by reducing crop loan interest rates, provide a moratorium on debt recovery, agricultural risk fund and a separate Kisan Credit Card for women farmers.

WHAT IS C2?

- The CACP defines production costs of crops under three categories — A2, A2+FL (standing for family labour) and C2.
- A2 is the actual paid-out expenses incurred by farmers — in cash and kind — on seeds, fertilisers, pesticides, hired labour, fuel, irrigation and other inputs from outside.
- A2+FL includes A2 cost plus an imputed value of unpaid family labour.
- C2 is the most comprehensive definition of production cost of crops as it also accounts for the rentals or interest loans, owned land and fixed capital assets

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- To address the growing farmer suicides, ***provide affordable health insurance at primary health centres in rural areas.*** The recommendations included an extension of national rural health mission to suicide-prone areas. Restructuring of microfinance policies, covering all crops by insurance and social security net for support were also sought.
- ***Give farmers a minimum support price at 50% profit*** above the cost of production classified as C2 by the Commission for Agricultural Costs and Prices (CACP).
- For further reading on MS Swaminathan report: http://www.prsindia.org/report-summaries/swaminathan-report-national-commission-farmers

4. Asia Competitiveness Institute's (ACI) EDB Index

- Asia Competitiveness Institute's (ACI) has released its Ease of Doing Business Index on Attractiveness to Investors, Business Friendliness and Competitive Policies (EDB Index ABC).
- ***Performance of Indian states:*** Andhra Pradesh has topped the list. It is followed by Maharashtra and Delhi.
- ***Asia Competitiveness Institute*** at Lee Kuan Yew School of Public Policy, National University of Singapore was established as a research centre in 2006 with an aim to build intellectual leadership and network for understanding and developing competitiveness in the Asia region.

5. Global Talent Competitive Index (GTCI) for 2019

- GTCI, launched in 2013, is ***an annual benchmarking report that measures the ability of countries to compete for talent***.
- It is released by ***INSEAD business school in partnership with Tata Communications and Adecco Group***.
- ***The report measures*** levels of Global Talent Competitiveness by looking at 68 variables such as ease of hiring, gender earnings gap, and prevalence of training in firms.
- ***India's performance:***
    - Ranked at 80.
    - India's biggest challenge is to improve its ability to attract and retain talent.

6. States' Start- up Ranking 2018

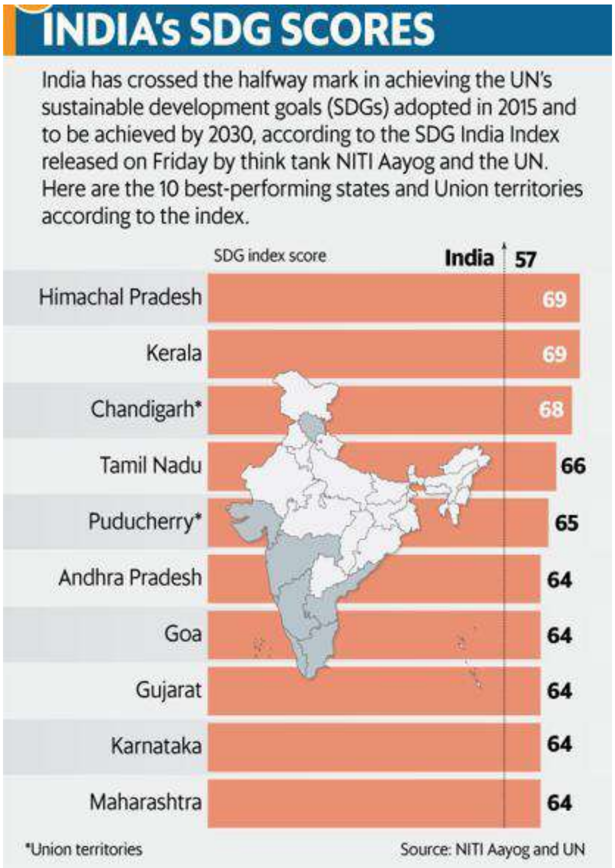
- The Department of Industrial Policy and Promotion (DIPP) (The name of the Department of Industrial Policy and Promotion (DIPP) has been changed as Department for Promotion of Industry and Internal Trade (DPIIT)) has announced the results of the first ever ***States' Start-up Ranking 2018***.
- ***Background:***
    - DIPP began the exercise to review the Start-up ecosystem of the states from January 2016.
    - ***The key objective of the exercise was to*** encourage States and Union Territories to take proactive steps towards

strengthening the Start-up ecosystems in their states. The entire exercise was conducted for capacity development and to further the spirit of cooperative federalism.

- ***Top Performers:*** Karnataka, Kerala, Odisha, and Rajasthan.

7. Sustainable Development Goals (SDG) India Index 2018

- The NITI Aayog has released the ***Baseline Report of the Sustainable Development Goals (SDG) India Index 2018***, documenting the progress made by India's States and Union Territories (UTs) towards implementation of the 2030 SDG targets.
- ***Background:***
  - The SDG India Index was developed in collaboration with the **Ministry of Statistics & Programme Implementation (MoSPI), Global Green Growth Institute and United Nations in India.**
  - The ***index comprises a composite score for each State and Union Territory*** based on their aggregate performance across 13 of the 17 SDGs. The score, ranging between 0 and 100, denotes the average performance of the State/UT towards achieving the 13 SDGs and their respective targets.
  - ***The aim of the index is to*** instil competition among States to improve their performance across social indices as the States' progress will determine India's progress towards achieving the set goals by 2030. Using the index, States will be monitored on a real-time basis.



8. Regulatory Indicators for Sustainable Energy (RISE) 2018

- World Bank has released its report — ***Regulatory Indicators for Sustainable Energy (RISE) 2018***— charting global progress on sustainable energy policies.
- The report was released on the side-lines of the **24th Conference of the Parties to the UN Framework Convention on Climate Change (COP24).**

9. Skoch Award for National Significance

- **Ministry of New and Renewable Energy** has been conferred the **Skoch Award for National Significance**.
- The award has been conferred considering its purpose and critical role played in installing about 73 GW renewable energy capacity in the country.
- With **21 per cent of total installed capacity**, within the year renewable energy grossed one billion units of electricity in the country.
- **India's ranking:**
  - India ranks **fourth in the world in wind energy capacity**, and
  - India ranks **fifth in solar & total energy capacity installed** in the world.
- India had played a critical role in setting up of international solar alliance.
- **Skoch Group:**

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  - It is a **think tank dealing with socio-economic issues with a focus on inclusive growth since 1997**.
  - It has **instituted India's highest independent civilian honours in the field of governance, finance, technology, economics and social sector.**
- **Skoch Award 2018**: **Who can nominate?**
  - Central government
  - State government
  - Local body
  - Municipality
  - City/District administration
  - State Owned Enterprises/Undertakings
- **SKOCH Award celebrates excellence of governance delivery by domain departments.** This includes having sufficient familiarity, capacity and knowledge about the functionality of their systems, processes and outcomes.

10.Human Capital Index (HCI)

- The World Bank has released a Human Capital Index (HCI) as part of the World Development Report 2019.
- **Theme for the World Development Report (WDR) 2018**: "The Changing Nature of Work".
- Human Capital Project (HCP):
  - As part of this report, the World Bank has launched a Human Capital Project (HCP).
  - The HCP programme is claimed to be a program of advocacy, measurement, and analytical work to **raise awareness and increase demand for interventions to build human capital**.
  - There are three components of HCP- a cross-country human capital measurement metric called the **Human Capital Index (HCI),** a programme of measurement and research to inform policy action, and a programme of support for country strategies to accelerate investment in human capital.
- **About Human Capital Index (HCI):**
  - The HCI has been constructed for 157 countries. It claims to seek to **measure the amount of human capital that a child born today can expect to attain by age 18.**
  - The HCI index values are contended to convey the **productivity of the next generation of workers**, compared to a benchmark of complete standard education and full health.
- **The HCI has three components:**
  - **Survival**, as measured by under-5 mortality rates.
  - **Expected years of Quality-Adjusted School** which combines information on the quantity and quality of education.
  - **Health environment** using two proxies of (a) adult survival rates and (b) the rate of stunting for children under age 5.
- **HCI Vs. HDI:**
  - UNDP constructs Human Development Index (HDI) for several years. The HCI uses survival rates and stunting rate instead of

life expectancy as measure of health, and quality-adjusted learning instead of merely years of schooling as measure of education.
    - **HCI also excludes per capita income whereas the HDI uses it**. Two significant changes from HDI are exclusion of income component and introduction of quality adjustment in learning.
    - Exclusion of income element and introduction of quality adjustment makes HCI far less representative of Human Capital Development than the Index claims it to be.
- **Global performance:**
    - The HCI measures the Index outcomes for each country as a fraction of maximum value of 1.
    - As expected the advanced economies such as North America and Europe mostly have HCI value of above 0.75, while South Asia and Sub Saharan Africa have the lowest HCI among the regions.
- **Performance of India:**
    - The HCI for India has been estimated at 0.44.

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11.Global Competitiveness Index 2018

- The **World Economic Forum (WEF)** has released the Global Competitiveness Report 2018.
- **Performance of India:**
    - India was ranked as the 58th most competitive economy with a score of 62.0 on the Global Competitiveness Index 2018.
    - India jumped five spots from 2017, the largest gain among G20 economies.

12.Government E-Payments Adoption Ranking (GEAR)

- The 2018 **Government E-Payments Adoption Ranking (GEAR) study** has been released by ***VISA***, a global leader in payments technology. This is the third edition of the study after those in 2007 and 2011.
- The 2018 GEAR, an **Economist Intelligence Unit (EIU)** global Index and benchmarking study commissioned by Visa, ranks governments by quantifying their e-payment capabilities based on various indicators.
- The ranking is based on seven parameters viz. Government-to-Citizen (G2C), Citizen-to-Government (C2G), Business-to-Government (B2G), Government-to-Business (G2B) transactions, infrastructure, socio-economic and policy environment.
- India is ranked 28th among 73 countries. This is up from 36th rank in 2011.

13.Purchasing Managers' Index (PMI)

- The **Nikkei India Manufacturing Purchasing Managers' Index (PMI)** rose to 52.2 in September from 51.7 in August 2018.
- A reading above 50 indicates an expansion in business activity while one below 50 denotes a contraction. The rate of expansion

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can also be judged by comparing the PMI with that of the previous month data.

- **What is a PMI?**
  - PMI or a Purchasing Managers' Index (PMI) is an **indicator of business activity** — both in the **manufacturing and services sectors**. It is a survey-based measures that asks the respondents about changes in their perception of some key business variables from the month before.
  - It is calculated separately for the manufacturing and services sectors and then a composite index is constructed.
- **How is the PMI derived?**
  - The PMI is derived from a series of qualitative questions. Executives from a reasonably big sample, running into hundreds of firms, are asked whether key indicators such as output, new orders, business expectations and employment were stronger than the month before and are asked to rate them.
- The PMI is usually released at the start of the month, much before most of the official data on industrial output, manufacturing and GDP growth becomes available.
- The PMI also gives an **indication of corporate earnings** and is closely watched by investors as well as the bond markets.

14.All India Rural Financial Inclusion Survey 2016-17

- **NABARD** has released its report on All India Rural Financial Inclusion Survey 2016-17.
- More than half the agricultural households in the country have outstanding debt, and their average outstanding debt is almost as high as the average annual income of all agricultural households.
- **Reasons for taking loans:**
  - The biggest reason for taking loans among agricultural households was **capital expenditure for agricultural purposes**, with a quarter of all loans taken for this purpose.
  - While 19% of loans were taken for meeting running expenses for agricultural purposes, another 19% were taken for sundry domestic needs. Loans for housing and medical expenses stood at 11% and 12%, respectively.

15.State Energy Efficiency Preparedness Index

- ***'State Energy Efficiency Preparedness Index'*** has been released by **Bureau of Energy Efficiency (BEE)** and **Alliance for an Energy Efficient Economy (AEEE).**
- The nationwide Index is a **joint effort of the NITI Aayog and BEE.** The index assesses state policies and programmes.
- The Index will help in implementing national energy efficiency initiatives in states and meet both State as well as national goals on energy security, energy access and climate change.

- The Index examines states' policies and regulations, financing mechanisms, institutional capacity, adoption of energy efficiency measures and energy savings achieved.

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16. Ease of Living Index

- **Ministry of Housing and Urban Affairs** has released Ease of Living Index.
- The index has been developed to allow city managers to get a grip on the city's baseline and compare its performance across key indicators.
- The index covers 111 cities that are smart city contenders, capital cities, and cities with population of 1 million plus.
- The four parameters include **institutional (governance), social (identity, education, health, security), economic (economy, employment) and physical factors**.
- Pune has ranked first while two more Maharashtra cities — Navi Mumbai and Greater Mumbai — figure in the second and third spots.

17. Global Liveability Index

- The **Economist Intelligence Unit (EIU)** has released the Global Liveability Index 2018.
- The index ranks 140 global cities based on their living conditions.
- The list ranks 140 cities on a range of factors, including:
  - Political and social stability.
  - Crime
  - Education
  - Access to healthcare.

- For India, only New Delhi and Mumbai could make it to the list with:
  - New Delhi at 112th position.
  - Mumbai at 117th position.

18. Global Innovation Index (GII)

- NITI Aayog has proposed to join hands with Confederation of Indian Industry (CII) to develop a Roadmap for Top 10 Rank in Global Innovation Index (GII).

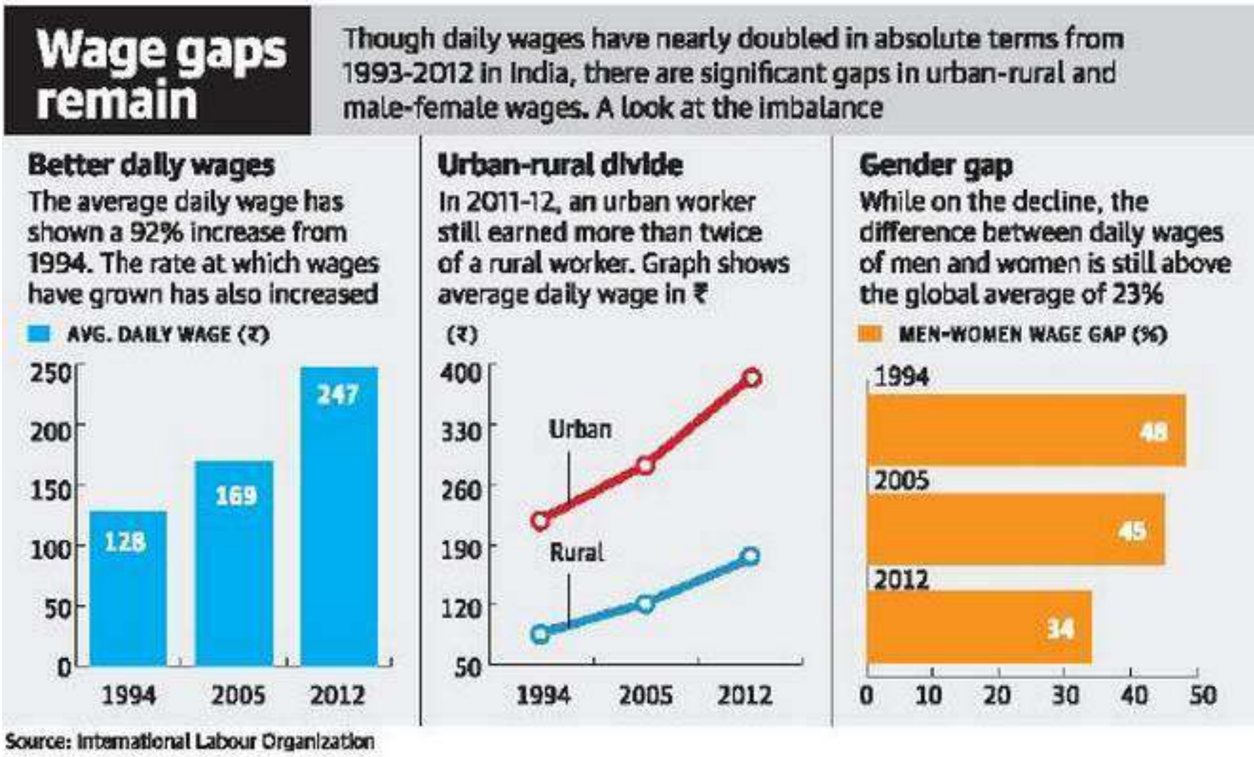
- India's rank on the Global Innovation Index (GII) has improved from 60 in 2017 to 57 in 2018. India has been consistently climbing the GII ranking for the past two years.
- GII is jointly released by **Cornell University, INSEAD and World Intellectual Property Organisation (WIPO).** GII ranks 126 economies based on 80 indicators.
- This year's edition, is dedicated to the theme of Energizing the World with Innovation.
- Switzerland is at the top. Since 2011, Switzerland has been ranked at the top every year.

19.Global Wage Report 2018-19

- ***The International Labour Organization (ILO) has released Global Wage Report*** 2018-19. As per the report, women are paid the most unequally in India, compared to men, when it comes to hourly wages for labour. On average, women are paid 34% less than men.

20.India Wage Report

- The **International Labour Organization** has published India Wage Report.



21.Doing Business Report 2018

- The **World Bank** has released its latest **Doing Business Report (DBR, 2019).**
- The report ranks 190 economies based on how easy it is to do business there, taking into account trading regulations, property rights, contract enforcement, investment laws, the availability of credit and a number of other factors. The first report was published in 2003.
- ***India climbed 23 spots from a year ago to rank 77*** out of 190 countries in the World Bank's latest report on the ease of doing business.
- The ease of doing business in India improved notably after a series of reforms made it easier for companies to get construction permits, pay taxes and trade across borders.

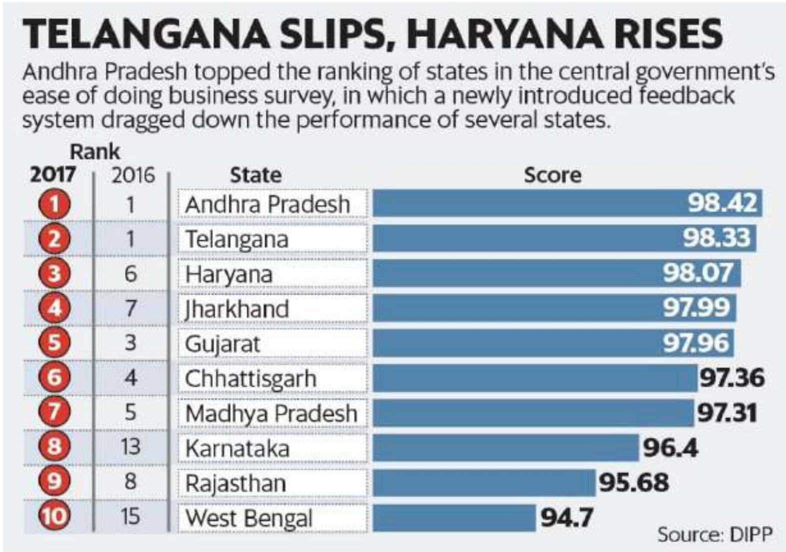
22.Ease of Doing Business Grand Challenge

- The government has launched Ease of Doing Business Grand Challenge on **resolving seven identified Ease of Doing Business problems** with use of cutting edge technologies.

- The objective of this challenge is to **tap potential of young Indians**, start-ups and other private enterprises to provide solutions to complex problems using current technology. It is in pursuance of Government's resolve to make India one of the easiest places to conduct business in the world.
- This challenge is aimed at **attracting innovative ideas** on artificial intelligence (AI), Internet of Things (IoT), big data analytics, block chain and other cutting edge technology to reform government processes. The platform for this grand challenge will be on Start Up India portal.

23. Rankings of States in Ease of Doing Business

- **Department of Industrial Policy and Promotion (DIPP),** (The name of the Department of Industrial Policy and Promotion (DIPP) has been changed as Department for Promotion of Industry and Internal Trade (DPIIT)) Ministry of Commerce and Industry, has released the final rankings of States in Ease of Doing Business.
- **BRAP- 2017:**
    - The rankings are based on the performance of states in implementing the **Business Reform Action Plan (BRAP).**
    - DIPP, Ministry of Commerce and Industry in collaboration with the World Bank conducted an annual reform exercise for all States and UTs under the Business Reform Action Plan (BRAP). The aim of this exercise is to **improve delivery of various Central Government regulatory functions and services** in an efficient, effective and transparent manner.



    - The reform plan includes 372 recommendations for reforms on regulatory processes, policies, practices and procedures spread across 12 reform areas including labour regulation enablers; contract enforcement; registering property; inspection reform enablers; single window system; land availability and allotment; construction permit enablers etc.
    - **BRAP 2017 includes two new sectors i.e. Healthcare and Hospitality.**

24. Industrial Park Rating System

- The report on Industrial Park Rating System was prepared by the **Department of Industrial Policy & Promotion (DIPP)**, (The name of the Department of Industrial Policy and Promotion (DIPP) has been changed as Department for Promotion of Industry and Internal Trade (DPIIT)) Ministry of Commerce & Industry.
- **Manufacturing has emerged as one of the high growth sectors in India.**
    - DIPP launched the **Industrial Information System (IIS)**, a GIS-enabled database of industrial areas and clusters across the country in May 2017, to optimize resource utilization and enhance the efficiency of the manufacturing sector.
- **Industrial Information System (IIS) Portal**
    - The portal provides all industrial information including availability of raw material – agriculture, horticulture, minerals, natural resources, distance from key logistic nodes, layers of terrain and urban infrastructure.

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25. Inclusive Wealth Report (IWR)

- **Inclusive wealth index**, as part of the Inclusive Wealth Report 2018 has been released by the **UN Environment and partners.**
- The Inclusive Wealth Report (IWR) is a biennial effort led by the UN Environment to evaluate the capacities and performance of the nations around the world to **measure sustainability of economy and wellbeing of their people.**
- **What is Inclusive Wealth Index?**
  - The inclusive wealth index is a tool assessing a nation's ability to look after its wealth in a way that is sustainable and safeguards its future generations. While GDP measures the size of a country's economy, inclusive wealth index focuses on stocks of manufactured, human and natural capital.
  - The Index provides important insights into long-term economic growth and human well-being. The Index measures the wealth of nations through a comprehensive analysis of a country's productive base and the country's wealth in terms of progress, well-being and long-term sustainability.

26. Financial Inclusion Index (FII)

- ***Department of Financial Services (DFS), Ministry of Finance will release an Annual Financial Inclusion Index (FII)***. The single composite index gives a snap shot of level of financial inclusion that would guide Macro Policy perspective.
- The index will be ***a measure of access and usage of a basket of formal financial products and services*** that includes savings, remittances, credit, insurance and pension products.
- The index will have three measurement dimensions:
  - Access to financial services.
  - Usage of financial services.
  - Quality.

27. FDI Confidence Index

- 2018 FDI Confidence Index was recently released by **global consultancy firm A T Kearney**.
- **FDI Confidence Index:**
  - The AT Kearney Foreign Direct Investment (FDI) Confidence Index, created in 1998, is an annual survey of the business executives that ranks countries which are likely to attract the most FDI in the next three years.
  - The Index is calculated as a weighted average of the number of low, medium and high responses to questions on the possibility of making a direct investment in a market over the next three years.
- The United States (US) topped the index, followed by Canada at 2nd and Germany at the 3rd place.
- **India was ranked 11th**, down from 8th in 2017 and 9th in 2016.

28. CriSidEx

- CriSidEx is a composite index based on a diffusion index of 8 parameters and **measures MSE business sentiment** on a scale of 0 (extremely negative) to 200 (extremely positive).
- CriSidEx will have 2 indices, one for the 'survey quarter' and another for the 'next quarter' once a trend emerges after few rounds of the survey, providing independent time series data.
- ***Benefits:*** The crucial benefit of CriSidEx is that its readings will flag potential headwinds and changes in production cycles and thus help improve market efficiencies. And by capturing the sentiment of exporters and importers, it will also offer actionable indicators on foreign trade.

29. WEF energy transition index

- World Economic Forum (WEF) has released the energy transition index as part of the report titled Fostering Effective Energy Transition.
- The index ranks 114 countries on how well they are able to **balance energy security** and access with environmental sustainability and affordability.
- The overall list was topped by Sweden, followed by Norway at the 2nd position and Switzerland at the 3rd rank.
- **India has been ranked at 78th**, lower than its emerging market peers like Brazil and China.
- Energy needs in the country are primarily met by **fossil fuels** with implications for environmental sustainability and increasing energy import costs.
- Furthermore, a considerable share of India's population still lacks access to electricity and clean cooking fuel.

30. Financial Stability Report (FSR)

- The **Reserve Bank of India** releases the Financial Stability Report (FSR) once in 6 months.
- The FSR reflects the **overall assessment on the stability of India's financial system** and its resilience to risks emanating from global and domestic factors.
- Besides, the Report also discusses issues relating to **development and regulation of the financial sector.**

31. World Energy Outlook (WEO)

- **International Energy Agency (IEA)** releases World Energy Outlook (WEO) and Energy Access outlook.
- **International Energy Agency (IEA):**
    - IEA is an **autonomous agency,** founded in 1974 **as per framework of the Organisation for Economic Co-operation and Development (OECD).**
    - It seeks to **promote energy security** among its member countries and ensure reliable, affordable and clean energy.

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- **Its four focus area** includes Energy Security, Economic Development, Environmental Awareness and Engagement Worldwide.
- India is an associated member to IEA.

32.2018 Inclusive Development Index (IDI)

- Inclusive Development Index has been released by the **World Economic Forum**.
- It is developed as a new metric of **national economic performance** as an alternative to GDP.
- **India is placed at the 62nd place** among emerging economies much below China's 26th position and Pakistan's 47th. India was ranked 60th among 79 developing economies in 2017.
- It has three pillars: **Growth and Development, Inclusion and Intergenerational Equity, and Sustainability.**

33.Corruption Perception Index 2018

- **India was ranked 78th** among 180 countries in Corruption Perception Index (CPI) 2018 released by **NGO Transparency International.**
- India's score has marginally improved to 41 from 40 in 2017. India's ranking increased from 81st in 2017 to 78 in 2018.
- CPI ranks countries on a scale of **zero (highly corrupt) to 100 (very clean)** based on levels of corruption in the public sector.
- The index is compiled by using data of World Bank, World Economic Forum (WEF) and other institutions.
- Transparency International (TI):
    - TI is an **international non-governmental organization** based in Berlin, Germany.
    - It publishes annually **Corruption Perceptions Index and Global Corruption Barometer**.
    - Its purpose is to take action to **combat corruption** and prevent criminal activities arising from corruption.

34.Other Major Reports

- **Global Wealth Report** - Credit Suisse Research Institute.
- **Global Financial Development Report** - World Bank.
- **Global Manufacturing Index (GMI)** – World Economic Forum.
- **World Employment and Social Outlook 2018** – International Labour Organisation (ILO).
- **World Economic Outlook** – International Monetary Fund (IMF).
- **World Investment Report** – United Nations Conference on Trade and Development (UNCTAD).
- **World Economic Freedom Index** - Centre for Civil Society in collaboration with Canada's Fraser Institute.
- **International Intellectual Property Index** - U.S. Chamber of Commerce's Global Intellectual Property Center (GIPC)
- **India Innovation Index** - Jointly developed by **NITI Aayog, DIPP** (The name of the Department of Industrial Policy and Promotion

(DIPP) has been changed as Department for Promotion of Industry and Internal Trade (DPIIT)) **and CII** in consultation with World Economic Forum (WEF), World Intellectual Property Organization (WIPO), Cornell University, UNIDO, ILO, OECD, UNESCO, ITU etc.

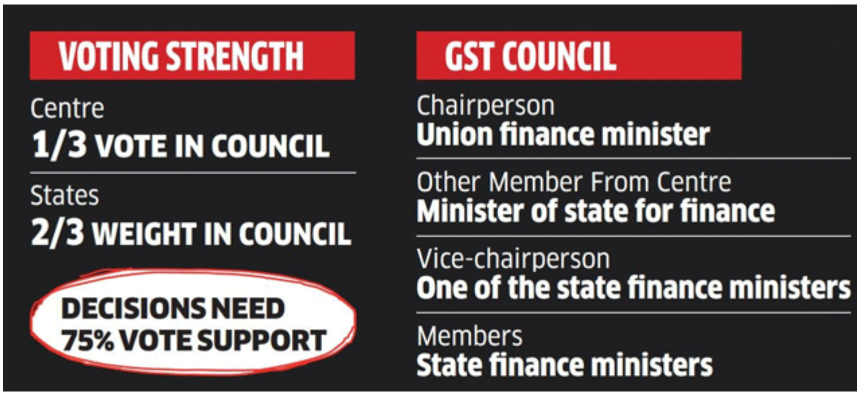
- **Network Readiness Index** – World Economic Forum (WEF).

NOTES

Departments / Agencies

1. GST Council

- The ***GST Council*** in its recently held 32nd meeting took a slew of decisions aimed at reducing the tax and compliance burden on small and medium enterprises.
- ***Measures announced:***
  - ***The annual turnover limit*** under which companies would be exempt from GST has been raised to ₹40 lakh for most States and ₹20 lakh for the North Eastern and hill states, from the earlier limit of ₹20 lakh and ₹10 lakh, respectively.
  - ***The limit for eligibility for the Composition Scheme*** is raised to an annual turnover of ₹1.5 crore from April 1, 2019. So far, only manufacturers and traders were eligible for this scheme. The Scheme now has been extended to small service providers with an annual turnover of up to ₹50 lakh, at a tax rate of 6%.
  - ***Kerala can levy a cess of up to 1% for up to two years*** on intra-State supplies to help finance the disaster relief efforts following the recent floods in the state.
- ***Why do we need a GST Council?***
  - The GST council is the **key decision-making body** that will take all important decisions regarding the GST.
  - The GST Council dictates tax rate, tax exemption, the due date of forms, tax laws, and tax deadlines, keeping in mind special rates and provisions for some states.
  - The predominant responsibility of the GST Council is to ensure to have one uniform tax rate for goods and services across the nation.
- ***How is the GST Council structured?***
  - The Goods and Services Tax (GST) is governed by the GST Council. ***Article 279 (1) of the amended Indian Constitution*** states that the GST Council has to be constituted by the President within 60 days of the commencement of the Article 279A.
- ***According to the article, GST Council will be a joint forum for the Centre and the States. It consists of the following members:***
  - The Union Finance Minister will be the Chairperson
  - As a member, the Union Minister of State will be in charge of Revenue or Finance
  - The Minister in charge of finance or taxation or any other Minister nominated by each State government, as members.
- ***GST Council recommendations:***
  - Article 279A (4) specifies that the Council will make recommendations to the Union and the States on the important issues related to GST, such as, the goods and services will be subject or exempted from the Goods and Services Tax.



2. Small Farmers' Agri-Business Consortium (SFAC)

- Silver Jubilee Celebrations of the Small Farmers' Agri-Business Consortium (SFAC).

- The Government established Small Farmers' Agri-Business Consortium (SFAC) as ***a Society in January 1994 to facilitate agri-business ventures by catalysing private investment through Venture Capital Assistance (VCA) Scheme*** in close association with financial institutions.
- SFAC is an **Autonomous Society** promoted by Ministry of Agriculture, Cooperation and Farmers' Welfare, Government of India.
- It is registered under **Societies Registration Act 1860**. The Society is also registered as **Non-Banking Financial Institution** by Reserve Bank of India.
- The role of State SFACs is to aggressively promote agribusiness project development in their respective States.
- ***Management:*** The Society is governed by Board of Management which is chaired, ex-officio, by Union Minister for Agriculture and Farmers Welfare as the President and the Secretary, Department of Agriculture, Cooperation and Farmers Welfare, Government of India, is the ex-officio Vice-President.
- ***The main functions of SFAC are:***
    - Promotion of development of small agribusiness through VCA scheme.
    - Helping formation and growth of **Farmer Producer Organizations (FPOs) / Farmer Producer Companies (FPCs).**
    - Improving **availability of working capital** and **development of business activities** of FPOs/FPCs through Equity Grant and Credit Guarantee Fund Scheme.
    - Implementation of **National Agriculture Market (e-NAM)** Electronic Trading platform.

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3. National Skill Development Corporation India (NSDC)

- National Skill Development Corporation India (NSDC), established in 2009, is a not- for- Profit Company set up by the Ministry of Finance.
- ***NSDC was set up by Ministry of Finance as Public Private Partnership (PPP) model***. The Government of India through Ministry of Skill Development & Entrepreneurship (MSDE) holds 49% of the share capital of NSDC, while the private sector has the balance 51% of the share capital.
- ***Functions:***
    - NSDC aims to promote skill development by catalyzing creation of large, quality and for-profit vocational institutions.
    - It also provides funding to build scalable and profitable vocational training initiatives.
    - Its mandate is also to enable support system which focuses on quality assurance, information systems and train the trainer academies either directly or through partnerships.
    - It also develops appropriate models to enhance, support and coordinate private sector initiatives.

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4. Directorate of Revenue Intelligence

- Directorate of Revenue Intelligence, formed in 1957, is the major intelligence agency which **eradicates smuggling of drugs, gold, diamonds, electronics, foreign currency, counterfeit Indian currency, etc.**
- The Directorate of Revenue Intelligence functions under the **Central Board of Indirect Taxes & Customs** in the Ministry of Finance.
- The Directorate is run by officers from Central Excise and Customs. Though its early days were committed to combating smuggling in of gold, it has now tuned itself to the changing nature of crimes in the field of narcotics and economic crimes.
- It is tasked with detecting and curbing smuggling of contraband, including drug trafficking and illicit international trade in wildlife and environmentally sensitive items, as well as combating commercial frauds related to international trade and evasion of Customs duty.

5. Serious Fraud Investigation Office (SFIO)

- The Serious Fraud Investigation Office (SFIO) is a **fraud investigating agency** and is the **co-ordinating agency with the Income Tax and CBI**.
- It is under the jurisdiction of the **Ministry of Corporate Affairs**, Government of India.
- It is a multi-disciplinary organisation that investigates and guides prosecution in white-collar fraud requiring expertise in forensic auditing, corporate law, information technology, capital markets, taxation, and other allied fields.
- These experts have been taken from various organizations like banks, Securities and Exchange Board of India, Comptroller and Auditor General and concerned organizations and departments of the Government.
- It was established in 2003, based on recommendations by the ***Naresh Chandra Committee*** on Corporate Audit and Governance.
- It received ***statutory powers under the Companies Act, 2013.***
- The rules giving it ***the power to make arrests*** came into effect in 2017.
- Cases are assigned to the SFIO based on the scale of financial misappropriation or extent of public interest that is at stake.

6. National Statistical Commission (NSC)

- The Government of India through a resolution dated 1st June, 2005 set up the National Statistical Commission (NSC).
  - The setting up of the NSC followed the decision of the Cabinet to accept the recommendations of the ***Rangarajan Commission***, which reviewed the Indian Statistical System in 2001. The NSC was constituted with effect from 12th July

2006 with a mandate to evolve policies, priorities and standards in statistical matters.
  - ***The Commission consists*** of a part-time Chairperson, four part-time Members, an ex-officio Member and a secretary. The **Chief Statistician of India who is the Head of the National Statistical Office is the Secretary of the Commission** and the Chief Executive Officer of the NITI Aayog is the ex-officio Member of the commission.
  - ***The commission has also been entrusted with the functions*** of the Governing Council of the National Sample Survey Office which include overseeing the conduct of National Sample Surveys (NSS) on various socioeconomic subjects through the NSSO and the State Directorate of Economics and Statistics.

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7. National Payments Corporation of India (NPCI)

- National Payments Corporation of India (NPCI) is an umbrella organization for all retail payments system in India.
- It was set up with the guidance and support of the Reserve Bank of India (RBI) and Indian Banks' Association (IBA). NPCI has ten promoter banks.
- It was founded in 2008 as a **not-for-profit organisation** registered under section 25 of the Companies Act, 2013.
- Its recent work of developing Unified Payments Interface (UPI) aims to move India to a cashless society with only digital transactions.
- It has successfully completed the development of a domestic card payment network called RuPay, reducing the dependency on international card schemes.

8. Institute of Chartered Accountants of India (ICAI)

- The Institute of Chartered Accountants of India (ICAI) is ***a statutory body*** established by an Act of Parliament of India, 'The Chartered Accountants Act, 1949', to regulate the profession of Chartered Accountancy in India.
- ICAI is the **second largest professional Accounting & Finance body in the world**.
- ICAI is **the only licensing cum regulating body of the financial audit and accountancy profession** in India.
- It recommends the accounting standards to be followed by companies in India to National Advisory Committee on Accounting Standards (NACAS).
- ICAI is solely responsible for **setting the Standards on Auditing (SAs)** to be followed in the audit of financial statements in India.
- ICAI is one of the founder members of the International Federation of Accountants (IFAC), South Asian Federation of Accountants (SAFA), and Confederation of Asian and Pacific Accountants (CAPA).

9. National Consumer Disputes Redressal Commission (NCDRC)

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- Department of Consumer Affairs & NCDRC had recently organized a conference to review functioning of State Commissions and District Fora.
- The National Consumer Disputes Redressal Commission (NCDRC), India is ***a quasi-judicial commission*** in India which was set up in 1988 under the ***Consumer Protection Act of 1986***.
- The commission is **headed by a sitting or retired judge of the Supreme Court of India.**
- Statutory provisions:
    - ***Section 21 of Consumer Protection Act, 1986*** posits that the National Consumer shall have jurisdiction to entertain a complaint valued more than one crore and also have Appellate and Revisional jurisdiction from the orders of State Commissions or the District fora as the case may be.
    - ***Section 23 of Consumer Protection Act, 1986***, provides that any person aggrieved by an order of NCDRC, may prefer an Appeal against such order to Supreme Court of India within a period of 30 days.

10. Financial Stability and Development Council (FSDC)

- The Financial Stability and Development Council (FSDC) was constituted in December, 2010.
- The FSDC was set up to **strengthen and institutionalise the mechanism for maintaining financial stability**, enhancing inter-regulatory coordination and promoting financial sector development.
- **Composition:**
    - The Council is chaired by the **Union Finance Minister** and its members are Governor, Reserve Bank of India; Finance Secretary and/or Secretary, Department of Economic Affairs; Secretary, Department of Financial Services; Chief Economic Adviser, Ministry of Finance; Chairman, Securities and Exchange Board of India; Chairman, Insurance Regulatory and Development Authority and Chairman, Pension Fund Regulatory and Development Authority. It also includes the chairman of the Insolvency and Bankruptcy Board (IBBI).
    - In May 2018, the government through a gazette notification, had included ministry of electronics and information technology (MeitY) secretary in the FSDC in view of the increased focus of the government on digital economy.
- **What it does?**
    - The Council deals, inter-alia, with issues relating to **financial stability, financial sector development, inter–regulatory coordination, financial literacy, financial inclusion and macro prudential supervision of the economy** including the functioning of large financial conglomerates.

- No funds are separately allocated to the Council for undertaking its activities.

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11. Central Silk Board (CSB)

- **Central Silk Board (CSB)** has notified recently developed races of silkworm seed of mulberry and Vanya silk for increasing the productivity of cocoons and to increase the income of the farmers engaged in sericulture.
- Central Silk Board (CSB) is ***a statutory body*** established in 1948 by an Act of Parliament. It is working under the administrative control of **Ministry of Textiles**, Government of India.

12. Debts Recovery Tribunals

- The central government has raised the pecuniary limit from Rs 10 lakh to Rs 20 lakh for filing application for recovery of debts in the Debts Recovery Tribunals by such banks and financial institutions.
- **Implications:**
  - The move is aimed at helping **reduce pendency of cases** in the 39 DRTs in the country.
  - As a result, no bank or financial institution or a consortium of banks or financial institutions can approach the DRTs if the amount due is less than Rs 20 lakh.
- **What are DRTs?**
  - Debt Recovery Tribunals were established to facilitate the debt recovery involving banks and other financial institutions with their customers.
  - DRTs were set up after the passing of ***Recovery of Debts due to Banks and Financial Institutions Act (RDBBFI), 1993***.
  - ***Section 3 of the RDDBFI Act*** empowers the Central government to establish DRTs.
  - Appeals against orders passed by DRTs lie before ***Debts Recovery Appellate Tribunal (DRAT)***.
- **Powers and functions:**
  - The Debts Recovery Tribunal (DRT) enforces provisions of the **Recovery of Debts Due to Banks and Financial Institutions (RDDBFI) Act, 1993** and also **Securitization and Reconstruction of Financial Assets and Enforcement of Security Interests (SARFAESI) Act, 2002**.
  - The Debts Recovery Tribunal (DRT) are fully empowered to pass comprehensive orders and can travel beyond the Civil procedure Code to render complete justice.
  - A Debts Recovery Tribunal (DRT) can hear cross suits, counter claims and allow set offs.
  - However, a Debts Recovery Tribunal (DRT) cannot hear claims of damages or deficiency of services or breach of contract or criminal negligence on the part of the lenders. In addition, a Debts Recovery Tribunal (DRT) cannot express an opinion beyond its domain, or the list pending before it.

  - The Debts Recovery Tribunal can appoint Receivers, Commissioners, pass ex-parte orders, ad-interim orders, interim orders apart from powers to Review its own decisions and hear appeals against orders passed by the Recovery Officers of the Tribunal.
- **Other key facts:**
  - A DRT is presided over by a presiding officer who is appointed by the central govt. and who shall be qualified to be a District Judge; with tenure of 5 years or the age of 62, whichever is earlier.
  - No court in the country other than the SC and the HCs and that too, only under articles 226 and 227 of the Constitution have jurisdiction over this matter.

13. Banks Board Bureau (BBB)

- It was set up in February 2016 as an ***autonomous body***– based on the recommendations of ***the RBI-appointed Nayak Committee*** to improve governance of Public Sector Banks (PSBs).

- It was the part of Indradhanush Plan of government.
- It had **replaced Appointments Board of Government**. It is housed in Reserve Bank of India's (RBI) central office in Mumbai.
- Its broad agenda was to improve governance at state-owned lenders. Its mandate also involved **advising the government on top-level bank appointments** and assisting banks with capital-raising plans as well as strategies to deal with bad loans.
- It **guides banks on mergers and consolidations** and governance issues to address bad loans problem among other issues.

14. National Medical Devices Promotion Council

- The government is planning to set up *a* ***National Medical Devices Promotion Council*** under the Department of Industrial Policy and Promotion (DIPP) (The name of the Department of Industrial Policy and Promotion (DIPP) has been changed as Department for Promotion of Industry and Internal Trade (DPIIT)) in the Ministry of Commerce and Industry.
- The announcement was made on the occasion of ***4th WHO Global Forum on Medical Devices*** at Andhra Pradesh Medtech Zone in Vishakhapatnam.
- ***National Medical Devices Promotion Council:***
  - The Council will be headed by **Secretary of the Department of Industrial Policy and Promotion (DIPP)** (The name of the Department of Industrial Policy and Promotion (DIPP) has been changed as Department for Promotion of Industry and Internal Trade (DPIIT)).
  - Apart from the concerned departments of Government, it will also have representatives from health care industry and quality control institutions.
  - The Andhra Pradesh MedTech Zone of Visakhapatnam, will provide technical support to the Council.
- ***The Prime objectives of the National Medical Devices Promotion Council are:***
  - Act as a facilitating, promotional & developmental body for the Indian Medical Devices Industry (MDI).
  - Render **technical assistance** to the agencies and departments concerned to simplify the approval processes for MDI promotion and development.

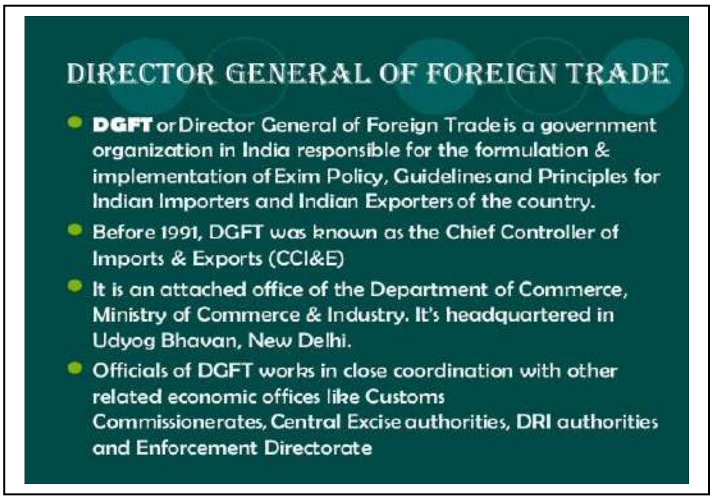
- Support dissemination and documentation of international norms and standards for medical devices by capturing the best practices in the global market.
- Drive a robust and dynamic **Preferential Market Access (PMA) policy** by identifying the strengths of the Indian manufacturers and discouraging unfair trade practices in imports
- Undertake validation of **Limited Liability Partnerships (LLPs)** and other such entities within MDI sector, which add value to the industry strength in manufacturing to gain foothold for new entrants.
- Make recommendations to government based on industry feedback and global practices on policy and process interventions to strengthen the medical technology sector.

15.National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED)

- **National Agricultural Cooperative Marketing Federation of India Ltd (NAFED)** is an apex organization of **marketing cooperatives for agricultural produce** in India, under **Ministry of Agriculture**, Government of India.
- NAFED established in 1958, is registered under the **Multi State Co-operative Societies Act**.
- ***Agricultural farmers are the main members of Nafed***, who have the authority to say in the form of members of the General Body in the working of Nafed.
- ***The objectives of the NAFED*** shall be to organize, promote and develop marketing, processing and storage of agricultural, horticultural and forest produce, distribution of agricultural machinery, implements and other inputs, undertake inter-state, import and export trade etc.

16.Directorate General of Foreign Trade (DGFT)

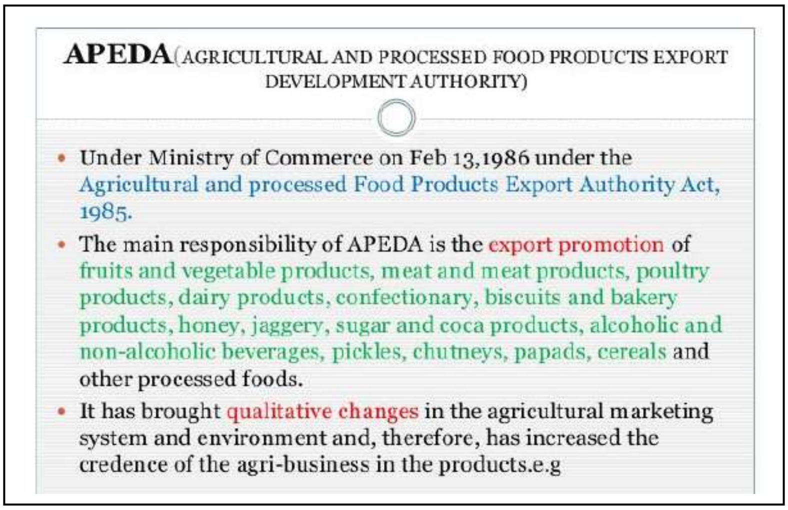
- Right **from its inception till 1991**, this organization has been essentially involved in the **regulation and promotion of foreign trade** through regulation.
- Keeping in line with liberalization and globalization and the overall objective of increasing of exports, DGFT has since been assigned the **role of "facilitator".**
- The shift was from prohibition and control of imports/exports to promotion and facilitation of exports/imports.
- The DGFT's role includes **Foreign Trade Policy (FTP) formulation and implementation** — to in turn boost India's exports.
- It is manned mainly by **the Indian Trade Service (ITS) cadre officials**, but is usually headed by an Indian Administrative Service (IAS) officer.



- **Foreign Trade Policy 2015-20:**
  - It provides a framework for **increasing exports of goods and services** as well as generation of **employment** and increasing value addition in the country.
  - It introduces two new schemes, namely **'Merchandise Exports from India Scheme (MEIS)'** for export of specified goods to specified markets and **'Services Exports from India Scheme (SEIS)'** for increasing exports of notified services.

17.Agricultural and Processed Foods Export Development Agency (APEDA)

- APEDA is statutory authority related to **exports of agricultural products**.
- It functions under the aegis of **Union Ministry of Commerce and Industry**.
- Its role is **development of industries relating to scheduled products for export** by way of providing financial assistance.
- It looks at the export of fruits, vegetables, and their processed products, meat and meat products, poultry and dairy products.
- It also looks at **fixing of standards and specifications**, improving packaging, marketing for the scheduled products for the purpose of exports.
- The authority replaced the **Processed Food Export Promotion Council (PFEPC).**



18.Food Safety and Standards Authority of India (FSSAI)

- FSSAI has put in place a nationwide online platform called **'FoSCoRIS'.**
- FoSCoRIS' system will help verify compliance of food safety and hygiene standards by food businesses as per the government norms.
- The new system will bring together all key stakeholders — food businesses, food safety officers (FSOs), designated officers, state food safety commissioners — on a nation-wide IT platform and data related to inspection, sampling and test result data will be shared.
- **FSSAI:**
  - Established under **Food Safety and Standards Act, 2006.**
  - **Ministry of Health & Family Welfare**, Government of India is the Administrative Ministry for the implementation of FSSAI.
  - The Chairperson is in the rank of Secretary to Government of India.
  - **Important functions:**
    - Lay down the **Standards and guidelines** in relation to articles of food.
    - **Accreditation of certification bodies** engaged in certification of food safety management system.
    - **Accreditation of laboratories**.
    - **Scientific advice and technical support** to Central Government and State Governments in the matters of framing the policy and rules in areas of food safety and nutrition.
    - **Provide training programmes** for persons who are involved in food businesses.

19.CERT-In (Indian Computer Emergency Response Team)

- CERT-In is a **government-mandated nodal agency for information technology (IT) security** established in 2004 under the aegis of the Indian **Department of Information Technology**, Ministry of Electronics and IT.
- **Mandate of CERT-In:**
  - **Protect Indian cyberspace** and software infrastructure against destructive and hacking activities.
  - **Respond to computer security incidents**, report on vulnerabilities and promote effective IT security practices throughout the country.
  - **Issue guidelines, vulnerability notes, advisories**, and whitepapers regarding to information security practices, prevention, procedures, response and reporting of cyber security incidents.

NOTES

Miscellaneous

1. Fast Moving Consumer Goods (FMCG) Sector

- ***Fast-moving consumer goods (FMCG) sector is the 4th largest sector in the Indian economy*** with Household and Personal Care accounting for 50% of FMCG sales in India.
- ***Some of the major initiatives taken by the government to promote the FMCG sector in India are as follows:***
  - **Consumer Protection Bill** with special emphasis on setting up an extensive mechanism to ensure simple, speedy, accessible, affordable and timely delivery of justice to consumers.
  - The **Goods and Services Tax (GST)** is beneficial for the FMCG industry as many of the FMCG products such as Soap, Toothpaste and Hair oil now come under 18 per cent tax bracket against the previous 23-24 per cent rate.

2. India's Steel Production

- ***India has replaced Japan as the world's second-largest steel producing country***, only behind China, which is the largest producer of crude steel accounting for more than 51 per cent of production, ***as per the latest report by World Steel Association***.

3. Jawaharlal Nehru Port Trust

- ***As per the latest Lloyds Report***, JNPT becomes the only Indian port to be listed amongst the world's top 30 container ports. It is ranked at 28th position.

4. ABER – The New Digital Currency

- The ***central banks of the United Arab Emirates (UAE) and Saudi Arabia*** have launched a common digital currency called 'Aber', which will be used in financial settlements between the two countries through Blockchains and Distributed Ledgers technologies.

5. Panda Bonds Pakistan

- For the first time in history, the federal cabinet has approved a new financial strategy called Panda-Bonds in Pakistan.
- A Panda bond is a **Chinese renminbi-denominated bond** from a non-Chinese issuer, sold in the People's Republic of China.
- These bonds were first issued in 2005 by the International Finance Corporation and the Asian Development Bank.

6. FSSAI Notifies Standards for Honey and its Products to Curb Adulteration

- The regulator FSSAI has come out with food safety standards for honey and its products, in a bid to curb adulteration.
- The move comes in the wake of government promoting farmers to venture into the beekeeping business to increase their income.

NOTES

- Facts for Prelims:
  - ***Bees wax*** is obtained from the honeycombs of bees of Apidae family after the honey has been removed by draining or centrifuging.
  - Bees wax consists of a mixture of esters of fatty acids and fatty alcohols, hydrocarbons and free fatty acids. Minor amounts of free fatty alcohols are also present.
- The government is promoting honey production through the **mission for integrated development of horticulture (MIDH)** and the **National Bee Board** has been formed for implementing various activities for development of scientific beekeeping under MIDH.

7. Limited Liability Partnership (LLP)

- **Ministry of Corporate Affairs** has launched a process re-engineering by making incorporation of Limited Liability Partnership (LLP) through a complete online system- titled **"RUN-LLP (Reserve Unique Name – Limited Liability Partnership)".**
- **What is LLP?**
  - LLP is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership.
  - The LLP can continue its existence irrespective of changes in partners. It is capable of entering into contracts and holding property in its own name.
  - The LLP is a separate legal entity, is liable to the full extent of its assets but liability of the partners is limited to their agreed contribution in the LLP.
  - Further, no partner is liable on account of the independent or un-authorized actions of other partners, thus individual partners are shielded from joint liability created by another partner's wrongful business decisions or misconduct.
  - Mutual rights and duties of the partners within a LLP are governed by an agreement between the partners or between the partners and the LLP as the case may be.
  - The LLP, however, is not relieved of the liability for its other obligations as a separate entity.
  - Since LLP contains elements of both 'a corporate structure' as well as 'a partnership firm structure' LLP is called a hybrid between a company and a partnership.
- **LLP form is a form of business model which:**
  - Is organized and operates on the basis of an agreement.
  - Provides flexibility without imposing detailed legal and procedural requirements.
  - Enables professional/technical expertise and initiative to combine with financial risk taking capacity in an innovative and efficient manner.