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Economy

Date
6/10/20

Financial Sector Reforms

The Govt constituted a committee on the financial sector reform under the chairmanship of M. Narasimham in 1991 and on the basis of this committee's ^e recommendation the following measures were taken

- Cut in SLR & CRR.
- RBI has announced guidelines for setting up banks in the private sector.
- Interest rate in the banking systems have been liberalized
- New Board for financial supervision was constituted under the chairmanship of Deputy governor of the RBI.
- An Act was passed in 1993 under which special recovery tribunals have been setup to facilitate faster recovery of loan/^{arrears}~~overdue~~

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Banking Sector Reforms in 1998

The Govt appointed the committee on banking sector reform under the chairmanship of M. Narasimham

The committee submitted its report in April 1998.

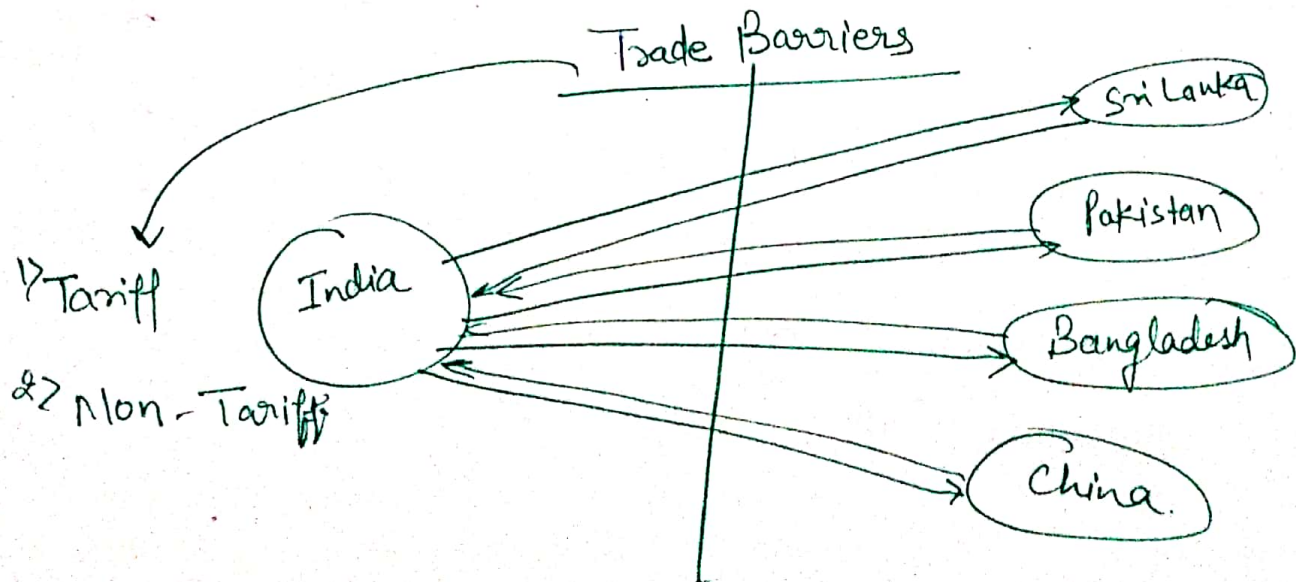
Its major recommendations —

- 1→ Strong bank should be merged and relatively weak banks and unviable banks should be closed.
- 2→ The country should have two or three banks with International orientation market, 8-10 National bank and a large number of local banks.
- 3→ The third tier bank should remain confined to smaller geographical areas. The first and second tier banks should take care of the needs of the corporate sector.
4. The committee recommended new and higher norm for capital adequacy.
5. Budgetary support for recapitalisation is not viable and should thus be ~~abandoned~~ abandoned.

6. The legal framework is not ~~credit~~ adequate for credit recovery. It should be strengthened.
7. There should be rationalisation of staff and branches.
8. Bring more private banks.
9. Foreign Bank may be allowed to setup subsidiary or joint venture in India.

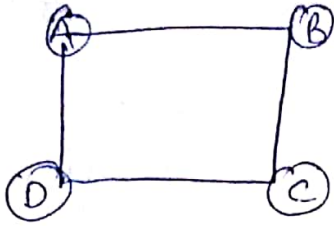
Economic Integration

- 1> Preferential Trade Agreement (PTA)
- 2> free trade Area / Agreement (FTA)
- 3> Custom Union
- 4> Common Market
- 5> Monetary Union
- 6> Complete Economic Integrations

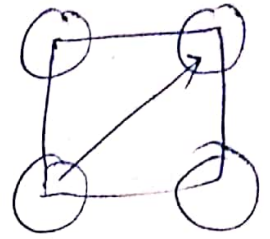


4

PTA (Preferential Trade Agreement)

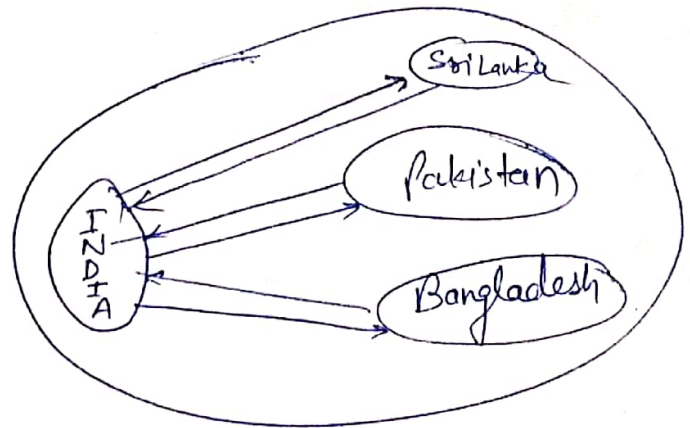


FTA



⇒ Custom Union

Example - European Union



⇒ Common Market

- Free Trade of Goods & Services
- Common External Tariff
- Free Movement of Capital and Labour.

⇒ Monetary Union

- Free Trade of Goods & Services
 - Common External Tariff
 - Free Movement of Capital and Labour.
 - Common Currency
 - Common Central Bank
 - Common Monetary Policy
- Example → Euro Zone

MSME

MSME Development Act 2006

	<u>Manufacturing</u>	<u>Services</u>
Micro	upto 25 Lakhs	upto 10 Lakh
Small	₹ 25 Lakh - ₹ 5 Crore	10 Lakh - ₹ 2 Crore
Medium	₹ 5 Crore - ₹ 10 Crore	₹ 2 Crore - ₹ 5 Cr.

⑥ Amendment (New Definition)

(Old)			✓ (Revised) New	
	Capital	Turnover	Capital	Turnover
<u>Micro</u> →	25 Lakh	10 Lakh	₹ 1 Crore	₹ 5 Crore
<u>Small</u> →	5 Crore	2 Crore	₹ 10 Crore	₹ 50 Crore
<u>Medium</u> →	10 Crore	5 Crore	₹ 50 Crore	₹ 250 Crore

Turnover with respect to exports will not be counted in the limits of turnover for any category of MSME units.

Index of Industrial Production (IIP)

The IIP is a composite indicator that measures the changes in the volume of production of a basket of industrial product during a given period with respect to the volume of production in a chosen base year. It is released every month by CSO (NSO).

Eight Core Industries

- | | |
|-----------------------|------------------------------|
| 1. Coal (10.33) | 4. Refinery Product (28.04)% |
| 2. Crude oil (8.98) | 5. Fertilizer (2.63)% |
| 3. Natural Gas (6.88) | 6. Steel (17.92) |
| | 7. Cement (5.4) |
| | 8. Electricity (19.9) |

Combined $\rightarrow (40.3 \%)$

Industrial Policy Resolution 1948



Industries (Development and Regulation) Act 1951



Industrial Policy 1956



New Industrial Policy 1991

The industrial policy since 1991 has been facilitating the industrial development. Industrial licensing has been abolished for most of the industries and there are only five industries at present where an Industrial licence is required because these industries are related to security, strategic and environmental concern.

1. Electronic Aerospace & Defence Equipment
2. Industrial explosives
3. Specified hazardous chemical
4. Cigars, Cigarette, tobacco & tobacco substitute
5. Alcoholic Drinks

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Consistent with the policy of liberalisation of domestic industry the no of industries have been reserved for public use.

At present only two industrial sector are reserve for public sector.

1. Atomic Energy
2. Railway operations

Make in India

September, 2014

- 1> New Process
- 2> New Infrastructure
- 3> New Sectors
- 4> New Mindset

Start-up Scheme

Stand up India Scheme

Agriculture

9

Share of GVA of agricultural & Allied sectors in
GVA of total Economy (Percent)

2014-15	—	18.2
2015-16	—	17.7
2016-17	—	17.9
2017-18	—	17.2
2018-19	—	16.1
2019-20	—	16.5

Agricultural ^{Allied} Sector Growth Rate at Constant
Prices (2011-12)

2013-14	→	5.6 %
2014-15	→	(-) 0.2 %
2015-16	→	0.6 %
2016-17	→	6.3 %
2017-18	→	5.0 %
2018-19	→	2.9 %
2019-20	→	2.8 %

MSP - Minimum Support Prices

Procurement Price

offer Price

food Subsidy

Govt - announces minimum support prices for 22 mandatory crop and fair & remunerative price for sugarcane. The union budget 2018-19 had announced predetermined principle to keep MSP at levels of one and half time of the cost of production.

Zero Budget Natural Farming in India

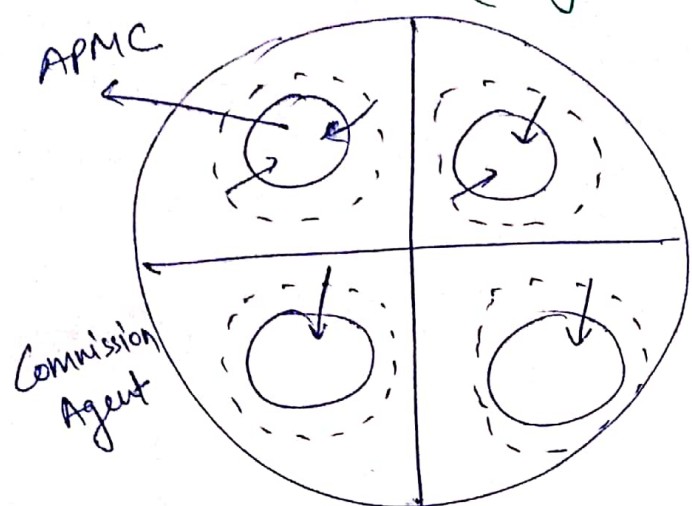
Zero Budget → without using any credit and without spending any money on purchased inputs.

Natural Farming → farming with Nature and without Chemicals.

* Note

(Mr Subhash Palekar, Karnataka)

APMC Act (Agricultural Produce Market Committee)



* Every state has their own APMC.

Agricultural Produce Market Committee is a legal market committee by the state Govt, which govern the trade of selected Agricultural Product, Horticultural Product etc. Under the agricultural produce Market Committee Act issued by the concern state Govt.

The objectives of APMC are—

- Ensure transparency in Pricing system
- Ensure payment to farmers on same day.
- fair trade etc.

The whole geographical area in the state is divided in each one is declared as a market area which is managed by the market Committee.

Once a particular area is declared as a market area and comes under the jurisdiction of

market committee, no person and committee is allowed to wholesale market activity.

APMC Act provides the first sale in the notified Agricultural commodities produced in that area can be conducted only under the concern APMC through its licence commission Agent and also subject to payments of various taxes and fees.

Issues with APMC

- Restricted direct sale
- Higher Taxes and fee
- Higher Commission charged by the commission Agent
- strong string barriers to other Mandis

Model APMC Act 2003

Salient features

- 1 → Setting up market in private and cooperative sector.
- 2 → Rationalisation of Market fees

- 3→ Promoting Contract Farming.
- 4→ Allow direct Market to farmer
- 5→ Grading and Standardization Bureau in each State and UTs

National Agricultural Market (NAM) or e-NAM

The Govt announced the e-trading platform for the National Agricultural Market on 14 April 2016.

NAM is a Pan-India electronic trading portal which connects the existing APMC and Market yard to create a unified national market for Agricultural commodity.

Initially 585 APMCs integrated with e-market which includes 16 states and 2 UTs.

If State want to link their Mandi's with e-NAM are required to carryout three marketing Reform in their APMC Act.

- 1→ A Single Point Levy
- 2→ Unified Trade Licence valid across all mandi of state.
- 3→ Promotion of e- Auction.

(14)

After carrying out reforms states are required to proposed their wholesale regulated market. for integration with e-NAM which are then considered by the Govt.

Benefits of e-NAM

- Operational Efficiency
- Transparency in Mandi operation
- More options for farmer for sale
- Larger market size for farmer
- Reduction in cost of trading
- Higher returns to farmer.

"Agricultural Marketing and farmer friendly Reform Index" by Niti Aayog (Oct, 2016)

3 factors

- 1 → Agricultural Market Reforms
- 2 → Land lease Reforms
- 3 → Reforms related to forestry on Private Land.

1. Maharashtra	} Position in Index.	J&K — (last in Index)
2. Gujarat		
3. Rajasthan		
4. M.P		
5. Haryana		

New Amendments

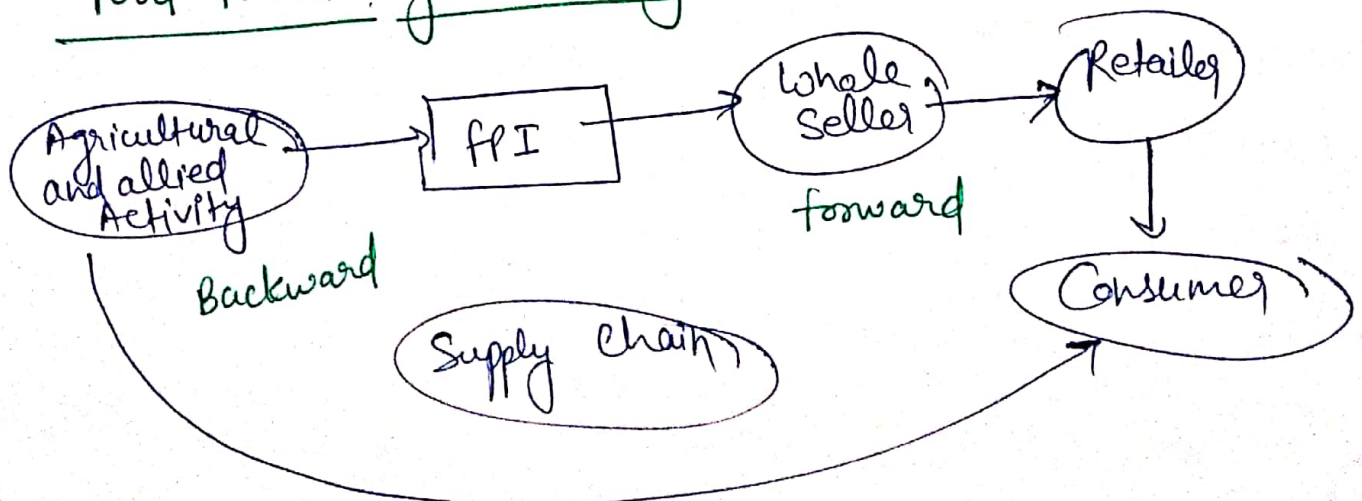
- 1> The farmer Produce Trade and Commerce (Promotion and facilitation) Amendment 2020
- 2> The farmers (Empowerment and Protection) Agreement of Price Assurance and farmer Series Amendment 2020
- 3> The Essential Commodities, Amendment 2020
 - Removed → Cereals, pulses, oilseeds, edible, oils, Onion, and Potatoes from the List.

PM-KISAN Scheme

(1; Dec - 2018)

Total Amount ₹ 6000 . Pay by Govt to farmer.

Food Processing Industry



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FPI defined as two ways

1 → Manufacture Process

2 → Value Added Process

* Manufacture Process

for any raw product belonging to Agriculture, animal husbandry, fisheries etc is transformed through a process involving employee, power, machine or money in a such way that its physical property under go a change and the transformed product is edible and has commercial value.

* Value Added Process

If there is a significant value addition by way of increased life of the product and ready for consumption, such products also comes under food processing even if they have not been subjected to any manufacturing process.

Public Distribution System (TPDS)
Food Security Act 2013