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ECONOMY

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1. BANKING AND MONETARY POLICY

1.1. BANKING REFORMS

1.1.1. BANK RECAPITALISATION PLAN

Why in news?

The Government of India has unveiled details of the bank recapitalisation plan for Public Sector Banks (PSBs) along with an overarching framework for the reforms agenda - **"Responsive and Responsible PSBs"** to ensure that this capital is effectively utilized towards faster economic growth.

More on news

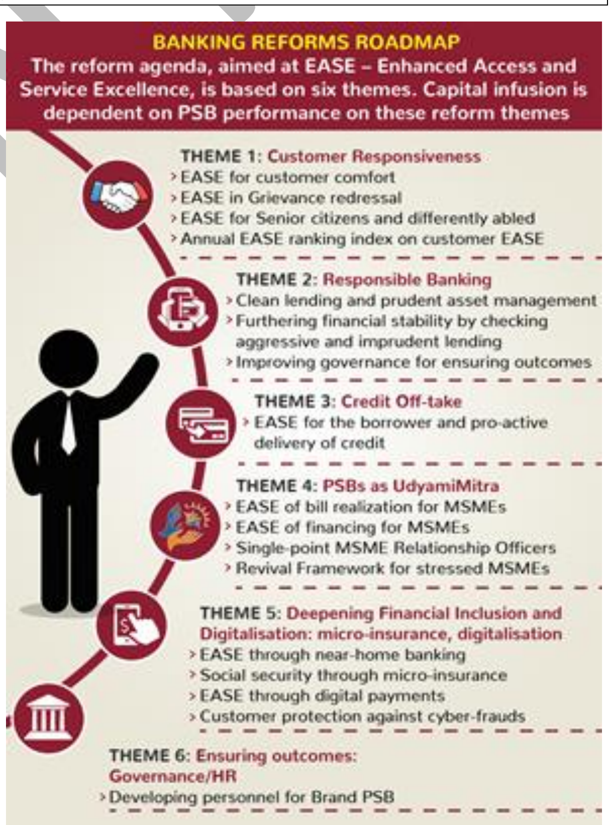
- Need for recapitalisation arises due to rising gross NPA of PSBs, capital need to meet Basel III standards.
- Government will infuse capital of Rs. 2 Lakh 11 thousand crores in PSBs. It has decided to infuse capital of around Rs 1 lakh crore via three modes: **Gross Budgetary Support (GBS): Rs 8,139 crore, Recap Bonds: Rs 80,000 crore, Market Raising: Rs 10,312 crore**
- The government divided banks into two catergories: **Non PCA banks and PCA banks** to infuse capital.

Prompt Corrective Action (PCA) framework is a supervisory tool which provides an opportunity to the **Reserve Bank of India** to pay focussed attention on banks by monitoring of certain performance indicators of the banks as an early warning exercise.

- RBI has set trigger points on the **basis of CRAR (ratio of a bank's capital to its risk, it is a metric to measure balance sheet strength)**, NPA and Return On Assets (ROA). Based on each trigger point, the banks have to follow a mandatory action plan.
- Apart from this, the RBI has discretionary action plans too.
- After the PCA is triggered, **banks are not allowed to re new or access costly deposits** or take steps to increase their fee-based income and are also not allowed to enter into new lines of business.
- The initiation of PCA is directly linked to the banks adhering to RBI's capital requirement rules under **the Basel-III guidelines**.

Basel III -is a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector.

- RBI aims to bring in all commercial banks by March 2019 under **Basel III norms**.
- In particular, Basel III increased minimum Common Equity Tier 1 capital from 4% to 4.5%, and minimum Tier 1 capital from 4% to 6%.
  - Banks' regulatory capital is divided into Tier 1 and Tier 2, while Tier 1 is subdivided into Common Equity Tier 1 and additional Tier 1 capital.
  - Common Equity Tier 1 capital includes equity instruments that have discretionary dividends and no maturity, while additional Tier 1 capital comprises securities that are subordinated to most subordinated debt, have no maturity, and their dividends can be cancelled at any time.
  - Tier 2 capital consists of unsecured subordinated debt with an original maturity of at least five years
  - It recommend Capital Adequacy ratio (CAR) be increased to 8 per cent internationally, while in India it is 9 per cent.



Recapitalisation Bonds Method

- It refers to using equity money in order to restructure an institution's debt.
- The bonds can be issued either directly by the government or through a holding company.

- The government will issue bonds to the banks for a share of the bank's Equity.
- The annual interest on these bonds and the principal on redemption will be paid by the central government.
- These bonds can be sold off by the banks in the market when in need of capital.

Implications of Issuance of Recapitalisation Bonds

- The government need not raise immediate tax revenues to fund the mounting bill on bank recapitalisation, which means less burden on the taxpayer.
- Borrowing directly from the banking system instead of the markets, the government can avoid crowding out private borrowings or distorting market yields.
- It will improve the Bank's asset-debt ratio thereby improving its equity rating in the stock market which is likely to attract its private shareholders.
- It will increase the government's debt liability by 0.8% of GDP (47.5% in FY17). However, with no extra government borrowing, the issuance of recapitalisation bonds is unlikely to be inflationary in nature.

INDRADHANUSH PLAN: an umbrella scheme for banking reforms which includes seven elements

- **Appointment**: Separating post of Chairman and Managing Director to bring more professionalism.
- **Bank Board Bureau:** a body of eminent professionals and officials, with various important functions like recommending for selection of heads, helping banks in developing strategies and plans, advising banks on strategies of consolidation, etc.
- **Capitalization:** by infusion of equity capital
- **De-stressing:** Strengthening Asset Reconstruction Companies and Establishment of six New debt recovery tribunals (DRCs) and creation of a Central Repository of Information on Large Credits (CRILC) by RBI to collect, store and disseminate credit data to banks.
- **Empowerment:** Non-interference in the functioning of public sector banks and encouraging them to take decisions independently; keeping the commercial interest of the organization in mind.
- **Framework for accountability**: through key performance indicators for state-run PSBs
- **Governance reforms: "Gyan Sangam"** a conclave of PSBs and Financial institutions attended by all major stake-holders.

1.1.2. NON-PERFORMING ASSETS

Why in news?

- RBI has also pointed out that agriculture Non-Performing Assets rose over 23 per cent from Rs. 48,800 crore in 2016 to Rs. 60,200 crore in 2017.
- Recently, Parliament has also passed Banking Regulation Act 2017 to amend the Banking Regulation Act, 1949. Under this act the RBI can issue directions to banks for initiating proceedings in case of a default in loan repayment. These proceedings would be under the Insolvency and Bankruptcy Code, 2016.

Reasons for growing NPAs in Agriculture Sector

- Increasing Rural Distress, Decreasing Landholding, Implications of Farm Loan Waiver (willful loan default by other), using Loan Amount for Non-farming Purposes and Depressed global prices for farm commodities.

To address the challenge of NPAs, Economic Survey had recommended four R's: **Recognition, Recapitalization, Resolution, and Reform**.

A larger chunk of NPAs is concentrated in the Public Sector Banks.

Non-Performing Assets

RBI classified stressed assests on the basis of time period such as;

- **NPA:** the assets on which Interest/ Principle overdue for period of 90 days (not applicable for agricultural loans)
  - A agricultural loan granted for short duration crops will be treated as NPA if the installment of principal or interest thereon remains overdue for two crop seasons. For longer duration crops, it is one crop season.
- **Sub-standard assets:** Assets which has remained NPA for a period less than or equal to 12 months.
- **Doubtful assets:** An asset would be classified as doubtful if it has remained in the substandard category for a period of 12 months.
- **Loss assets:** As per RBI, Loss asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted, although there may be some salvage or recovery value.

- **Special Mentioned accounts:** SMAs are those standard accounts which show earlier sign to fall between the Standard and Sub Standard (NPA) category.

1.1.3. INSOLVENCY AND BANKRUPTCY CODE

Why in News?

National e-Governance Services Ltd (NeSL) became **India's first information utility** (IU) for bankruptcy cases under the Insolvency and Bankruptcy Code 2016.

What is information utility?

- It is an information network which would store financial data like borrowings, default and security interests etc. of firms.
- It is mandatory for financial creditors to provide financial information to the information utility. Hence, database and records maintained by them would help lenders in taking informed decisions about credit transactions.
- Information available with the utility can be used as evidence in bankruptcy cases before the National Company Law Tribunal.

Insolvency and Bankruptcy Code, 2016 (IBC)

It provides for:

- Clear, coherent and speedy process for **early identification of financial distress** and resolution of companies and limited liability entities if the underlying business is found to be viable.
- **Debt Recovery Tribunal** to act as adjudicating authority and deal with the cases related to insolvency, liquidation and bankruptcy process in respect of individuals unlimited partnership firms **and National Company Law Tribunal** in respect of companies and limited liabilities entities.
- Establishment of an **Insolvency and Bankruptcy Board of India** to exercise regulatory oversight over **insolvency professionals, insolvency professional agencies and information utilities**.
- Enabling provisions to deal with cross border insolvency.

1.1.4. LINKING SWIFT TO CORE BANKING

Why in news?

- The Reserve Bank of India has directed banks to link the **SWIFT** with the **core banking solutions (CBS)** of banks by April 30 as the failure of SWIFT-CBS link led to recent fraud at PNB.

Details

- **Letters of undertakings** (LoUs) from a PNB branch in Mumbai were taken to secure overseas credit from other Indian lenders.
  - LoU is a letter of assurance or guarantee issued by one bank to branches of other banks to meet a liability on behalf of an importer, based on which foreign branches offer credit to buyers.
- **Core banking solution (CBS):** It is a back-end system that processes daily banking transactions and posts updates to accounts and other financial records.
  - It allows customers to manage their accounts and use various banking facilities from any part of the world. In simple term, there is no need to visit your own branch to do banking transactions.
  - **e-Kuber** is the CBS of Reserve Bank of India. It provides the provision of a single current account for each bank across the country, with decentralised access to this account from anywhere-anytime using portal based services in a safe manner.
- **SWIFT (Society for World Interbank Financial Telecommunication System platform),** promoted in 1973 by banks globally, is used to transmit messages relating to cross border financial transactions. It enables secure, seamless and automated financial communication between users.
  - On receiving message through SWIFT, banks abroad (mostly branches of Indian banks) especially in the case of Indian firms provide funds to them.
  - This credit which is against import documents is normally for 90 days and this facility is used regularly especially by companies which are in the business of **gold, gems and jewellery.**
  - Companies take recourse to this form of funding as the costs of raising money overseas are relatively lower compared to rupee funding.
  - This is essentially a short term foreign currency loan on which banks charge 60 to 90 basis points over the **LIBOR**.

LIBOR (London Interbank Offer Rate)

- It is the global reference rate for unsecured short-term borrowing in the interbank market.
- It acts as a benchmark for short-term interest rates. It is used for pricing of interest rate swaps, currency rate swaps as well as mortgages.
- It is an indicator of the health of the financial system and provides an idea of the trajectory of impending policy rates of central banks.
- The Indian equivalent is known as **The Mumbai Inter-Bank Offer Rate (MIBOR).**

1.1.5. RBI WITHDRAWS SDR, S4A

Why in news?

Recently, RBI has withdrawn various schemes which were launched to resolve the problem of bad loans.

More on news

- With the enactment of the Insolvency and Bankruptcy Code, 2016 (IBC), RBI decided to substitute the existing guidelines with a harmonised and simplified generic framework for resolution of stressed assets.
- Schemes withdrawn:
  - Strategic Debt Restructuring Scheme
  - Scheme for Sustainable Structuring of Stressed Assets (S4A)
  - Corporate Debt Restructuring Scheme
  - Joint Lenders' Forum (JLF)
  - Flexible Structuring of Existing Long-Term Project Loans or 5/25 refinancing.

1.1.6. BRANCH AUTHORISATION POLICY

Why in News?

The **Reserve Bank of India (RBI)** recently relaxed the branch authorization policy.

Provisions of the revised policy

- It aims to bring all branches and **fixed business correspondent outlets** under the definition of banking outlets
- Banking outlet is a **manned service delivery point** which is open for **at least four hours a day for at least five days a week**. It should also provide services such as deposits, encashing cheques, cash withdrawal and lending.
- It is mandated that banks open **25% of these outlets in unbanked rural centres (URC)**.

Business Correspondent/ Bank Saathi

- They are individuals/entities engaged, and works as an agent of the bank for banking services at locations other than a bank branch/ATM.
- **Functions of BCs include;** identification of borrowers, loan processing, creating awareness benefit of banking and finance, 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/ receipt and delivery of small value remittances/ other payment instruments.
- All business correspondents (BCs) or representative of any one particular bank can conduct business for **other banks** as well.

1.1.7. LINKING BANK LENDING RATES TO EXTERNAL BENCHMARK

Why in News?

- A five members panel of RBI headed by **Dr. Janak Raj** has recommended linking the bank lending rates to a market benchmark in order to hasten the monetary policy transmission.

- **Base Rate:** It is the minimum interest rate at which a bank can lend. It is calculated according to the RBI guidelines. It differs from one bank to another.

- **Cash Reserve Ratio: Cash reserve Ratio (CRR)** is the amount of funds that the banks have to keep with the RBI. If the central bank decides to increase the CRR, the available amount with the banks comes down.
- **Repo rate:** It is the rate at which banks borrow money from the RBI against the pledge of government securities.
- **Reverse Repo Rate: Reverse Repo rate** is the rate at which the **RBI** borrows money from commercial banks.

Background

- Currently, the banking lending rates are determined by the **MCLR or marginal cost of funds lending rate introduced in 2016.**
- The marginal cost of funds based lending rate (MCLR) refers to the minimum interest rate of a bank below which it cannot lend, except in some cases allowed by the RBI. Thus, it is an internal benchmark or reference rate for the bank.
- It aims is to **improve the transmission of policy rates** into the lending rates of banks and bring transparency in the methodology followed by banks for determining interest rates on advances
- MCLR replaced the base rate system (introduced in 2010).
- Both the base rate and the MCLR were internally determined by the banks themselves. However, the major difference between the two was that calculation of base rate was done as the bank saw fit while MCLR was to be calculated through a set formula.

1.1.8. CONSOLIDATION OF PUBLIC SECTOR BANKS

Why in news?

- The government is working on the consolidation of public sector banks with a view to creating 3-4 global-sized banks and reduces the number of state-owned bank from 21 to about 10-12.
- Significance of the Move:
  - Impact on cost cutting and acquiring efficiency in wake of rising NPAs.
  - Facilitate resources diversion to other underserved segments.
  - Better diversification of risks and stronger overall profitability contributing to higher credit ratings.
  - Could cater for the massive credit requirements of the growing economy, absorb shocks and have the capacity to raise resources without depending unduly on the state exchequer.

Narsihman Committee Report 1991 recommends:

- Merger of public sector banks to make them stronger.
- It had envisaged a three-tier banking structure with three large banks with international presence at the top, eight to 10 national banks at tier two, and a large number of regional and local banks at the bottom.
- Factors like regional balance, geographical reach, financial burden and smooth human resource transition have to be looked into while taking a merger decision.

1.1.9. FINANCIAL RESOLUTION AND DEPOSIT INSURANCE (FRDI) BILL 2017

Why in News?

- Recently, cabinet has approved the Financial Resolution and Deposit Insurance bill 2017.

Key Provisions of FRDI bill

- The Bill will apply to banks, insurance companies, stock exchanges, depositories, payment systems, non-banking financial companies, and their parent companies.
- It seeks to establish a **Resolution Corporation (RC)** by **replacing** the existing Deposit Insurance and Credit Guarantee Corporation (DICGC).
- RC will **monitor the financial firms** against market failure and also provide deposit insurance up to a certain limit, in case of bank failure.
- It provides **resolution instruments** such as merger and sale, **bail-in, bridge institution, and run-off entity** for insurance.
- It is also specified that bail-in clause will be used only if the creditor has given the **consent** for it and there is a **provision for compensation** in case of failure of adherence to the norms.

Bail-In Clause: Under bail-in, the Resolution Corporation can internally restructure the firm's debt by: (i) cancelling liabilities that the firm owes to its creditors, or (ii) converting its liabilities into any other instrument (e.g., converting debt into equity).

It is different from Bail-out where public funds are used to inject capital into an ailing company.

Bridge institution – It is a bridge service provider, a company limited by shares, created by the corporation for the purpose of resolving a specified service provider.

Run-off entity – An insurance entity under resolution is classified as run-off entity to allow the present insurance policies to run to their expiration dates.

1.2. RESERVE BANK OF INDIA

Why in news?

- RBI surplus sum transferred from earning during 2016-17 was less than half of previous year due to the amount transferred to the Contingency Fund of RBI.

Contingency Fund

- It is **maintained by RBI** to overcome unforeseen contingencies such as Black Swan events – the collapse of Lehman Bank in USA or any other bank which may endanger economic stability of the bank.
- It also acts as **cushion against events** such as unprecedented forex and gold fluctuations or other valuation losses in bond holdings etc.

RBI and its functions

- It was established in 1935 under the provisions of **RBI Act, 1934.**
- RBI has seven major functions:
    - **Print Notes**: RBI has the sole autonomy to print notes. GoI has the sole authority to mint coins and one rupee notes.
    - **Banker to the Government:** It manages government's deposit accounts. It also represents govt. as a member of the IMF and World Bank.
    - **Custodian of** Commercial Bank Deposits and Regulation and supervision of the banking and non-banking financial institutions, including credit information companies.
    - Custodian to Country's **Foreign Currency Reserves** and management of **Current and Capital accounts.**
    - **Lender of Last Resort:** Commercial banks come to RBI for their monetary needs in case of emergency.
    - **Central Clearance and Accounts Settlement:** As RBI keeps cash reserves from commercial banks therefore it rediscounts their bills of exchange easily.
    - **Credit Control:** It controls supply of money in the economy through its monetary policy.
- The power to appoint RBI Governor solely rest with the Central Govt. and he holds office **at the pleasure** of Central Government (tenure not exceeding 5 years).

Monetary Policy Committee

- It is a 6-member committee to decide **key policy rates.**
- It will have three members from RBI. They are the **governor, deputy governor and another officer.**
- 3 members will be decided by the centre based on the recommendations of a panel headed by the **Cabinet Secretary**.
- The **RBI governor** will have a **vote in case of a tie**.

1.3. DIFFERENTIATED BANKS

Why in news?

- Recently, Aditya Birla Idea Payments Bank (ABIPBL), has commenced operations as a payments bank.

What are Differentiated Banks?

- The Banks which could be differentiated on the account of capital requirement, scope of activities and serve the needs of a **certain demographic segment** of the population are called as Differentiated Bank or Niche banks.

Features of PAYMENT and Small FINANCE BANK

	Payment Banks	Small Finance Bank
Capital	Minimum paid-up capital is Rs.100 crore.	Minimum paid-up capital is Rs.100 crore.
Deposit Account	Yes	Yes
Fixed Account/ Recurring Deposit	No	Yes
Customer	Small businesses and low-income households.	Small and marginal farmers, micro and small industries, and un-organized sector entities.
Loans	No	Yes
Cash Reserve Ration/ Statuary Liquidity ration	Yes	Yes
Priority Sector lending Norms	-NA-	Yes (75 per cent of its Adjusted Net Bank Credit (ANBC))
Other Services	Offer remittance services, sell insurance and mutual funds, offer internet banking, and issue ATM/debit cards. (no credit card)	Offers remittance, access to ATMs/ POS terminals

- The idea of Differentiated Bank was mooted by Nachiket More Committee 2014, **for Financial Inclusion.**
- It can be classified as Payment Banks, Small Finance Banks, Regional Rural Banks, Local Area Banks wholesale and long-term finance (WLTF) banks etc.
- **Wholesale and long-term finance ba**nks focused primarily on lending to infrastructure sector and small, medium and corporate businesses.

1.4. DOMESTIC SYSTEMATICALLY IMPORTANT BANK

- Recently RBI listed HDFC as Domestic – Systematically Important Bank (DSIB) under the bucket structure identified last year.

What are Domestic- Systematically Important Banks (DSIBs)?

- DSIBs are also referred to as **"Too Big To Fail" (TBTF**) because of their size, cross-jurisdictional activities, complexity and lack of substitute and interconnection.
- Banks whose assets cross **2% of the GDP** are considered DSIBs. If these banks fail, they can have a disruptive effect on the economy.
- D-SIBs are categorised under **five buckets**. According to these buckets the banks have to keep aside the **Additional Common Equity Teir 1 as a percentage of Risk Weighted Assets (RWAs).**
- D-SIBs are closely monitored by the central bank to ensure their better functioning and prevent the indulgence of such banks in any grey areas such as money laundering etc.
- They are domestically identified by Central Banks of a country and globally by **BASEL committee on banking supervision**.

1.5. PRIORITY SECTOR LENDING NORMS

Why in News?

- Recently, RBI has revamped PSL norms for MSMEs.

Banks	**PSL Norms**
Domestic scheduled commercial banks and Foreign banks with 20 branches and above	40 percent of Adjusted Net Bank Credit or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher.
Foreign banks with less than 20 branches	40 percent of Adjust Net Bank Credit or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher; to be achieved in a phased manner by 2020.

About Priority Sector

- It refers to those sectors of the economy which may not get timely and adequate credit in the absence of this special dispensation.
- Categories under priority sector: 1. Agriculture, 2. Micro, Small and Medium Enterprises; 3. Export Credit; 4. Education; 5. Housing; 6. Social Infrastructure; 7. Renewable Energy; and 8. Others
- From now on, all loans to micro small and medium enterprises (MSME) will henceforth qualify as priority sector lending against the earlier criteria of loans up to 10 Cr.
- Moreover, RBI allows trading in **Priority Sector Lending Certificates** (PSLCs) whereby banks can buy and sell such credits to manage their priority sector lending requirements.

What are PSLCs?

- They are **tradable certificates** issued against priority sector loans of banks so as to enable banks to achieve their specified target and sub-targets for priority sector lending in the event of a shortfall.
- All Scheduled Commercial Banks (including Regional Rural Banks), Urban Co-operative Banks, Small Finance Banks (when they become operational) and Local Area Banks are eligible for PSLC trading.

1.6. PUBLIC CREDIT REGISTRY

Why in news?

- RBI has constituted a high-level task force on Public Credit Registry for India.

Public Credit Registry

- Public Credit Registry is a **database of credit information** which is accessible by all the stakeholders. It generally captures all the relevant information in one large database on the borrower.

- It will be **managed by a public authority** as RBI and the lenders will have to **mandatorily report the loan** details.
- PCR will assist RBI in
  - Credit assessment and pricing by the bank
  - Risk-based, countercyclical and dynamic provisioning of bank
  - Supervision and early intervention by regulator
  - Understanding the transmission of monetary policy working and its bottlenecks.
  - Restructuring the stressed bank credit.

1.7. ATM

Why in news?

The latest RBI figures reveal that the number of ATMs in rural areas has shrunk by a little over 1,000 in the past year — between the quarter ending September 2016 and September 2017.

Types of ATM

- **White-label ATMs:** owned and operated to increase the geographical spread of ATMs and enhance financial inclusion.
- **Bank ATM**: owned and operated by the respective bank.
- **Brown Label ATM:** banks outsource the ATM operations to a third party. They have logo of the bank.

1.8. NON-BANKING FINANCIAL COMPANIES

1.8.1. THE OMBUDSMAN SCHEME FOR NBFCS

Why in News?

The Reserve Bank of India (RBI) has recently launched the Ombudsman Scheme for Non-Banking Financial Companies (NBFC).

About Banking Ombudsman Scheme 2006

- The Banking Ombudsman is a **quasi-judicial authority** appointed by the Reserve Bank of India
- It aims to provide a cost-effective grievance redressal mechanism to customers for deficiency in certain banking services.
- All Scheduled Commercial Banks, Regional Rural Banks and Scheduled Primary Co-operative Banks are covered under the Scheme.
- The complaint has to be first filed in the respective banks before approaching Ombudsman.

Recent Changes in the Scheme

- Reserve Bank of India has also widened the scope of Banking Ombudsman Scheme to bring mobile banking and electronic banking issues within its purview.
- Banks will be responsible for the deficiencies arising out of sale of insurance, mutual fund other third party investment products that banks sell but were not earlier held responsible.
- The pecuniary jurisdiction of the banking ombudsman to pass a judgement has been increased to INR 20 lakhs.
- Ombudsman can award compensation of upto INR 1 lakh to the complainant for loss of time, expenses incurred as also, harassment and mental anguish suffered.

About scheme

- It would provide a **cost-free and expeditious complaint redressal mechanism** relating to deficiency in the services by NBFCs covered under the scheme.
- To begin with, the Scheme will cover **all deposit-taking NBFCs**. Based on the experience gained, the RBI would extend the scheme to cover NBFCs having asset size of Rs. 1 Billion & above with customer interface.
- One or more officers at the RBI **not below the rank of General Manager**, may be appointed as ombudsman for **tenure of 3 years**.
- **Powers of ombudsman** to call for information from concerned NBFC and power to award compensation not exceeding 1 lakh rupees.
- The complainant/ NBFC has the **option to appeal** against the decision of the Ombudsman before the Appellate Authority.

What is NBFC?

- An NBFC is a company registered under the Companies Act, 1956 engaged in the business of loans and advances, acquisition of securities issued by Government, insurance business, chit business etc. but does not include any institution whose principal business is that of agriculture activity, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of immovable property.
- They are regulated by and are registered with RBI under Section 45-IA of the RBI Act, 1934.
- **Difference between banks & NBFCs**
- NBFCs cannot accept demand deposits;

- NBFCs do not form part of the payment and settlement system and cannot issue cheques drawn on itself;
- Deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is not available to depositors of NBFCs, unlike in case of banks.

1.8.2. PEER TO PEER (P2P) LENDING

Why in News?

- After classifying **peer to peer lending as non-banking financial companies (NBFCs)**, the RBI recently introduced rules and mechanism for them to follow.

About P2P

- Peer to peer lending **refers to a crowd-funding platform (mostly online)** where people looking to invest and people in need of borrowing come together.
- Till now, P2P companies were registered under the Companies Act.
- Such companies **follow a reverse auction process** that lenders bid for borrower's proposal and the borrower is free to choose whether or not to borrow.

RBI Regulation on P2P

- P2P lending **will get access to credit bureaus** and will have to share loan related data with it.
- P2P platforms will also have to **mandatorily share** the borrower's credit information.
- P2P platforms (being NBFCs) can **now pursue cheque bounce** (P2P loan recovery works through post-dated cheques) cases in court.
- P2P platforms also need to put a **proper grievance mechanism** in place and appoint a nodal officer.

1.9. INFLATION MEASUREMENT

Why in News?

- The **CSO** and the **Department of Industrial Policy and Promotion (DIPP)** has shifted to 2011-12 base year from 2004-05 base year for IIP and WPI respectively.
- Base year revised in line with the recommendations of the **Saumitra Chaudhari Committee.**

Related news

- The WPI will now be calculated **based on geometric mean** rather than the earlier on **arithmetic mean.** CPI is calculated on geometric mean.
- **Indirect Taxes have been left out of WPI** in order to remove the impact of fiscal policy.
- 149 items have been added to the IIP and 124 items has been deleted.

	WPI	CPI
Released by	Department of Industrial Policy and Promotion	Central Statistics Office (CSO)
Base year	2011-2012	2011-2012
Components (descending order of Weight)	Manufacturing (Metal Food, chemical)> Primary Articles> Fuel and Power	Food, beverages, tobacco> Health-education> Fuel, light
CPI is used in measurement of Core Inflation (excluding Food and Fuel component).		

Other Indexes

Producer Price Index (PPI) :measures the average change in the **prices of both goods and services,** either as they leave the place of production called Output PPI or as they enter the production process called Input PPI.

- It contrasts with other measures such as the Consumer Price Index (CPI) which measures changes in prices from buyers or consumers perspective.

Index of Industrial Production released **by CSO** is a composite indicator that measures the short-term **changes in the volume of production** of a basket of industrial products during a given period with respect to the **base year 2011-12**

- **Sectoral Composition of the IIP in decreasing order of weight:** Manufacturing> Mining>Electricity

Index of Eight Core Industries

- The Eight Core Industries comprise 40.27 % of the weight of items included in the Index of Industrial Production (IIP).
- It comprises of eight industries as follows;
  - **Refinery Products** (weight: 28.04%**),**
  - **Electricity** (weight: 19.85%),
  - **Steel** (weight: 17.92%),
  - **Coal** (weight: 10.33%)
  - **Crude Oil** (weight: 8.98 %),
  - **Natural Gas** (weight: 6.88 %)
  - **Cement** (weight: 5.37%)
  - **Fertilizer** (weight: 2.63 %).

1.10. MERCHANT DISCOUNT RATE

Why in news?

Recently cabinet approved subsidizing Merchant Discount Rate (MDR) on debit card/ BHIM UPI/AePS Transactions upto Rs. 2000 which will be **borne by government** for a period of two year w.e.f. January 1 2018.

What is MDR?

- It is a charge which the merchants pay to the bank for accepting payments from customers through debit card in their establishment. It compensates the card issuing bank for facilitating for point of sale (PoS) transactions and payment gateway such as Mastercard and Visa.
- RBI specifies the Maximum MDR charges that can be levied on every card transaction.

National Payment Corporation of India and its initiatives

- It 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).
- It has been incorporated as a "Not for Profit" Company under the now Section 8 of Companies Act 2013.
- It has launched various initiatives:
  - **Unified Payments Interface (UPI)** a payment system that allows money transfer between any two bank accounts by using a smartphone. UPI allows a customer to pay directly from a bank account to different merchants, both online and offline, without the hassle of typing credit card details, IFSC code, or net banking/wallet passwords.
  - **Bharat Interface for Money (BHIM)**: an app for bank-to-bank payments and to pay and collect money using virtual payment address (UPI ID).
  - **AePS** is a bank led model which allows online interoperable financial inclusion transaction at PoS (MicroATM) through the Business correspondent of any bank using the Aadhaar authentication.
  - **Bharat QR code &**
  - **RuPay Card**

1.11. CHIT FUNDS (AMENDMENT) BILL, 2018

The Bill makes amendments to the Chit Funds Act, 1982, to facilitate orderly growth of the Chit Funds sector and remove bottlenecks being faced by the Chit Funds industry, thereby enabling greater financial access of people to other financial products.

Chit fund

- A chit fund is a type of saving scheme where a specified number of subscribers contribute payments in installment over a defined period.
- Each subscriber is entitled to a prize amount determined by lot, auction or tender depending on the nature of the chit fund. Typically the prize amount is the entire pool of contribution minus a discount which is redistributed to subscribers as a dividend.
- **Regulation:** being part of the Concurrent List of the Indian Constitution; both the centre and state can frame legislation regarding chit funds.
- RBI does not regulate the chit fund business. However, RBI can provide guidance to state governments on regulatory aspects like creating rules or exempting certain chit funds.
- SEBI regulates collective investment schemes. However, the **SEBI Act specifically excludes chit funds**.

Ponzi Scheme

- It is a fraudulent investing scam promising high rates of return with little risk to investors. The Ponzi scheme generates returns for older investors by acquiring new investors. Eventually there isn't enough money to go around, and the schemes unravel.

2. FINANCIAL MARKET

2.1. FINANCIAL MARKET INSTRUMENTS

2.1.1. QUALIFIED INSTITUTIONAL PLACEMENT (QIP)

Why in News?

- Recently, SBI raised Rs. 15000 cr. through Qualified Institutional Placement.

What is QIP?

- A QIP is a **capital raising tool** wherein a listed company can issue equity shares, fully and partly convertible debentures, or any security (other than warrants) that is convertible to equity shares.
- QIP can be classified as a method of private placement, apart from Public issue, Rights issue, and Bonus Placement.
- **Components of QIP:** mutual funds, domestic financial institutions such as banks and insurance companies, venture capital funds, foreign institutional investors.
- **SEBI suggested** that there should be at least two QIBs if the issue size is less than Rs.250 crore, and at least five investors if the size is more than Rs.250 crore. A single investor cannot be allotted more than 50% of the issue.

Other methods of raising Capital

- **Public Issue:** It is the offer of shares/securities to **new investors.** It can be further classified into:
  - **Initial public offer (IPO):** When an unlisted company makes either a fresh issue of shares or convertible securities or offers its existing shares or convertible securities for sale or both for the first time to the public.
  - **Further public offer (FPO):** when already listed company make the fresh issue of security.
- **Right Issue:** when the issue of share is only to existing shareholders in proportion to shares held by them.
- **Composite Issue:** wherein the allotment in both public issue and rights issue is proposed to be made simultaneously.
- **Bonus Issue:** It is issued without any consideration based on the number of shares already held by shareholders.
- **Private Placement:** When securities are issued to a select group of persons not exceeding 49, and which is neither a rights issue nor a public issue. It is of three types:
  - **Preferential allotment**: when allotment of securities/shares is done on a preferential basis to a select group of investors.
  - **Institutional Placement Programme (IPP)**: in which the offer, allocation and allotment of such securities is made only to qualified institutional buyers.
  - **Qualified Institutional Placement**

2.1.2. MASALA BONDS

Why in news?

- The Union Minister of Road Transport & Highways and Shipping launched the **NHAI Masala Bond (National Highways Authority of India)** issue at the **London Stock Exchange.**
- Moreover, RBI has allowed the Non-Banking Finance Companies (NBFCs) to sell the Masala Bond to foreign investors abroad.

What is a Bond?

- It is a debt instrument in which an investor loans money to an entity (typically corporate or governmental) which borrows the funds for a defined period of time at a variable or fixed interest rate.

Maharaja Bond: It is rupee-denominated bond launched by IFC for issuances in India's domestic capital markets.

What are masala bonds?

- They **are rupee-denominated bonds** issued by **Indian entities in the overseas market** to raise funds.
- As of now, it is being traded only at the London Stock exchange.
- Masala bonds have been named so by the **International Finance Corporation (IFC)**, an **investment arm of the World Bank** which issued these bonds to raise money for infrastructure projects in India.
- They protect investors from exchange rate fluctuations as opposed to external commercial borrowing (ECB) that have to be raised and repaid in dollar.

2.1.3. GREEN BOND

Why in News?

- Recently, **India INX** has listed Indian Railways Finance Corporation's (IRFC) first green bond on its global securities market (GSM).
- It also became the first debt security to be listed on an exchange at **IFSC in Gujarat's GIFT city**.

IRFC
- It is a dedicated financing arm of the Indian Railways for mobilizing funds from domestic as well as overseas Capital Markets.
- It is a **Schedule 'A' Public Sector Enterprise** and registered as Systemically Important Non–Deposit taking Non-Banking Financial Company and Infrastructure Finance Company with Reserve Bank of India (RBI).

India's International Stock Exchange (India INX)
- It is a **subsidiary of Bombay Stock Exchange** which is India's first international exchange at the International Financial Service Centre (IFSC) of GIFT (Gujarat International Financial Tech) City.
- India INXs Global Securities Market (GSM) is India's first debt listing platform which allows fund raising in any currency.

What are Green Bonds?

- It is a debt instrument issued by an entity for raising funds from investors **for financing 'green' projects**, such as renewable energy, low carbon transport, sustainable water management, climate change adaptation, energy efficiency, sustainable waste management, biodiversity conservation etc.
- The first ever green bond was issued by multilateral institutions (European Investment Bank and World Bank) in 2007.
- The first green bond in India was issued by Yes Bank in 2015.
- **Masala green bonds** have also been issued by Indian entities.
- SEBI recently released issuer guidelines for green bonds making it mandatory for issuers to disclose **environmental objectives of issuance of such securities and the projects ear-marked for the same.**
- **They can help in achieving INDC** by 2030 and 175 gigawatt of renewable energy capacity by 2022 which require huge investments.

Rural Electrification Corporation's first green bond has opened for trading at the **London Stock Exchange.** It is a **Climate Bonds Initiative** certified green bond (a **non-profit** international organisation that mobilizes debt capital markets for climate friendly projects and initiatives)

Rural Electrification Corporation
- Established in 1969, it is a **Navratna company** under the **Ministry of Power.**
- A navratna company is one which can **invest up to Rs. 1000 crore without prior government approval**.
- It is also the **nodal agency for the implementation of DDUGJY (Deen Dayal Upadhyay Gram Jyoti Yojana) and contributing agency for rolling out UDAY (Ujjwal Discom Assurance Yojana).**

Initiative to promote Green Bond

- **Indian Green Bonds Council**, formed in 2017 as a joint project of the federation of Indian Chambers of Commerce Industry (FICCI) and the Climate Bonds Initiative, to build the country's green debt markets.
- **Green Infrastructure Investment Coalition (GIIC)** launched at COP-21 of UN Climate Conference, aims to provide a platform for investors, development banks and advisors for countries to be able to tap when seeking finance for green infrastructure.

2.1.4. BHARAT-22

Why in news?

Government of India is set to launch its second ETF (Exchange Traded Fund) **Bharat 22** which will comprise 22 stocks including those of central public sector enterprises (CPSEs), public sector banks and GOI's holdings under the Specified Undertaking of Unit Trust of India (SUUTI).

What is an ETF?
- Exchange Traded Funds are index funds that offer the security of a fund and liquidity of stock.
- Much like index funds they mirror the index, commodity, bonds or basket of assets.
- Their price changes daily as they are traded throughout the day.

About Bharat 22

- The ETF will have a diversified portfolio of companies from six sectors (Basic Materials, Energy, Finance, FMCG, Industrials and Utilities).
- The new ETF will help government sell equity stakes in state-run firms and also help in achieving its objective to raise Rs. 72,500 crore through disinvestment in the current financial year.

2.1.5. COMMODITY OPTIONS

Why in News?

- Reccntly, the Securities and Exchange Board of India (SEBI) has allowed commodity exchanges to introduce options trading for commodities which register high trade volumes.
- **Gold options were launched for the first time** in India on Multi Commodity Exchange (MCX) becoming the first commodity that the SEBI has approved for options trading in 14 years.
- The **National Commodity and Derivatives Exchange Ltd.** unveiled India's first agri-commodity option in guar seed designed **as a hedge for farmers to safeguard their price risk.**

- **Options**: are **derivative contracts** (which derive its value from some other asset e.g. Stock Options or Commodity Options) that give the buyer the right but not the obligation to buy or sell a specific asset at a specified price in future.
- **Call Option:** A Call is an options contract that gives the buyer the right to buy the underlying asset at the strike price at any time up to the expiration date
- **Put Option:** A put option is an option contract giving the owner the right, but not the obligation, to sell a specified amount of an underlying security at a specified price within a specified time.

Difference between Options and Futures

- Under both futures and options, an investor enters into a contract to buy (or sell) an asset at a pre-determined price within a certain time frame.
- However, under a future, an investor is obligated to buy or sell (as the case maybe) within the time frame while under options, he has the option not to.

- Guar is a rain-fed legume crop whose processed gum is used in the food and fracking industry.
- India accounts for 80-85% of the total global guar production.

2.1.6. SOVEREIGN GOLD BOND SCHEME

Why in news?

- The government released Sovereign Gold Bonds (SGBs) 2017-18 – Series-III.

What are Sovereign Gold Bonds?

- SGBs are government securities denominated in grams of gold, issued by RBI.
- They are substitutes for holding physical gold. Investors have to pay the issue price in cash and the bonds will be redeemed in cash on maturity.
- Gold bonds are tradable on the stock exchange and can be held in both physical and dematerialised form.
- It will indirectly reduce the current account deficit by curtailing the demand through gold import.
- These bonds carry **sovereign guarantee both on the capital invested and the interest.**
- They carry a **fixed interest rate of 2.50% per annum.**
- Only resident Indians can invest in SGBs for a minimum of 1 g and maximum of 500 grams per year.
- Investments in such bonds by banks will be counted in calculation in **SLR (Statutory Liquidity Ratio).**

Similar Initiatives for Gold Market

- Indian Government is working on creating a local physical spot-gold exchange with the help of World Gold Council (WGC).

World Gold Council

- It is a market development organization for the gold industry based in United Kingdom.
- Its aim is to stimulate and sustain demand for gold, provide industry leadership and be the global authority on the gold market.
- It also helps countries develop gold standards and hallmarks for gold.

2.1.7. P-NOTES NORMS

Why in News?

- Recently, SEBI has released a consultation paper on P-Notes planning to further tighten the norms for the issuance of Offshore Derivative Instruments (ODIs)/P-Notes.

P-Notes/Overseas Derivative Instruments

- P-Notes or Participatory Notes are Overseas Derivative Instruments that have Indian stocks as their underlying assets. They allow foreign investors to buy stocks listed on Indian exchanges without being registered.
- About 6% of the total foreign investment in Indian stocks and equity instruments is from P-Notes.
- Sebi has taken a number of steps to tighten rules on P-Notes such as introducing KYC norms for FIIs issuing P-notes, new norms on

the transferability of P-notes between two foreign investors etc.

2.2. MARKET INFRASTRUCTURE INSTITUTIONS

Why in News?

- Recently, SEBI constituted a committee under former RBI deputy governor **R. Gandhi** to review the norms for **Market Infrastructure Institutions (MII)**.

More on News

- Market Infrastructure Institutions (MII) are systemically important for the country's financial development and serve as the infrastructure necessary for the securities market. They include stock exchanges, depositories and clearing corporations.
- The review is in line with the recommendation of the Bimal Jalan committee, 2012 which had asked SEBI to conduct a review of Market Infrastructure Institutions every five years.

2.3. PANEL TO REVIEW NORMS ON UNFAIR TRADE PRACTICES

Why in News?

Securities and Exchange Board of India has formed a committee under **T K Viswanathan** to review norms on Prevention of **Insider Trading** (PIT) 2015, and Prevention of Fraud and Unfair Trade Practices (PFUTP) 2003.

Insider trading

- It is the buying or selling of a security by someone who has access to material non-public information about the security. Insider trading can be illegal or legal depending on when the insider makes the trade. It is illegal when the material information is still non-public.

2.4. SHELL COMPANIES

Why in News?

- Ministry of Corporate Affairs (MCA) has cancelled the registration of 2.1 lakh **dormant companies** and directors of about 1.07 lakh shell companies among them will also be disqualified.
- Securities and Exchange Board of India (SEBI) and exchanges have **introduced Graded Surveillance Measures (GSM)** to enhance market integrity and safeguard interest of investors.

Graded Surveillance Measures

- The main objective of these measures are to:
    - Alert and advise investors to be extra cautious while dealing in these securities.
    - Advise market participants to carry out necessary due diligence while dealing in these securities.
- Once a firm is identified for surveillance it goes through six stages with corresponding surveillance actions and the restrictions on trading in those securities gets higher progressively.
- SEBI may put shares of companies under the measure for suspected price rigging or under the ambit of 'shell companies'.

What are Shell Companies?

- These are companies **without active business operations with significant assets.** They can be set up for both legitimate and illegitimate purposes.
    - The **legitimate purpose** may include promoting a start-up by raising funds and
    - **Illegitimate purpose** includes hiding ownership from the law enforcement, laundering unaccounted money and avoiding tax.
- In India Shell companies are **not defined under Companies Act, 2013** or any other legislation.
- Shell companies are different from dormant companies.
- A dormant company is a company which has chosen to get a 'dormant' status from the Registrar of companies in compliance with the requirements under Section 455 of Companies Act 2013 or the company has not filed annual returns for two financial years consecutively.

2.5. FINANCIAL SYSTEM STABILITY ASSESSMENT (FSSA) AND FINANCIAL SECTOR ASSESSMENT (FSA)

Why in News?

As part of Financial Sector Assessment Programme (FSAP), the IMF and WB has released the Financial System Stability Assessment (FSSA) and Financial Sector Assessment (FSA) for the Indian financial system.

Financial Sector Assessment Programme

It is a joint program of the International Monetary Fund (IMF) and the World Bank, which undertakes a comprehensive and in-depth analysis of a country's financial sector.

- It was launched in 1999 in the wake of the Asian financial crisis.
- Since September 2010, it is being undertaken in 25 jurisdictions (now 29), with systemically important financial sectors, including India, every five years.
- This was the second comprehensive FSAP conducted for India. Last FSAP for India was conducted in 2011-12.

About International Monetary Fund (IMF) and World Bank.

Both were conceived at a UN conference in Bretton Woods in 1944.

World Bank	IMF
• It have two Goals for the world to achieve by 2030: ○ End extreme poverty by decreasing the percentage of people living on less than \$1.90 a day to no more than 3%. ○ Fostering the income growth of the bottom 40% for every country. • World Bank Group Consists of Five Organizations ○ The International Bank for Reconstruction and Development. ○ The International Development Association. ○ The International Finance Corporation. ○ The Multilateral Investment Guarantee Agency. ○ International Centre for Settlement of Investment Disputes. • To become a member of World Bank a country must first join the International Monetary Fund (IMF). • Member countries are allocated votes at the time of membership and subsequently for additional subscriptions to capital. Votes are allocated differently in each organization (Five World Bank Group Organisation).	• It is a cooperative institution with primary purpose to ensure the stability of the international monetary system—the system of exchange rates and international payments. • Each member country of the IMF is assigned a quota, based broadly on its relative position in the world economy. • Member country are allocated Subscription, voting's rights and Access to finance on the basis of Quota subscription. • Most resources for IMF loans are provided by member countries, primarily through their payment of quotas. • IMF Supplements the currency reserves of its members through the allocation of special drawing rights (SDRs). • **SDR:** It is an interest bearing - international reserve asset, which can be exchanged for freely usable currencies. The value of the SDR is based on a **basket of five major currencies**—the US dollar, the euro, the Chinese renminbi (RMB), the Japanese yen, and the British pound sterling. • SDR is an important component of India's **foreign reserves** along with gold, foreign currency and reverse tranche. • The reserve tranche is portion of the required quota of currency that each International Monetary Fund (IMF) member country must provide to the IMF that can be utilized for its own purposes without a service fee

3. FISCAL

3.1. GOVERNMENT ABANDONS REVENUE DEFICIT TARGETING

Why in news?

Budget 2018 has proposed to stop setting targets on revenue deficit reduction from next year by bringing adequate amendments into the FRBM Act.

Recommendations of the NK Singh (FRBM Review) Committee

- Public debt to GDP ratio should be considered as a medium-term anchor for fiscal policy in India.
- The combined debt-to-GDP ratio of the centre and states should be brought down to 60% by 2023 (comprising of 40% for the Centre & 20% for states) as against the existing 49.4%, and 21% respectively.
- The centre should reduce its fiscal deficit from the current 3.5% (2017) to 2.5% by 2023. The Committee set 0.5% as escape clause for fiscal deficit target to adjust with cyclical fluctuations
- The central government should reduce its revenue deficit steadily by 0.25 percentage (of GDP) points each year, to reach 0.8% by 2023, from a projected value of 2.3% in 2017.
- It suggested the setting up of a 'fiscal council', an independent body which will be tasked with monitoring the government's fiscal announcements for any given year.

Rationale behind the decision

- Country like India with numerous development deficits, an undue focus on revenue deficits may be detrimental to equitable development.
- Human capital development initiatives which include schools, hospitals and also maintenance of assets, which are in nature of revenue expenditure, are as important to improve productivity as buildings and roads.
- Thus, there is no qualitative difference in government's capital and revenue expenditure. The distinction is more artificial than real.
- N.K. Singh Committee had recommended reduction of revenue deficit.

Related Information

- **Revenue Deficit** refers to the excess of revenue expenditure over revenue receipts or the extent of borrowings used for revenue expenditure. It signifies if the day to day expenditure of the government can be met by its day to day income. **FRBM Act 2003** called for bringing this deficit to **absolute zero by 2008-09**
- **Effective revenue deficit** is revenue deficit minus grants to states for creation of capital assets.
- **Fiscal Deficit** is the difference between the total expenditure and revenue receipts plus non-debt capital receipts. It indicates the amount the Government has to borrow to meet its annual targets.
- **Primary Deficit** is measured by fiscal deficit less interest payments. It shows what the Fiscal Deficit would've been for this particular year if no interests were to be paid. It ignores the loans taken by the previous Governments in previous financial years.
- **Capital expenditure:** Expenditures which result in creation of physical or financial assets or reduction in financial liabilities.
- **Revenue expenditure:** Expenditure incurred for purposes other than the creation of physical or financial assets of the central government. It relates to expenses incurred for the normal functioning of the government departments.

FRBM Act 2003 (Amended 2015)

- The act sets fiscal rules that seek to foster fiscal discipline on the Central Government and achieving a balanced budget with effective revenue management.
- **Target:** elimination of revenue deficit by 2008-09 and reduction of fiscal deficit to no more than 3 per cent of GDP at the end of 2008-09.
  - Reduce Effective Revenue Deficit by an amount equivalent to 0.5 per cent or more of GDP at end of each financial year, beginning with financial year 2015-2016.
  - RD of not more than percent of GDP by March 31, 2018 with annual reduction by an amount equivalent to 0.4 per cent or more of GDP at the end of each financial year beginning with Financial Year 2015-16.

3.2. MEDIUM-TERM EXPENDITURE FRAMEWORK STATEMENT (MTEF)

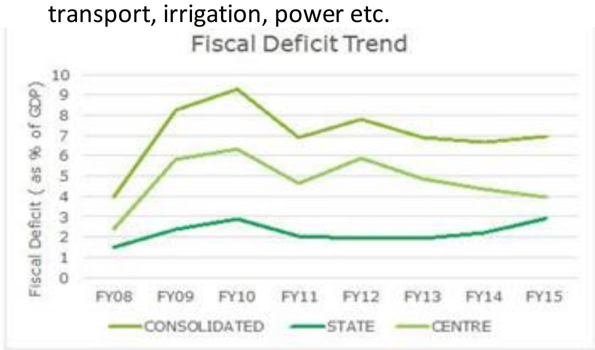
Why in News?

Recently the MTEF statement was laid in the Parliament which sets forth three year targets for expenditure with underlying assumptions and risk involved.

For the first time in 11 years, in 2015-16 the combined fiscal deficit of India's 29 States as a proportion of the size of their economies breached the 3% threshold recommended by successive Finance Commissions.

Reasons of poor consolidation

- The reason of the sudden increase in the States' debt is because of the UDAY restructuring exercise of the DISCOMs.
- Also, the private investments are drying up because of the crowding out phenomenon and the State governments have become one of the major contributors of the capital expenditure like transport, irrigation, power etc.



(Source: RBI)

Background

- According to the **Fiscal Responsibility Budget and Management Act, 2003 Section 3** following documents are presented in the Parliament:
  - the Medium-term Fiscal Policy Statement
  - The Fiscal Policy Strategy Statement
  - The Macroeconomic Framework Statement
- These documents are presented along with the **Annual Budget**. However, later Section 3 was amended to present a MTEF statement in the Parliament immediately following the Budget session.
- The objective of MTEF is to
  - Provide **closer integration** between Annual Budget and FRBM statements.
  - Provide medium term perspective to fiscal management and enhance Government's **commitment to fiscal consolidation.**
  - Give focus to the expenditure pattern of Government on various schemes, a scheme wise projection has also been attached to the MTEF statement.

3.3. DISINVESTMENT

Why in News?

- Recently, a high-powered Committee has been set up to expedite strategic disinvestment of state-owned companies.
- Earlier government had approved disinvestment in NHPC, Coal India, and ONGC.

More on News

- Cabinet Committee on Economic Affairs proposed an **Alternative Mechanism (AM)** consisting of the Finance Minister, Minister for Road Transport & Highways and Minister of Administrative Department to decide on the sale from the stage of inviting of **Express of Interests (EoIs)** till inviting of financial bid.

What is Disinvestment?

- Disinvestment or divestiture refers to the government selling or liquidating its assets or stakes in PSE (public sector enterprise).
- **Strategic Disinvestment** is the sale of substantial portion of the Government shareholding of a central public sector enterprise (CPSE) of up to 50%, or such higher percentage along with transfer of management control.
- It can be carried out by Initial Public Offering (IPO), Further Public Offering (FPO), Offer for sale (OFS), institutional Placement Program (IPP) and CPSE Exchange Traded Fund.
- The **Department for investment and public asset management** (DIPAM) under Ministry of finance is the nodal agency for disinvestment
- Disinvestment proceeds can help the government fund its fiscal deficit.

National Investment Fund (NIF)

- Government had constituted the National Investment Fund (NIF) in November, 2005 into which the proceeds from disinvestment of Central Public Sector Enterprises were to be channelized.

- It is a '**Public Account**' under the Government Accounts and the funds would remain there until withdrawn/invested for the approved purposes.
- The corpus of NIF was to be of a **permanent nature** and NIF was to be professionally managed to provide sustainable returns to the Government, without depleting the corpus.
- Selected Public Sector Mutual Funds were entrusted with the management of the NIF corpus.
- As per this Scheme, 75% of the annual income of the NIF was to be used for financing selected social sector schemes which promote education, health and employment. The residual 25% of the annual income of NIF was to be used to meet the capital investment requirements of profitable and revivable PSUs.
- NIIF can be used for following purposes
    - Subscribing to the shares being issued by the CPSE on rights basis
    - Preferential allotment of shares of the CPSE to promoters
    - Recapitalization of public sector banks and public sector insurance companies
    - Investment by Government in RRBs/IIFCL/NABARD/Exim Bank
    - Equity infusion in various Metro projects
    - Investment in Bhartiya Nabhikiya Vidyut Nigam Limited and Uranium Corporation of India Ltd.
    - Investment in Indian Railways towards capital expenditure.

3.4. ECONOMIC ADVISORY COUNCIL

Why in news?

- Recently first meeting of the Economic Advisory Council to Prime Minister (EAC-PM) was held which stressed on the need for accelerated economic growth and employment.

History of EAC (PM): The Economic Advisory Council to the Prime Minister was first constituted by the then Prime Minister Manmohan Singh on December 29, 2004 under the chairmanship of C Rangarajan.

Details

- The EAC-PM is an **independent body** to give advice on economic and related issues to the Government of India, specifically to the prime minister.
- The newly constituted five-member council consists of Dr. Bibek Debroy (Chairman), Dr. Surjit Bhalla, Dr. Rathin Roy, Dr. Ashima Goyal, Ratan Watal.
- Terms of reference of EAC include:
    - To analyse any issue, economic or otherwise, referred to it by the prime minister and advising him thereon; to address issues of macroeconomic importance and presenting views thereon to the prime minister.
    - This could be either suo-motu or on reference from the prime minister or anyone else; to attend to any other task as may be desired by the prime minister from time to time.

3.5. FINANCIAL DATA MANAGEMENT CENTRE

Why in News?

- Government approved the creation of **Financial Data Management Centre (FDMC)** that would subsequently collect raw data directly from various financial regulators.

What is it?

- Creation of FDMC under the aegis of FSDC was first mooted by a committee headed by Ajay Tyagi. The same was echoed by the Finance Minister in Budget 2017-18.
- Such a data repository would serve to assist the **Financial Stability and Development Council (FSDC)** in conducting research on systemic risk and system-wide trends

Financial Stability and Development Council
- FSDC was constituted in December 2010.
- It is chaired by the Union Finance Minister
- It deals 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.

- Establishment of FDMC would require amendments in the RBI Act, Banking Regulation Act and the Payment and Settlement Systems Act as their confidentiality clauses do not allow access to raw data.

4. TAXATION

4.1. GOODS AND SERVICES TAX

Why in news?

- Recently government gave a description about **reverse charge mechanism** under GST.

Reverse Charge Mechanism
- Under this mechanism the **liability to pay tax is of the recipient of goods & services** rather than the **supplier when** the goods or services have been received from **an unregistered person**.
- Usually, the supplier is liable to pay tax and avail input tax credit, if applicable, but in this case the mechanism is reversed.
- Also, the GST Council has specified **12 categories of services for reverse charge** that include radio taxi, services provided by an individual advocate or firm of advocates etc.

Also A four-slab structure of GST - 5% (on basic necessities), 12%, 18% and 28% (on luxury goods) has been decided.

GST implementation machinery

- **GST council:** a constitutional body set up as per Article 279A to decide issues relating to GST . It consists of following members:
  - Union Finance Minister - Chairperson
  - Union Minister of State, in-charge of Revenue of finance.
  - Minister In-charge of finance or taxation or any other Minister nominated by each State Government.
- **GSTN (GST Network):** It is a not for profit, non-Government, private limited company set up primarily to provide IT infrastructure and services to the Central & State Governments, tax payers & other stakeholders for GST implementation.
- **GST suvidha providers (GSP):** They are third party service provider for innovative and convenient methods to taxpayers and other stakeholders seeking to interact with the system.

Significance of GST

- GST will merge **the indirect central government levies** like sales tax, service tax, excise duty, Customs duty, surcharges and cesses and **indirect state government levies** like VAT, Entry tax etc. and bring in the regime of **"One Country, One Tax, One Market"**
- It is estimated to **increase the GDP growth by 1.5 to 2%.**
- It is expected to encourage **co-operative federalism**.
- It would **improve revenue buoyancy by widening the tax base.**
- **No Cascading effect**- As it is a destination based consumption tax & Input Tax Credit will be available across goods and services at every stage of supply.
- **Ease of doing business** through Harmonization of laws, procedures and rates of tax.
- **Reduce Tax Evasion**: Uniform SGST and **IGST (a tax levied on all Inter-State supplies of goods and/or services)** rates will reduce incentive for evasion through elimination of rate arbitrage, **'Self-policing feature'** of tax being levied on the value added to a good or service and reduction in compliance costs.
- **Impact on consumer** - Half the consumer price index basket, including food grains, will be attract zero tax rate, thus enabling them to be part of GST chain but without burdening consumers

Challenges

- **Issue of Parliamentary and Legislative autonomy**: GST Council (an executive body) will finalize a vote by a majority of not less than three-fourths of weighted votes of members present and voting (Centre to have 33% and states to have 66% weight of the total votes cast).
- **Urban local bodies** will have to deal with a huge fiscal gap once local body tax, octroi and other entry taxes are scrapped for GST system.
- **List of Exclusions & different rates** – Many exclusions like petroleum products, diesel, petrol, aviation turbine fuel, alcohol etc. & 4 different rates are undermining the principle of One Country, One Tax.

4.1.1. NATIONAL ANTI-PROFITEERING AUTHORITY

Why in news?

- The GST council has approved the creation of **National Anti-Profiteering Authority (NAA)** to ensure that benefits of input tax credit and tax reductions are passed on to the end consumer.

- **Profiteering** means unfair profit realized by traders by manipulating prices, tax rate adjustment etc.
- In the context of GST, it means traders do not reduce prices when GST rates are cut.
- **Input tax credit** enables the producer to reduce the tax he has paid on the input and pay the balance amount (tax payable on output).

More about NAA

- Along with NAA**, a Standing Committee, Screening Committees in every State and the Directorate General of Safeguards in the Central Board of Excise & Customs (CBEC)** have also been instituted under anti-profiteering measures.
- If the undue benefit cannot be passed on to the recipient, it can be ordered to be deposited in the **Consumer Welfare Fund**.
- In extreme cases, the NAA can impose a penalty on the defaulting business entity and even order the cancellation of its registration under GST.

Consumer Welfare Fund

- It has been set up by the **Department of Revenue** and, is being operated by the **Ministry of Consumer Affairs, Food & Public Distribution, and Department of Consumer Affairs.**
- Its objective is to **provide financial assistance to promote and protect the welfare of the consumers and strengthen the consumer movement in the country.**

4.1.2. GST E-WAY BILL

Why in news?

- The E-way Bills, aimed at tracking movements of goods under GST, are to be made mandatory for interstate trade from April 1, 2018.

What is an E-way bill?

- The E-way bill is a document required to be carried by a person in charge of the conveyance carrying any consignment of goods of value **exceeding Rs. 50,000** for sales beyond 10 km in the new Goods and Services Tax (GST) regime.
- It will **eliminate the need of a separate transit pass** in each state for movement of good.
- It is generated from the GST Common Portal by the registered persons or transporters before commencement of movement of goods of consignment.

4.1.3. DIRECTORATE GENERAL OF GOODS AND SERVICE TAX INTELLIGENCE

Why in news?

- The Finance Ministry amended the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (PMLA) to make the Directorate General of Goods and Service Tax Intelligence **(DGGSTI)** as the **regulator** with respect to **money laundering cases in the gems and jewellery sector.**

Details

- DGGSTI is the new name given to the Directorate General of Central Excise Intelligence (DGCEI) which is the apex intelligence organisation functioning under CBEC, Dept of Revenue.
- It will deal in precious metals, stones, or other high-value goods which have an annual turnover of previous year is Rs. 2 crore or more.
- It is mandated to check service tax and central excise duty evasion, develop intelligence, and also alert field formations about the latest trends in the duty or tax evasion.

PMLA

- **Prevention of Money Laundering Act, 2002** is an Act of the Parliament of India enacted to prevent money-laundering and to **provide for confiscation of property** derived from **money-laundering**
- The Act and Rules notified there under **impose obligation on banking companies,** financial institutions and intermediaries to **verify identity of clients**, maintain records and furnish information in prescribed form to **Financial Intelligence Unit – India (FIU-IND).**

FIU-Ind

- Financial Intelligence Unit – India was set by the Government in 2004 to provide quality financial intelligence for safeguarding the financial system from the abuses of money laundering, terrorism financing and other economic offences.

- It is an independent body reporting directly to the Economic Intelligence Council (EIC) headed by the Finance Minister.
- It is a multidisciplinary body with members from various government departments including Central Board of Direct Taxes (CBDT), Central Board of Excise and Customs (CBEC), Reserve Bank of India (RBI), Securities Exchange Board of India (SEBI), Department of Legal Affairs and Intelligence agencies.

Enforcement Directorate

- It is a specialized financial investigation agency under the Department of Revenue, Ministry of Finance.
- It is responsible for enforcement of the Foreign Exchange Management Act, 1999 (FEMA) and certain provisions under the Prevention of Money Laundering Act.
- It has the power to undertake survey, search, seizure, arrest, and prosecution action etc. against offender of PMLA offence.

4.2. CAPITAL GAINS TAX RULES

Why in News?

- The Central Board of Direct Taxes (CBDT) has come out with a final notification specifying that the securities transactions where the securities transaction tax (STT) hasn't been paid would attract capital gains tax.

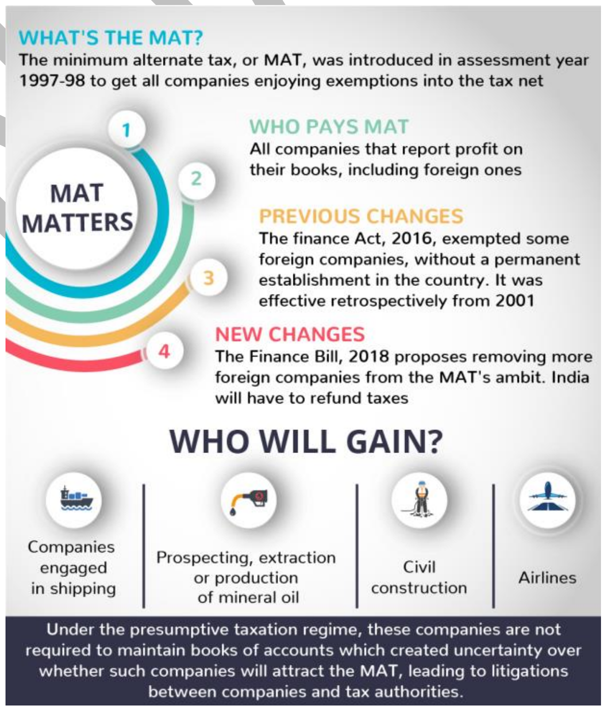
Details

- A capital gains tax is a direct tax levied on **capital gains, profits an investor realizes when he sells a capital asset for a price that is higher than the purchase price**. Capital gains taxes are only triggered when an asset is realized, not while it is held by an investor.
    - India classifies this tax into **short term** (capital gains made within 36 months) and **long-term capital gains** (made beyond 36 months).
    - Finance minister in his Budget 2018 speech has proposed to **re-introduce long-term capital gains tax** on gains arising from the transfer of listed equity shares.
- **STT** is a type of direct tax payable on the value of taxable securities transaction done through a recognized stock exchange in the country.
    - The securities on which STT is applicable are shares, bonds, debentures, derivatives, units issued by any collective investment scheme, equity based government rights or interests in securities and equity mutual funds.
    - Off-market share transactions are not covered under STT.

4.3. MINIMUM ALTERNATE TAX

Why in news?

The government has drawn up plans to abolish minimum alternate tax (MAT) on certain category of foreign companies. This amendment will apply in relation to the assessment year 2001-02 as well as subsequent assessment years.



4.4. PROJECT INSIGHT

Why in News?

Project Insight has been initiated by the income tax department recently.

Details

- It will **help in data mining, collection, collation and processing** of such information for effective risk management with a view to widen and deepen the tax base.
- It will help the department to **monitor high value transactions**, and curb the circulation of black money.
- It will **use big data analytics** to match information from social media sites to deduce mismatches between spending pattern and income declaration.
- The new technical infrastructure will also be leveraged for implementation of Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS).

FATCA IGA

- India and United States signed Inter Governmental Agreement (IGA) to implement the Foreign Account Tax Compliance Act (FATCA) to Promote Transparency on Tax Matters.
- FATCA aims to obtain information on accounts held by U.S. taxpayers in other countries.
- As per the IGA, FFIs in India will be required to report tax information about U.S. account holders directly to the Indian Government which will, in turn, relay that information to the US.

- Government has constituted a six member penal headed by **Arbind Modi,** to draft a **new direct tax law** to replace the existing Income Tax Act, 1961.

Intended Benefits of direct tax code

- **Improved competitiveness of the economy**
- **Broader Tax Base**
- **Lower Indirect Tax**

Central Board of Direct Taxes has launched a new app known as **Aaykar Setu,** to help users understand the various nuances of direct taxes, file income tax, apply for PAN, check TDS statement, and even share grievances with the right authorities.

4.5. RELAXATION ON BILATERAL TRANSFER PRICING POLICY

Why in news?

- **Central Board of Direct Taxes (CBDT)** has relaxed norms for **Mutual Agreement Procedure (MAP)** and **Advance Pricing Agreements (APAs).**

What is it?

- APAs and MAP are **alternative tax dispute** mechanism in matters involving transfer pricing.
- **APA** is a contract between a taxpayer and at least one tax authority (one of the two countries that have signed the bilateral treaty) specifying the pricing method that the taxpayer will apply to its related-company transactions. It is signed prior to the transaction taking place.
- **MAP** is a way by which taxpayer can seek relief in his country of residence when he feels that he is not being taxed according to the terms of the bilateral treaty between the two countries.
- Prior to the recent relaxation, Income Tax Department was open to receiving bilateral APAs and MAP only in case of existence of **"corresponding adjustment"** clause in the **double tax avoidance agreement (DTAA)** with the concerned countries.
- The '**corresponding adjustment**' clause in transfer pricing matters provides that if tax demand is raised on a company by a DTAA-signatory country, the revenue authorities in India would reduce the tax liability of the parent company based in India.

- **Transfer Pricing:** A transfer price is the price at which divisions of a company transact with each other, such as the trade of supplies or labor between departments. Transfer prices are often used when companies sell goods within the company but to parts of the company in other international jurisdictions.
- **DTAA**: It is a tax treaty between two countries in order to avoid double taxation of same taxpayer.

5. EXTERNAL SECTOR

5.1. WTO MINISTERIAL CONFERENCE 11

Why in news?

- The WTO members failed to agree to a ministerial declaration at the recently held Eleventh Ministerial Conference (MC11) at Buenos Aires.

World Trade Organisation
- Established in 1995 it is the only international organization dealing with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible.
- India is its founding member.
- WTO broadly covers three segments of world trade namely; Goods, Services and Intellectual Property Right through various agreements.

Buenos Aires Declaration on Women and Trade - Spearheaded by the governments of Iceland and Sierra Leone, the declaration seeks women's economic empowerment by expeditiously removing barriers to trade. India chose not to endorse this declaration.

More on news

- **Public stockholding Issue:** There was no outcome on public stockholding for food security purposes or on other agriculture issues. Public stockholding programmes are used by some governments to purchase, stockpile and distribute food to people in need. While food security is a legitimate policy objective, some stockholding programmes are considered to distort trade when they involve purchases from farmers at prices fixed by the governments, known as "supported" or "administered" prices.
- Under **Agreement on Agriculture (AoA),** developing countries can give agricultural subsidies or **aggregate measurement support (AMS)** up to 10% of the value of agricultural production and developed countries give up to 5% (production taking 1986-88 as base year).
    - India and other developing countries have been seeking amendments in the formula to calculate the food subsidy cap and the base year, as this limit is insufficient to meet domestic food security challenges.
    - As an interim measure, the WTO members at the Bali ministerial meeting in December 2013 had agreed to put in place a mechanism called the **Peace Clause** and committed to negotiate for a permanent solution at the 11th ministerial meeting at Buenos Aires.
    - Under the **Peace Clause**, WTO members agreed to refrain from challenging any breach in prescribed ceiling by a developing nation at the dispute settlement forum of the WTO. This clause will be there till a permanent solution is found to the food stockpiling issue.
    - WTO Nairobi Ministerial Conference, 2015 (Nairobi package) concluded that export subsidies will be eliminated by developed countries immediately, except for a handful of agriculture products, while developing countries have no time period to do so.
    - Different boxes of subisidy under AoA are:
        - ✓ **Green Box Subsidies:** The subsidies which cause no, or at most minimal, trade distorting effects or effects on production. These subsidies are permitted under WTO regime, for instance; Government services such as research, disease control, and infrastructure and food security.
        - ✓ **Amber Box Subsidies or AMS:** All domestic support measures considered to distort production and trade (with some exceptions) fall into the amber box. For instance, MSP, Procurement Price, sum total of subsidies on inputs like fertilizer, water, credit, power, etc.
        - ✓ **Blue Box Subsidies:** It contains direct payment subsidies which can be increased without limit, so long as payments are linked to production-limiting programs. This is the **"amber box with conditions",** conditions designed to reduce distortion. Any support that would normally be in the amber box, is placed in the blue box if the support also requires farmers to limit production.
        - ✓ **Special and Differential Treatment Box (S&DT)**: The S&DT measures generally comprises of i**nvestment**

subsidies like tractors and pump sets to farmers, agricultural input services like fertilizers to farmers. These subsidies should be provided only to **low income and resource poor** producers (or poor farmers) in developing countries.

- **No agreement** was reached on the work programme on **special safeguard mechanism (SSM):** a tool agreed in Doha round that allows developing countries to raise tariffs temporarily to deal with import surges or price falls.

5.2. BASE EROSION AND PROFIT SHIFTING

Why in news?

- Recently India and 68 other countries have signed a document named Multilateral Instrument which may have a bearing on India's GAAR rules.

Details

- MLI is a unique document created by the **OECD's Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS)**.
- Countries such as USA, Mauritius and Singapore have not signed MLI.
- Countries that have signed the MLI next must ratify the instrument through their domestic procedures.
- MLI works through a matching process where in two countries can mutually exclude some provisions of the document where they do not agree.
- In case of India GAAR explicitly states that the domestic law overrides every other law in case of disputes which may amount to conflict with MLI rules.

Base Erosion and Profit Shifting (BEPS)

- BEPS project is an OECD initiative approved by G-20 in 2012.
- BEPS refers to tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations.
- Transfer pricing has also been a major contentious area under BEPS
- OECD has launched a fifteen point action plan to reduce **tax avoidance by MNCs**.

General Anti-Avoidance Rules (GAAR)

- GAAR aims to check tax evasion and tax avoidance and they come under the Income Tax Act, 1961
- These were first announced in 2012-13.
- Government subsequently set up a panel under **Parthasarathy Shome** to review the proposals which suggested their deferment and they came into force from 1 April 2017.
- As per the rules tax benefits of more than 3 crores and which are made on or after 1 April 2017 only will invite GAAR provisions.

OECD (Organisation for Economic Co-operation and Development)

It is an inter-governmental economic organisation that aims to promote policies that will improve the economic and social well-being of the people around the world.

5.3. INVESMENT-STATE DISPUTE SETTLEMENT

Why in News?

- Recently the idea of reviewing the International Investment Agreements (IIA) including **the Investment-State Dispute Settlement (ISDS)** mechanism has been mooted.

International Investment Agreements

- An IIA (includes Bilateral Investment Treaties and Treaties with Investment Provisions) promotes greater investment flows between signatory countries and sets out standards of protection for investments made in one country by investors from the other country.

Investment-State Dispute Settlement

- It is a neutral international arbitration procedure.
- In this mechanism, the investor in another signatory state can seek compensation in a binding arbitration tribunal in case of violation of principles of investor support.
- The ISDS mechanism is contentious as it enables companies to drag governments to international arbitration without exhausting the local remedies and seek massive amounts as compensation citing losses due to reasons, including policy changes.
- India, along with Brazil, Argentina and some other nations has rejected an informal

attempt by the European Union (EU) and Canada to work towards a global investment agreement at the World Trade Organisation (WTO)-level that would incorporate Investor-State Dispute Settlement (ISDS) mechanism.

5.4. FOREIGN DIRECT INVESTMENT IN INDIA

Why in news?

To attract FDI and promote Ease of doing Business, the Government had abolished FIPB.

What is Foreign Investment Promotion Board (FIPB)?

- It was an **inter-ministerial body** in the Department of Economic Affairs under the Finance ministry.
- All those FDI which came through Government route, was **processed and recommended** by FIPB for approval to the **finance minister** (Investment below Rs 3,000 crore) and to the **Cabinet Committee on Economic Affairs, CCEA** (Investment above Rs 3,000 crore).

What is the new development?

- Department of Industrial Policy & Promotion (DIPP) will issue the the **standard operating procedures** for processing FDI applications, and the **individual departments of the Government have been empowered** to clear FDI proposals in consultation with DIPP.
- **Time line** will be fixed for FDI approval.
- Rejection of proposal by the individual departments needs a **mandatory concurrence of DIPP.**
- Proposals which require security clearances from the **Ministry of Home Affairs** include investments in telecommunication, satellites, and broadcasting and security agencies.
- FDI applications from **Pakistan** and **Bangladesh** would also need Home Ministry's nod besides investments in north-eastern region and Jammu and Kashmir.
- The **CCEA** will continue to clear FDI proposals beyond 5,000 crore.

DIPP is the nodal agency for FDI.
- It monitors the industrial growth and production, in general, and selected industrial sectors.
- The Department is also responsible for Intellectual Property Rights relating to Patents, Designs, Trade Marks and Geographical Indication of Goods and oversees the initiative relating to their promotion and protection.

FDI Routes

In India FDI is approved through Automatic route, Government route and through the combination of both routes (especially for FDI beyond 49% and up to 74% or 100%).

- **Automatic Route:** there is no need to get prior approval from Government or RBI. The investors just have to notify the relevant regional office of RBI about the inward remittances and issuance of shares, within 30 days of occurrence of each of these activities.
- **Government Route:** Currently **91-95% of the FDI** flow through Automatic route. Only **11 sectors** (including Defense and Retail) need Government approval.

The government has also announced various amendments to the FDI policy.

- It has simplified the definition of 'venture capital fund'. The venture capital fund is now defined as a fund registered under the SEBI (Venture Capital Funds) Regulations, 1996.
- They are investment funds that manage the money of investors who seek private equity stakes in startup and small- to medium-sized enterprises with strong growth potential.
- 100% FDI under automatic route for Single Brand Retail Trading (SBRT) has been allowed.
- It has been decided to permit SBRT entity to make up for its incremental sourcing of goods from India for global operations during initial 5 years, beginning 1st April of the year of the opening of first store against the mandatory sourcing requirement of 30% of purchases from India
- 100% FDI under automatic route in Construction Development in Townships, Housing, Built-up Infrastructure and Real Estate Broking Services.
- Foreign airlines allowed investing up to 49% under approval route in Air India
- FIIs/FPIs allowed to invest in Power Exchanges through primary market unlike earlier restriction to secondary market only.

5.5. INDIA SET TO BE A PART OF GFXC

Why in news?

- India will soon get a seat in the newly constituted **Global Foreign Exchange Committee (GFXC).**

Bank of International Settlements (BIS)
- Headquartered at Basel it is the bank to central banks and aims to support global financial and monetary stability.
- It is owned by 60 member central banks

representing countries from around the world.
- Founded in 1930 it is world's oldest financial organisation.

Global Foreign Exchange Committee

- It is **forum of central bankers** and experts working towards promotion of a robust and transparent **forex market.**
- It has been established under the aegis of **BIS.**
- It comprises of public and private sector representatives from the foreign exchange committees of 16 international forex trading centres.
- One of its major tasks is to **maintain and update the "Global Code of Conduct for the Foreign Exchange Markets".**

5.6. MID-TERM REVIEW OF FOREIGN TRADE POLICY

Why in news?

- Recently, government has introduced the Mid-term review of Foreign Trade Policy (FTP) 2015-20.

FTP 2015-20

- **Target**: doubling the export (both Merchandise and Service) to $900 million and achieve 3.5% share of world export by 2019-20.
- 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.
- Effort of FTP will be drawn towards manufacturer exporters by facilitating them for fast access to international markets through Approved Exporter System.
- It promoted simplification of Procedure such as simplifying **Aayat Niryat form**, self-certification by status holder manufacturer in matter of bilateral and regional trade.
- The **Council for Trade Development and Promotion** was constituted in 2015 under the chairpersonship of the **Union Minister for Commerce and Industry**, in pursuance to the provisions of Foreign Trade Policy statement 2015-20.
  - The objective was to ensure a continuous dialogue with the governments of states and Union Territories on measures for providing an international trade enabling environment in the states and to create a framework for making the states active partners in boosting India's exports.
  - The State Ministers of Commerce and Industry, Secretaries of concerned central departments/Ministries and heads of other export related organizations/trade bodies are Members of the Council.

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6. EMPLOYMENT AND SKILL DEVELOPMENT

6.1. SANKALP & STRIVE SCHEMES

Why in News?

- The Cabinet Committee on Economic Affairs has approved two new **World Bank supported schemes** - Skills Acquisition and Knowledge Awareness for Livelihood Promotion (**SANKALP**) and Skill Strengthening for Industrial Value Enhancement (**STRIVE**).

Highlights of the Schemes

- These are **outcome focused projects** marking a shift in government's implementation strategy in vocational education and training from inputs to results.
- **SANKALP,** a centrally sponsored scheme (funded directly by Central Ministries and implemented by States or their agencies), addresses this need by **setting up national bodies for accreditation and certification**. The bodies shall regulate assessment and certification in both long and short term vocational education and training (VET).
- **STRIVE,** a central sector scheme (funded and implemented by the Central Government machinery), aims to modernize 500+ ITIs through outcomes and reform linked funding.
- The schemes aim to strengthen institutions such as **State Skill Development Missions (SSDMs), National Skill Development Corporation (NSDC), Sector Skill Councils (SSCs), ITIs and National Skill Development Agency (NSDA)** etc. and ensure greater decentralization in skill planning.
- They support **universalization of National Skills Qualification Framework (NSQF)** including National Quality Assurance Framework (NQAF) across the skill development schemes of central and state output.

Sector Skill Councils

- Sector Skill Councils (SSCs) are industry led and industry governed bodies which have been mandated to ensure that skill development efforts being made by all the stake holders are in accordance with the actual needs of the industry.
- They develop National Occupational Standards/Competency Standards and Qualification Packs (QPs).
- They have two basic objectives – providing skills and employment.
- National Skill Development Corporation (NSDC) has approved formation of various SSCs in different Sectors.
- Sharda Prasad Committee has recommended scraping of all existing skill councils and has proposed an oversight mechanism of NSDC.

National Skill Development Corporation (NSDC)

- It is a **not-for-profit company** set up by the Ministry of Finance, under Section 25 of the Companies Act.
- It has an equity base of Rs.10 crores, of which the Government of India holds 49%, while the private sector has the balance 51%.
- It works under the Ministry of Skill development and Entrepreneurship.
- NSDC is a **Public Private Partnership Company** with the primary mandate of catalyzing the skills landscape in India. It creates vocational training institutions, fund patents and enable support for skill development.

National Skill Development Fund

- It was set up in 2009 by the Government of India for **raising funds both from Government and Non-Government sectors** for skill development in the country.
- A **public Trust** set up by the Government of India is the custodian of the Fund. Fund is operated and managed by a Board of Trustees. The secretary of the Ministry of Skill is the Chairperson of this Trust.

6.2. BPO PROMOTION SCHEMES

Why in news?

- Recently, it was reported that under the India BPO promotion scheme, 11,000 people have been employed out of which 40% are women.

India BPO Promotion Scheme (IBPS)

- It is a scheme which has been approved under the Digital India Programme to incentivize the BPO/IT-ITES operations sector in the country.

- **The Software Technology Park of India (STPI)** is the implementing agency of the scheme.
- The Scheme aims to **incentivize the establishment of BPO firms** and their extension to **Tier 2 and Tier 3 cities** providing about **1.45 lakh jobs**, distributed across various states in proportion to the population of State with **financial support** in form of **Viability Gap Funding**.

The Software Technology Park of India
- It is an autonomous society under the MeitY which aims to make India an IT superpower.
- Its objective is to promote the development and export of software and software services including IT enabled services and provide statutory and other promotional services to the exporter by implementing Software Technology Park and other schemes.

North-East BPO Promotion Scheme
- The Scheme has been launched under the Centre's flagship scheme **'Digital India'** program to **incentivise establishment of 5000 seats of BPO/ITES operations in North-East** with an outlay of 50 crore up to 31 March 2019. It is being **implemented by STPI.**
- The scheme provides special incentive for training employees and incentive for diversity and inclusion in addition, employing women and people with disability etc.

6.3. WAGE CODE BILL 2017

Why in news?

Recently, Minister of Labour and employment had introduced the wage code bill 2017 in Lok Sabha on the line of the recommendations of **2nd National Commission on Labour**.

Related Information
- Minimum wages have been defined as "the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract**".**
- **Living Wage:** A "living wage" refers to a threshold that allows workers and their families to have decent living standards. Location-specific living wage standards usually identify a minimum amount of money required to cover food, basic non-food items and other discretionary expenditures.
- **Fair wages:** is a mean between living wages and minimum wages, which may roughly be said to approximate to the need based.

Highlights of the Bill

- It seeks to consolidate laws relating to wages by replacing: The Payment of Wages Act, 1936, The Minimum Wages Act, 1948, The Payment of Bonus Act, 1965, and the Equal Remuneration Act, 1976.
- The Code will apply to any industry, trade, business, manufacturing or occupation including government establishments.
- A concept of **statutory National Minimum Wage** for different geographical areas has been introduced. It will ensure that no State Government fixes the minimum wage below the National Minimum Wages for that particular area as notified by the Central Government.
- At present, the provisions of the Minimum Wages Act and the Payment of Wages Act are restricted to the Scheduled Employments/Establishments.

6.4. VOLUNTARY UNEMPLOYMENT

Why in News?

Recently, NITI Aayog member Bibek Debroy flagged a **dramatic rise of voluntary unemployment** across the country.

Voluntary Employment

- **NSSO defines following three broad Activity Status** -
  - Working/Employed (engaged in an economic activity)
  - Seeking or available for work i.e. 'Unemployed'
  - Neither seeking nor available for work.
- **One is classified as voluntary unemployed**, if he or she is not employed and is not willing to join the workforce. It is mostly because **people choose not to work below a certain income level after 'investing' in education**.

Other types of unemployment

- **Structural Unemployment** – It is the unemployment created by the changes that occur in market economies such that demand increases for some jobs skills while other job skills become outmoded and are no longer in demand. For example, introduction of new technology lead to job loss for manual work.
- **Frictional Unemployment** – It is the situation that occurs during a period when workers are

searching for new employment or transitioning from their old jobs to new jobs.

- **Cyclical Unemployment** – It is unemployment situation created by the cyclical shift in market economy. If an economy is doing good, cyclical unemployment will be at its lowest, and will be the highest if the economy growth starts to falter.

7. INCLUSIVE GROWTH AND DEVELOPMENT

7.1. SATH PROGRAMME

Why in news?

- NITI Aayog has launched SATH, a program providing **'Sustainable Action for Transforming Human capital'** with the State Governments.

About the programme

- The vision of the program is to initiate **transformation in the education and health sectors**.
- The program will be implemented by NITI Aayog along with McKinsey & Company and IPE Global consortium to address the need expressed by many states
- SATH aims to identify and build three future **'role model' states** for health systems.

7.2. HILL AREA DEVELOPMENT PROGRAMME FOR NORTHEAST

Why in news?

- The Ministry for Development of North Eastern Region (MoDNER) launched the Hill Area Development Programme for Northeast that aims at giving a focused attention to the lesser developed hilly areas.
- It will be initiated on a pilot basis in the hilly districts of Manipur. Out of 80 districts of Northeast, 3 districts of hilly areas, which ranked lowest in the **Composite District Infrastructure Index**, belonged to Manipur.

Composite District Infrastructure Index

- It has been prepared by Ministry of DoNER for better targeting of schemes and projects within the North Eastern Region (NER) in order to reduce intra-regional disparity.
- It Is based on 7 broad indicators –
    - Transport facilities
    - Energy
    - Water supply
    - Education
    - Health facilities
    - Communication infrastructure
    - Banking facilities

7.3. ISLAND DEVELOPMENT AGENCY

Why in news?

- Recently Home Minister reviewed the development plans for 9 islands under the aegis of Island Development agency (IDA).

More about the news

- IDA was constituted in June 2017 for the holistic development of islands.
- It is **chaired by Union Home minister** and includes secretaries of various ministries.
- The IDA had identified 10 islands for development which include 5 islands in A&N Islands (i.e. Smith, Ross, Long, Avis and Little Andaman) and 5 in Lakshadweep (i.e. Minicoy, Bangaram, Thinnakara, Cheriyam, Suheli).
- It will undertake holistic development in the project islands after giving due consideration to unique maritime and territorial bio-diversity of the islands.
- Further development of tuna fishing industry and community based tourism to boost livelihood options and building a sustainable approach for thriving maritime economy of project islands is also envisaged.

7.4. AAJEEVIKA GRAMEEN EXPRESS YOJANA (AGEY)

Why in News?

The Government of India has decided to launch a new sub-scheme named "Aajeevika Grameen Express Yojana (AGEY)" as part of the Deendayal Antyodaya Yojana – National Rural Livelihoods Mission (DAY-NRLM).

Deen Dayal Antyodaya Yojana (DAY) – NRLM

- It was launched by the Ministry of Rural Development to enable rural poor to increase household income through sustainable livelihood enhancements and improved access to financial services.
- It mobilizes rural poor households through self-managed Self Help Groups (SHGs) and federated institutions and support them for livelihoods collectives in a period of 8-10 years.
- The financial support under the programme is mainly in the form of Revolving Fund and

Community Investment Funds, given as grants to the Self Help Groups (SHGs) and their federations.
- The Government is implementing DAY-NRLM across the country in all States and Union Territories (except Delhi and Chandigarh).

It has a special focus on women empowerment with an aim that at least one woman member from each identified rural poor household, is to be brought under the Self Help Group (SHG) network in a time bound manner.

About AGEY

- Its main aim is to provide an alternative source of livelihoods to members of Self Help Groups (SHGs) under DAY-NRLM by facilitating them to operate public transport services in backward rural areas.
- It will provide safe, affordable and community monitored rural transport services to connect remote villages with key services and amenities.
- The beneficiary SHG members under the scheme will be provided **an interest free loan** by the community based organisations (CBOs) from DAY-NRLM's Community Investment Fund up to Rs.6.50 lakh for purchase of the vehicle.
- It may also lease the vehicle to an SHG member which will pay lease rental to CBO, being the owner.
- The vehicles under this scheme will have a certain colour coding and will carry AGEY branding to ensure their identity and run them on certain routes.

7.5. SUNREF HOUSING PROJECT

Why in news?

- Recently National Housing Bank (NHB) along with French Development Agency (FDA) and the European Union, have joined hands to launch SUNREF housing project in India.
- SUNREF (Sustainable Use of Natural Resources and Energy Finance) Housing India will provide financing of €112 million to NHB.

NHB Residex

- NHB Residex, released by NHB, tracks **housing price indicators** across Indian cities on **quarterly basis**
- Its revamped version was launched in 2017 with **wider coverage** (50 cities now, earlier 26), and a new base year(**2012-13**) and new data **source** (banks and home finance companies and market surveys)

About National Housing Bank

- NHB was set up in1988 under the National Housing Bank Act, 1987 as wholly owned subsidiary of RBI
- The Head Office of NHB is at New Delhi.
- **It regulates** housing finance system and promotion of housing finance institutions
- It also provides **refinancing** to different banks and housing finance companies and also direct lends to public housing agencies.

7.6. AFFORDABLE HOUSING

Why in news?

- The central government recently announced new public private partnerships (PPP) to promote private investments in affordable housing in line with its Housing for All target by 2022.

More on news

- The policy gives **eight PPP (Public Private Partnership) options** for private sector to invest in affordable housing segment.
- Two models involve extending central assistance of around Rs. 2.5 lakh per house to be **built by private builders even on private land** as interest subsidy on bank loans in upfront payment under the Credit Linked Subsidy Component (CLSS) component of the Pradhan Mantri Awas Yojana (Urban).
- The other six options include promoting **affordable housing with private investments using government land**. A few of the models include allocating government land to private firms based on the least cost of construction.
- Under the second option, central assistance of Rs1.50 lakh per each house to be built on private lands would be provided, in case the beneficiaries do not intend to take bank loan.
- Beneficiaries will be identified as per the norms of **PMAY (Urban)**.

About the Pradhan Mantri Awas Yojana- Urban

- Launched in June **2015. 1.2 Crore Houses** to be built by 2022.
- Aims at providing affordable pucca houses with **water facility, sanitation and electricity supply** round-the-clock.
- Covers Extremely Weaker Section (EWS-Annual income < Rs 3 Lakh), Low-Income Group (LIG-Annual income < Rs 6 Lakh) and Mid-Income Group (MIG).

- Central assistance under different verticals:
    - **In-Situ Slum Redevelopment (ISSR)** - Private developers will collaborate in transforming slum areas by building homes. (1 Lakh assistance to EWS)
    - **Credit Linked Subsidy Scheme (CLSS)** - An interest subsidy of 3% (For MIG of loans upto 12 lakh) to 6.5% (For EWS and LIG for loans upto 6 Lakh) for new construction/extension.
    - **Affordable Housing in Partnership (AHP)** - with States/UTs for EWS (1.5 Lakh assistance)
    - **Beneficiary Linked Construction (BLC)**- Rs 1.5 Lakh direct financial assistance to EWS for individual house construction/expansion.
- Here Credit linked subsidy scheme (CLSS) is a Central Sector Scheme, while the other **three are Centrally Sponsored Schemes (CSS).**
- Houses are allotted in the name of female head or jointly with males.
- The union cabinet has approved the creation of **National Urban Housing Fund** of Rs 60,000 crore to finance the scheme.
    - The fund will be placed under **Building Material and Technology Promotion Counci**l (an autonomous society under Ministry of Housing and Urban affairs).
    - NUHF will facilitate raising the funds in next four years through **non-budgetary sources**.
    - This year's budget says that **3.7 million houses** are to be built in urban areas in **2018-19**.

7.7. SAMPOORNA BIMA GRAM YOJANA

Why in news?

- Recently, Ministry of Communications launched **Sampoorna Bima Gram Yojana (SBG)** and also expanded the coverage of **Postal Life Insurance.**

SBG yojana

- **Aim**: To provide **affordable life insurance services** to people living in rural areas of the country through the postal network.
- **Features:**
    - To identify at least **one village** (having a minimum of 100 households) in each of the revenue districts of the country and cover all households with a minimum of one RPLI (Rural Postal Life Insurance) policy in that village.
    - **Coverage:** All villages under **the Saansad Adarsh Gram Yojana** will be covered under it.
    - **Rural Postal Life Insurance (RPLI)** operated by Department of Posts, Ministry of Communications. It provides insurance cover to people residing in rural areas, especially weaker sections and women living in rural areas.

Saansad Adarsh Gram Yojana (SAANJHI)

- It was launched for the development of **model villages.**
- Under it, Members of Parliament (MPs) will be responsible for developing the socio-economic and physical infrastructure of three villages each by 2019, and a total of eight villages each by 2024.
- Funds will be utilized from existing schemes such as MPLAD, MGNREGA etc. and no separate funds are allocated for it.

Postal Life Insurance (PLI)

- **It** was introduced in 1884 for the benefit of Postal employees.
- Apart from Government and semi-Government employees, benefits of PLI have now been expanded to professionals such as Doctors, Engineers, Lawyers, Bankers etc. and to employees of listed companies of National Stock Exchange and Bombay Stock Exchange.

8. AGRICULTURE AND ALLIED INDUSTRIES

8.1. CONTRACT FARMING

Why in news?

Recently, Model Contract Farming Act was released by the government.

About contract farming

- Under it, agricultural production (including livestock and poultry) can be carried out based on a pre-harvest agreement between buyers and producers.
- It is defined under **Concurrent List** of the Seventh Schedule of constitution; however Agriculture is under State list.
- The **Model APMC Act, 2003** provided for contract farming. Consequently, 20 states have amended their APMC Acts to provide for contract farming, while Punjab has a separate law on contract farming.

Key Features of Model Contract Farming Act

- It sets up **Contract Farming (Development and Promotion) Authority** and local-level recording committees to register the contracts and implement them effectively
- It ensures **buying of entire pre-agreed quantity of contract farming** produce as per contract.
- The produce will be insured under the existing agriculture insurance schemes.
- It provides for a **contract farming facilitation group** at village level to take quick and need based decision and a dispute settlement mechanism for quick disposal of disputes.
- It provides to keep contract farming outside the ambit of APMC act
- It makes provisions for making farmer producer organisations (FPOs).

8.2. DOUBLING FARMERS INCOME

Why in news?

- Agriculture Ministry has recently released a blueprint having 7-point strategy to achieve the vision of doubling farmer's income by 2022.
- **Ashok Dalwai committee**, on doubling farmers' incomes (DFI), has also proposed major reforms in its report titled **Structural Reforms and Governance Framework** and also said that an investment of Rs. 6.39 lakh crore is required from both public and private sectors to double farmer income.

Major recommendations in the committee report

- **Improve Institutional Arrangement/Overhaul of the Union agriculture ministry** by establishing *three-tier planning and review mechanism*
- **Liberalize the definition of a 'farmer'** to include cultivators, lessee farmers and sharecroppers
- **Undertake land reforms** such as Model Land Leasing Act 2016, draft Model Contract Farming Act, encouraging FPOs, and digitisation of land records.
- **Reduce production risks and market unpredictability:** through restructuring of Directorate of Marketing & Inspection.
- **Liberalize and simplify agricultural policies** in seed chain, fertilizer, pesticide sector, inviting private sector participants, modernizing agricultural market architecture and legislate the Model Agricultural Produce and Livestock Marketing Act 2017
- **Remove Infrastructure constraints** by setting up a dedicated division for investment and enterprises in the Ministry of Agriculture & Farmers' Welfare.
- **Tackle climate change**
- **Improve grassroot level participation** by making Gram Panchayats responsible for agricultural development and preparing village level action plans at Gram Panchayat level.

Seven Point strategy for Doubling Farmers income (Ministry of Agriculture)

- **Increase in production** through Pradhan Mantri Krishi Sinchai Yojana, expediting pending medium and large irrigation projects and fast-tracking watershed development and water harvesting & management projects
- **Effective use of input cost through** soil health card scheme, neem coated Urea, rationalize fertilizer usage, providing better quality seeds, spreading farmer awareness and better planning
- **Reduction of post-harvest losses** by encouraging use of warehouses and providing Integrated cold chains in rural areas.
- **Value Addition through schemes such as** Pradhan Mantri Kisan Sampada Yojana, promoting agro processing clusters etc.

- **Reforms in Agriculture Marketing through e-NAM**, reforming APMCs and contract farming
- **Risk, Security and Assistance through** Pradhan Mantri Fasal Bima Yojana (PMFBY) to reduce possible risks.
- **Promoting Allied Activities through** Integrated farming system (focusing on horticulture, livestock, and bee keeping also), Blue Revolution, Sub Missions on Agroforestry, poultry development etc.

8.3. SAMPADA SCHEME

Why in news?

- The government has given its approval for a new Central Sector Scheme – **SAMPADA (Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters)** for the period 2016-20.

Background

- India ranks number one in total food production globally but the processing level is less than 10% of the production base.
- The government has allowed **100% FDI (automatic route) in trading including through e-commerce**, in respect of food products manufactured and/or produced in India.
- The government has set up a **Special Fund of Rs. 2000 crores** in NABARD to give affordable credit at concessional rate of interest to designated food parks and agro processing units.
- **Food and agro–based processing units** and **cold chain infrastructure** have been brought under the ambit of **Priority Sector Lending** (PSL).

Mega Food Park Scheme

- It aims to provide modern infrastructure facilities for the food processing with a cluster based approach based on a hub and spokes model.
- It includes creation of infrastructure for primary processing and storage near the farm in the form of Primary Processing Centres (PPCs) and Collection Centres (CCs) and common facilities and enabling infrastructure like roads, electricity, water etc. at Central Processing Centre (CPC).

Integrated Cold Chain and Value Addition Infrastructure

- It is a Central Sector scheme.
- Financial assistance is given in the form of grant-in-aid upto maximum of Rs. 10 crore per project.

About SAMPADA

- **It is an umbrella scheme** incorporating ongoing schemes of the Ministry of Food Processing -
    - Earlier schemes like Mega Food Parks, Integrated Cold Chain and Value Addition Infrastructure, Food Safety and Quality Assurance Infrastructure, etc.
    - New schemes like Infrastructure for Agro-processing Clusters, Creation of Backward and Forward Linkages, Creation of Food Processing & Preservation Capacities.
- The **objective of the scheme** is to supplement agriculture, modernize processing and decrease agri-waste.

8.4. RKVY-RAFTAAR

Why in news?

- Recently, CCEA approved the continuation of Rashtriya Krishi Vikas Yojana (RKVY) as **Rashtriya Krishi Vikas Yojana- Remunerative Approaches for Agriculture and Allied sector Rejuvenation (RKVY-RAFTAAR)** for three years i.e. 2017-18 to 2019-20.

About RKVY-RAFTAAR

- **Objective:** To make farming a remunerative economic activity through strengthening the farmer's effort, **mitigating risk** and promoting **agribusiness entrepreneurship.**
- **Funding**: Funds would be provided to States as **60:40** grants between Centre and States (**90:10** for North-Eastern States and Himalayan States).
- It will incentivize states to **increase allocations for agriculture and allied sectors** and help in creation of **post-harvest infrastructure** and promotion of private investment in the farm sector across the country.

RKVY-RAFTAAR sub-schemes

- Bringing Green Revolution to Eastern India (BGREI).
- Crop Diversification Program (CDP).
- Reclamation of Problem Soil (RPS).
- Foot & Mouth Disease – Control Program (FMD-CP).
- Saffron Mission.
- Accelerated Fodder Development Programme (AFDP).

About Rashtriya Krishi Vikas Yojana (RKVY)

- It was **launched in 2007** on the recommendation of the **National Development Council.**
- **Aim**: To achieve 4% annual growth in agriculture sector.
- It is a **special Additional Central Assistance scheme** to incentivise States that increase their investment in agriculture and allied sectors.
- It **encouraged decentralized planning** for agriculture and allied sectors through preparation of **District Agriculture Plans (DAPs)** and **State Agriculture Plan (SAP)** based on agro-climatic conditions, availability of appropriate technology and natural resources to ensure accommodation of local needs, cropping pattern, priorities etc.
- **Impact of RKVY:** It was successful in increasing **agricultural State Domestic Product (AGSDP)** during its implementation and almost all the states registered **higher value of output** from agriculture and allied activities in the post-RKVY period.

8.5. OPERATION GREENS

Why in news?

Recently, Ministry of Food Processing Industries has initiated work on Operation Greens which was announced in Budget 2018-19.

What is Operation Greens?

- Operation Greens is a **500 crore project** on the lines of **Operation Flood** for enhancing production & reducing price volatility of fruits & vegetables.
    - Operation flood aimed at increasing milk production, augmenting rural income and ensuring affordable prices for consumers was started by National Dairy Development Board. As a result, India became the largest producer of milk and milk products
- Government has decided to start focusing on three basic vegetables namely **tomatoes, onions and potatoes (TOP)** initially. They form almost half of vegetable production in the country.
- Price stability would also ensure availability of these basic vegetables at **affordable prices to consumers**

Horticulture sector in India

- India is the second largest producer of fruits and vegetables in the world, and a top producer of crops like banana, mango and lemons.
- Horticulture accounts for 30% of India's agricultural GDP from 8.5% of cropped area.
- Production of horticulture crops (fruits, vegetables and spices) in 2017 has overtaken the production of food grains for the fifth year in a row.
- In comparison to food grains, most horticulture crops are grown with assured irrigation and, therefore, are more immune to monsoon deficits.
- The resource-poor farmers benefit the most from the growth in horticulture sector as fruits and vegetables are mostly grown by marginal and small farmers (with less than 2 hectare of land).
- However, India's share in the global market accounts for just 1.7% of the global trade in vegetables and 0.5% in fruits.

Coordinated Horticulture Assessment and Management using geo-informatics (CHAMAN)

- It was launched in 2014 by Ministry of Agriculture under the Mission of Integrated Horticulture Development.
- It is being implemented by New Delhi based Mahalanobis National Crop Forecast Centre (MNCFC).
- It uses Geographical Information System tools along with remote sensing data for generating action plans for horticultural development.
- It also aims to carry out research activities on horticultural crop condition studies, diseases assessment and precision farming.

Price Stabilization Fund (PSF) with a corpus of Rs.500 crores to regulate price volatility of agricultural and horticultural commodities through procurement of farm produce, maintenance of buffer stocks and regulated release into the market.

8.6. ORGANIC FOOD

Why in news?

Recently, FSSAI issued regulation on organic food in country.

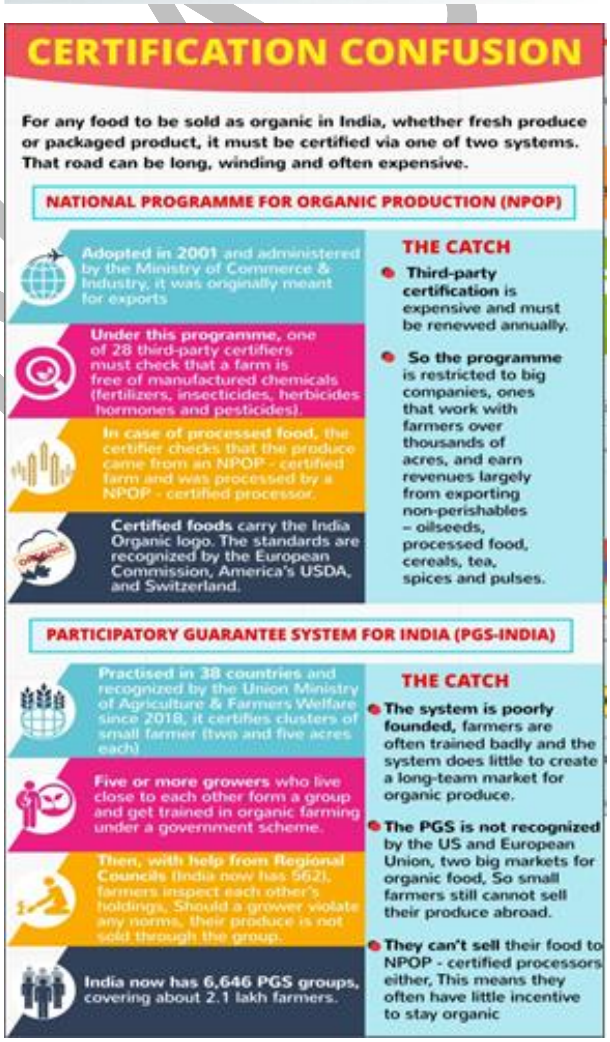
Provisions of the guideline

- **Definition:** FSSAI has defined
    - **Organic Agriculture**: A system of farm design and management to create an eco-system of agriculture production

without the use of synthetic external inputs such as chemicals, fertilisers, pesticides and synthetic hormones or genetically modified organisms.
  - **Organic Farm Produce**: the produce obtained from organic agriculture.
  - **Organic Food Means:** Food products that have been produced in accordance with specified standards for organic production.
- **Mandatory labeling of Organic food**
- **Approval authority**: Organic food products should carry a certification mark or a quality assurance mark given by
  - National Programme for Organic Production (NPOP)
  - Participatory Guarantee System for India (PGS-India)
  - Voluntary logo from the FSSAI that marked its produce as 'organic.'

Food Safety and Standards Act, 2006 was enacted to:

- Consolidate multiple laws in the country relating to food safety.
- Establish a single point reference system.
- Establish the **Food Safety and Standards Authority of India (FSSAI)** which formulates standards for food and regulates their manufacture, storage, and distribution, among others.
- **Ministry of Health & Family Welfare (MoHFW)** is the administrative Ministry for the implementation of FSSAI.
- The FSSAI along with the State Food Safety Authorities is responsible for monitoring and verifying the relevant requirements under the Act and its enforcement.
- The Act provides for the appointment of a Commissioner of Food Safety at state level and local Food Safety Officers for efficient implementation of food safety.
- It requires food firms to provide scientific evidence that their product is safe.
- The Act **does not apply to any farmer, fisherman, farming operations**, crops, livestock, aquaculture, supplies used/produced in farming, products of crops produced by a farmer/fisherman at initial production level.



8.7. JUTE-ICARE

Why in News?

- Central Research Institute for Jute and Allied Fibres (CRIJAF) developed a microbial called **SONA** under **Jute-ICARE** project which will enhance the quantity of fibre yield.

Jute-ICARE project

- Launched in 2015, by **National Jute Board (under Ministry of Textiles**) for better agronomic practices through;
    - Distribution of quality certified seeds at 50% subsidy.
    - line sowing of jute using seed drill to increase yield by 10-15%;
    - Reducing the cost of weeding by wheel hoeing/nail weeder instead of hand weeding.

Jute Cultivation in India

- Natural Fibre crop known as golden fibre. 95% of world jute is grown in India and Bangladesh.
- Cultivated extensively in Eastern and North East India
- National Food Security Mission- Commercial Crops (NFSM-CC) covers **Cotton**, **Jute** and **Sugarcane**.

Condition: Grow in March-May season with hot and humid Climate, **Temperature**: 24°C to 35°C, **Rainfall:** 120 to 150 cm,

Soil: loamy and sandy loam

Other Initiatives

- **National Jute Policy** was launched in 2005.
- The **Jute Packaging Material (Compulsory Use in Packaging Commodities) Act, 1987** has been extended up-to a minimum percentages of total production of commodity.
- **Jute Raw Material Bank scheme:** to make jute raw material available to the small and tiny artisans, entrepreneurs locally at mill gate price.
- **Incentive Scheme for Acquisition of Plant and Machinery' (ISAPM), Scholarship scheme for educational support** by National Jute Board (NJB) for modernisation and up-gradation of technologies.

8.8. COIR INDUSTRY

Why in News?

- A severe shortage of water, affecting coconut farms in Tamil Nadu, Kerala and Karnataka has decreased the yield of the coir industry in these parts.

Background

- India accounts for about 66% of the global production of coir and coir products.
- **Kerala** accounts for majority of coir industry in India. The geographical location of the coir industry is dependent on the availability of raw material i.e. coconut.

Government initiatives

- **Coir Udyami Yojana:** Rejuvenation, Modernization and Technology Upgradation has been renamed as Coir Udyami Yojana.
    - This is a **credited linked subsidy scheme** which provides 40% as Govt. subsidy, 55% as Bank loan and 5% beneficiary contribution for setting up of coir units with project cost up to Rs.10 lakh
    - No collateral security/third party guarantee is required and there is no income ceiling.
- **Coir Vikas Yojana:**
    - It involves skill upgradation and quality improvement of the products.
    - It also **includes Mahila Coir Yojana** which provides **self-employment to the rural women artisans** in coir producing regions.
    - Its other components are development of production infrastructure, domestic market promotion, export market promotion etc.
- **Coir Board:** It is a statutory body under the Ministry of MSME which regulates the production and distribution of coir through registration and licensing and fixes standards for this industry.

8.9. NATIONAL YEAR OF MILLETS

Why in News?

- Recently, government has approved 2018 as the '**National Year of Millets'** to boost the agro-industry and production of the cereal.

About Millets

- It includes Jowar, Ragi, Korra, Arke, Sama, Bajra, Chena/Barr and Sanwa.
- **Agro-Climatic Condition-** grows well on well-drained loamy soils, arid and semi-arid areas such as in Rajasthan, Karnataka, Madhya Pradesh, etc.
- India is the **largest producer** of millets followed by the African countries of Nigeria and Niger.

Benefits of Millets

- **Less water requirement** and a shorter growing period.
- **Less affected by diseases** and pests, rising temperature and climate change.
- **Used as food and fodder**—in mixed farming systems.
- **Intercropped** with wide variety of vital crops.
- **Millets are rich in vitamins, calcium, iron, potassium, magnesium, zinc**, and has low-GI (Glycemic index) which can reduce the malnourishment and hunger problem in India.
- **Beneficial to gluten intolerant** and high diabetic people.
- It has good ability to **sequester carbon**.

Government Initiatives for Millets

- **Integrated Cereals Development Programmes in Coarse Cereals based Cropping Systems Areas** (**ICDP-CC**).
- **Initiative for Nutritional Security through Intensive Millets Promotion** under the Rashtriya Krishi Vikas Yojana.
- Rainfed **Area Development Programme** under the Rashtriya Krishi Vikas Yojana
- **Extension under Public Distribution System-** under the National food security Act 2013, millets has been included under the PDS basket.

8.10. DAIRY SECTOR

Why in news?

- The Cabinet Committee on Economic Affairs has approved a **"Dairy Processing & Infrastructure Development Fund" (DIDF)** with an outlay of Rs 10,881 crore during the period from 2017-18 to 2028-29.

More about the news

- It will be implemented by National Dairy Development Board (NDDB) and National Dairy Development Cooperation (NCDC)
- The project will focus on building an efficient milk procurement system by setting up of chilling infrastructure & installation of electronic milk adulteration testing equipment, etc.
- 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.

Dairy sector in India

- India is **the world's largest milk producer** with 156 MMT of the item produced annually. However, exports of these items from India are negligible (about 0.5 MMT or 0.3% of the production).
- Government of India is making efforts for strengthening the dairy sector through various Central sector Schemes like "National Programme for Bovine Breeding and Dairy Development", National Dairy Plan and "Dairy Entrepreneurship Development Scheme".

8.11. BOOSTING SILK PRODUCTION

Why in News?

- Recently government has pumped Rs. 690 crore in 24 districts under North East Region Textile Promotion Scheme (NERTPS) for increasing silk production.

North East Region Textile Promotion Scheme (NERTPS)

- It is an umbrella scheme under Ministry of Textiles for the development of various segments of textiles, i.e. silk, handlooms, handicrafts and apparels & garments.
- It aims to develop and modernise the textile sector in the North East Region by providing the required Government support in terms of raw material, machinery, skill development etc.
- It is being implemented under two broad categories viz., Integrated Sericulture Development Project (ISDP) and Intensive Bivoltine Sericulture Development Project [IBSDP].

Related bodies

- **Central Silk Board** – It is a statutory body under Ministry of Textiles. It is entrusted with the overall responsibility of developing silk industry

Silk industry (Sericulture) in India

- India is the second largest producer of silk in the world.
- There are **four major types** of silk produced in India: Mulberry, Tasar, Muga, Eri of which Mulberry accounts for 70% of total raw silk production
- Mulberry silk is produced mainly in the states of Karnataka, Andhra Pradesh, Tamil Nadu,

Jammu & Kashmir and West Bengal, while the non-mulberry silks are mainly produced in Jharkhand, Chattisgarh, Orissa and north-eastern states.

- Karnataka is the leading producer of silk followed by Andhra Pradesh.
- India's north eastern region has the unique distinction of producing all these commercial varieties of silk contributes about 21 per cent of the total silk production in the country.
- Handlooms account for about 85 per cent of silk consumption in India while powerlooms use the remaining.

Integrated Scheme for the Development of Silk Industry

- It is a central sector scheme implemented by **Central Silk Board (under Ministry of Textiles).**
- It consists of following four components:
  - Research & Development, Training, Transfer of Technology and I.T. Initiatives,
  - Seed Organizations,
  - Coordination & Market Development,
  - Quality Certification Systems (QCS)/Export Brand Promotion & Technology Up-gradation
- The scheme aims to achieve **self-sufficiency in silk production by 2022** by focussing on improving productivity and increasing production of highest grade quality silk & import substitute bivoltine silk.
- It also seeks to provide livelihood opportunities for women, SC, ST and other weaker sections of the society including Left Wing Extremism affected areas and North Eastern Region.

8.12. FISHERY SECTOR IN INDIA

Why in News?

- Recently, India became **second largest fish** producing country in the world contributing to 5.43% of global fish production.

Overview of the sector

- Constituting about 6.3% of the global fish production, the sector contributes to 1.1% of the GDP and 5.15% of the agricultural GDP.
- There are two branches of fishery sector namely **Inland Fisheries and Marine Fisheries**. The total fish production has nearly 65% contribution from the **inland sector** and rest form **marine fishing**.
- Fish and fish products accounts for around 10% of the total exports of the country and nearly 20% of the agricultural exports.

Government Steps taken

- An umbrella scheme **'Blue Revolution: Integrated Development and Management of Fisheries**' has been formulated by merging all the existing schemes.
  - It will cover inland fisheries, aquaculture and marine fisheries including deep sea fishing, mari-culture and all activities undertaken by the National Fisheries Development Board (NFDB).
- Government had constituted a committee under **Dr. Dilip Kumar** to draft a national policy on inland fishing.
- Government had notified **National Policy on Marine Fishing 2017.**
  - The **aim of the policy** is to ensure the health and ecological integrity of the marine living resources of India's EEZ through sustainable harvests.
  - The overall strategy would be based on **seven pillars**, namely sustainable development, socio-economic upliftment of fishermen , principle of subsidiarity, partnership, inter-generational equity, gender justice and precautionary approach.

8.13. EDIBLE OIL IMPORT

Why in News?

- There are concerns that India's dependence on imported edible oil is likely to increase to a record level during the coming year of 2017-18.

Background

- India is among major oilseed growers and edible oil importers. India's vegetable oil economy is world's fourth largest after USA, China and Brazil.
- The oilseed accounts for 13% of the gross cropped area, 3% of the Gross National Product and 10% value of all agricultural commodities.
- Palm oil accounts for more than half of India's total edible oil imports
- **Need of the import**

- Agricultural Conditions: Around three fourth production of oilseeds is in rain-fed areas and continuous drought during the past two years resulted in lower oilseed production and domestic edible oil output.
  - **Low Average yield** of various oilseeds crops in India
  - **Inadequate Processing Industries** which prefer to import refined oil for blending directly with the oil for repacking and distribution for local consumption.
  - **Global Competition and Domestic Demand:** The current import duties on edible oil is based on prolonged fall in price of edible oil in the international market, which make the import of refined oil more attractive than crude or unprocessed oil.
- Various government initiatives have been launched to make India self-reliant in oilseed and edible oil production.

ISOPOM (Integrated Scheme of Oilseeds, Pulses, Oil Palm and Maize)

- Under this, four schemes related to oilseeds, pulses, oil palm and maize have been merged into one Centrally Sponsored ISOPOM.
- It is being implemented by Department of Agriculture & Cooperation
- Financial assistance is provided to farmers.

National Mission on Oilseeds and Oil Palm (NMOOP)

- It is implemented under **three sub-mission namely;** MM I – Oilseeds, MM II – Oil Palm, MM III – TBOs (Tree Based Oil).
- The mission targets increasing production of oilseeds to 42 mn tonnes by FY2022 from estimated 34 mn tonnes in FY2017
- The strategy and guideline for NMOOP includes:
  - Increasing Seed Replacement Ratio (SRR) with focus on Varietal Replacement;
  - Increasing irrigation coverage under oilseeds from 26% to 36%
  - Diversification of area from low yielding cereals crops to oilseeds crops; inter-cropping of oilseeds with cereals/ pulses/ sugarcane;
  - Use of fallow land after paddy /potato cultivation
  - Expansion of cultivation of Oil Palm and tree borne oilseeds in watersheds and wastelands;
  - Increasing availability of quality planting material enhancing procurement of oilseeds and collection;
  - Processing of tree borne oilseeds.

8.14. HONEY MISSION

- Implemented by the **Khadi and Village Industry Commision,** it aims to further the goal of **Sweet Revolution** under which government aims to **accelerate the honey production** and **double farmer income by 2020**.
- The aim of the Honey Mission is to **promote and popularise 'Bee-keeping'** as a self-employment tool. Bee keeping and pollination services will help to increase the income of farmers and also promote the biodiversity of the area.

Khadi and Village Industry Commision (KVIC)

- It is a **statutory body** under the Ministry of Micro, Small & Medium Enterprises.
- It has been established with the objective of providing employment, producing saleable articles and creating self-reliance amongst the poor and building up of a strong rural community spirit.
- It is also charged with the responsibility of encouraging and **promoting research in the production techniques** and **provide financial assistance** for the Khadi and Village Industries sector.
- It is the implementing agency for following schemes:
  - **Prime Minister's Employment Generation Programme (PMEGP)**: a credit linked subsidy scheme, for setting up of new micro-enterprises and to generate employment opportunities in rural as well as urban areas of the country.
  - **Scheme of Fund for Regeneration of Traditional Industries** (SFURTI): was launched for making Traditional Industries more productive and competitive by organizing the Traditional Industries and artisans into clusters.
  - **A Scheme for Promoting Innovation, Rural Industry and Entrepreneurship** (ASPIRE): launched to promote Innovation & Rural Entrepreneurship through rural Livelihood Business Incubator (LBI), Technology Business Incubator (TBI) and Fund of Funds for start-up creation.

8.15. NABARD

Why in news?

- Recently, the Parliament passed amendments to the National Bank for Agriculture and Rural Development (NABARD) Act, 1981.

Details of amendments

- Empowers the Central government to **increase the authorised capital** of NABARD from Rs. 5,000 crore to Rs. 30,000 crore
- **Transfers the RBI's balance equity** of Rs. 20,000 crore in NABARD to the Central government.
- **Consistency with the Companies Act, 2013**: The Bill substitutes references to provisions of the Companies Act, 1956 under the NABARD Act, 1981, with references to the Companies Act, 2013. These include provisions that deal with: (i) definition of a government company, and (ii) qualifications of auditors.

NABARD

- It is an apex development bank of country and is engaged in agricultural credit and other economic activities in rural areas.
- **Functions:**
  - Provides refinancing facilities to bank
  - **Promotes rural industries, small scale and cottage industries**
  - **Provides funds to State governments** for undertaking developmental and promotional activities in rural areas
  - **Financing R&D** of agricultural and rural industries
  - **Finance for promoting non-farm activities** and employment in non-farm sectors
  - **Inspection work** of Co-operative banks and Regional rural banks.

E-Shakti Initiative of NABARD

- It aims for digitisation of Self Help Groups (SHGs) in 100 districts.
- It was initiated to address certain concerns like improving the quality of book keeping of SHGs and to enable banks to take informed credit decisions about the group.
- It further aims at Integrating SHG members with the national Financial Inclusion agenda.

8.16. FARMER PRODUCER COMPANIES

Why in News?

- Government exempted the profits of Farmer Producer Companies (FPC) from tax for a period of five years from the next financial year.

What are FPCs?

- It is a hybrid between cooperative societies and private limited companies which provides for sharing of profits/benefits among the members.
- The important features include:
  - It is formed by a group of producers for either farm or non-farm activities;
  - It is a registered body and a legal entity (under Companies Act, 1956);
  - A part of the profit is shared amongst the producers and rest of the surplus is added to its owned funds for business expansion.
- NABARD initiated the Producer Organisation Development Fund (PODF) and Small Farmers Agribusiness Consortium (SFAC) has set up nearly 250 FPOs since 2011.
- To strengthen their capital base, SFAC has launched a new Central Sector Scheme "**Equity Grant and Credit Guarantee Fund Scheme for Farmers Producer Companies**".

8.17. AGRICULTURE INPUTS

8.17.1. LONG TERM IRRIGATION FUND

Why in news?

- The Union Cabinet recently approved raising Extra Budgetary Resources for Long Term Irrigation Fund (LTIF) for year 2017-18 through issuance of bonds by NABARD.

Pradhan Mantri Krishi Sinchayee Yojana

- Launched in 2015, it was formulated with the vision of extending the coverage of irrigation and improving water use efficiency in a focused manner.
- It has been has been formulated by amalgamating viz. **Accelerated Irrigation Benefit Programme (AIBP)** of the Ministry of Water Resources, River Development & Ganga Rejuvenation (MoWR, RD&GR), **Integrated Watershed Management Programme (IWMP)** of Department of Land Resources (DoLR) and the **On Farm Water**

Management (OFWM) of Department of Agriculture and Cooperation (DAC).

What is LTIF?

- LTIF was created in 2016 with an initial corpus of Rs. 20,000 crore for **funding and fast tracking the implementation of incomplete major and medium irrigation projects.**
- It aims to bridge the resource gap and facilitate completion of these projects during 2016-2020.
- LTIF has been instituted in NABARD under **PMKSY (Pradhan Mantri Krishi Sinchayee Yojana)** with interest rates kept at 6 % and the interest cost to be borne by GoI.

8.17.2. SEED INDUSTRY

Why in News?

- Recent reports highlighted that the Indian seed market achieved a growth rate of around 17% during 2009-2016.

Seed Industry in India

- India is the fifth largest seed market across the globe.
- The seed market is majorly contributed by non-vegetable seeds such as corn, cotton, paddy, wheat, sorghum, sunflower and millets.
- The production of seed passes through generation system; **Breeder Seed------Foundation Seed------Certified Seed**.
- Breeder Seeds are produced by **Indian Council of Agricultural Research** and Foundation and Certified Seeds are produced by **National Seed Corporation** (Miniratna).

Seed Replacement Ratio (SRR)
- It is a measure of how much of the total cropped area was sown with certified seeds in comparison to farm saved seeds.
- It represents the access of farmers to quality seed and directly proportional to productivity of farming.

Policy Initiatives

- Currently, the seed sector is governed by;
  - **The Seeds Act, 1966:** Regulate the quality of certified seeds.
  - **The Seeds Control Order, 1983**: regulates and licenses the sale of seeds;
  - **New Policy on Seed Development 1988**: emphasis on import of seeds, export earnings and increasing farm income.
  - **The Protection of Plant Varieties and Farmers' Rights Act, 2001** (PPVFR Act): protects the intellectual property rights of plant breeders.
  - **National Seed Policy 2002** based on Varietal Development, Seed Production, Seed Distribution and Marketing by encouraging private sector as key actor, Infrastructure facility, Establishment of National Gene Fund.
  - **National Seed Plan 2005:** Calls for a synergetic approach between agricultural educational institutions, Seed Companies and state government.

8.17.3. DRIP IRRIGATION PROJECT

Why in news?

The **largest Drip Irrigation project** in Asia i.e. **Ramthal Marola Project in Bagalkot district of Karnataka** has been commissioned.

Drip Irrigation

A method of controlled irrigation where water is slowly delivered to the root system of multiple plants. Water is either dripped onto the soil surface above the roots, or directly to the root zone.

Types

- **Surface drip irrigation** - Water is delivered to the surface of the soil directly above the root system of the plants. Mainly used on high-value crops.
- **Subsurface drip irrigation** - The water is applied directly to the root system. This is used particularly in growing row crops.

Advantages of Drip Irrigation

- Maximize use of available water.
- Maximum crop yield.
- **High efficiency in the use of fertilizers.**
- **Less weed growth and restricts population of potential hosts.**
- **Low labour** and relatively low operation cost.
- No soil erosion.
- No runoff of fertilizers into ground water.
- **Less evaporation losses of water as compared to surface irrigation.**
- Improves seed germination.
- Decreased to tillage operations.

8.17.4. FERTILIZER SECTOR

Why in News?

- Recently, government had stressed the need of halving the urea fertilizer consumption by 2022.
- Government has also approved Special Banking Arrangement (SBA) for Rs. 10,000 crore for payment of outstanding claims on account of fertilizer subsidy in the year 2016-17.

Fertilizer industry in India

- India is second largest consumer of urea fertilizers after China.
- India also ranks second in the production of nitrogenous fertilizers and third in phosphatic fertilizers whereas the requirement of potash is met through imports since there are limited reserves of potash in the country.
- It is also **one of the eight core industries**.

Policy and Legislative Initiative

- **Nutrient Based Subsidy scheme 2010:** applicable to 22 fertilizers (other than Urea) for which MRP will be decided taking into account the international and domestic prices of P&K fertilizers, exchange rate, and inventory level in the country.
- **New Urea Policy 2015:** focusses on making the domestic urea energy efficient and reducing the subsidy burden.
- **Neem Coated Urea (NCU):** mandatory 100% production of NCU, Benefit includes:
  - Slow down the dissolution of Urea into soil, resulting into less urea requirement.
  - Stop the illegal diversion of urea for non-agricultural usages such as; ingredients in chemical industry, explosives, etc.
- **Gas Pooling:** pooling of Domestic Gas with Re-Gasified LNG which is imported. This would help provide natural gas at **uniform delivered price** to all natural gas grid connected Urea manufacturing plants.
- **DBT in fertilizer industry:** under the system, farmer's purchase of fertilizer will be recorded on the Point of Sale (PoS) machines, thereafter subsidy to companies will be released to fertilizer firms.
- **Removal of minimum production criteria** for manufacturers of Single Super Phosphate (SSP) making them eligible for subsidy irrespective of quantity of SSP produced and selling for agriculture purposes.
- **Soil Health Card:** Farmers can get their own customised requirement of fertiliser in order to avoid irrational use of it.

8.17.5. SUB-MISSION ON AGRICULTURAL MECHANIZATION

Why in news?

- The allocation for SMAM has been increased by more than two times as compared to the previous year.

Details

- Sub-Mission on Agricultural Mechanisation (SMAM) was launched in the year 2014-15 **under National Mission on Agricultural Extension and Technology.**
- It aims to promote **agricultural mechanisation** among small and marginal farmers and in the areas where the level of mechanisation and availability of power is very low.
- Apart from SMAM, farm mechanisation is also promoted through various other schemes and programmes of the ministry such as **RKVY, NFSM, NHM, NMOOP** etc.

Components of SMAM

- Promotion and Strengthening of Agricultural Mechanization through Training, Testing and Demonstration
- Demonstration, Training and Distribution of Post-Harvest Technology and Management (PHTM)
- Financial Assistance for Procurement of Agriculture Machinery and Equipment
- Establish Farm Machinery Banks for Custom Hiring.

8.17.6. PRICE DEFICIENCY PAYMENT (PDP) SCHEME

Why in news?

- Various state governments have launched Price deficiency payment (PDP) schemes to cover farmers' losses.

Various PDP schemes of states

- **Bhavantar Bhugtan Yojana (BBY) by MP:** It applies to eight kharif crops — soybean, til, maize, urad, tur, moong, groundnut, ramtil
- The **Haryana government** has announced a somewhat similar scheme for 4 vegetables —

potatoes, onions, tomatoes, cauliflower.
- **Karnataka** is giving a Rs 5-per-litre incentive to milk farmers over and above the rate that dairies are paying.

About Price deficiency payment (PDP) scheme

- Under this, government support to producers does not involve direct market intervention. The market is, instead, allowed to set prices based on normal supply and demand forces while the government simply pays the difference between the MSP and the market-determined price.
- NITI Aayog in its three-year agenda has also suggested this system to address the gaps in Minimum Support Price (MSP) based procurement of crops.

8.17.7. INTEREST SUBVENTION SCHEME

Why in news?

- Recently, RBI clarify that farmers will continue to get crop loan under Interest Subvention Scheme.

About Interest Subvention Scheme

- It is the scheme to provide concessional of 2% per annum for crop loans to farmers, upto Rs.3 lakh at 7% rate of interest. An additional interest subvention of 3 per cent per annum is available to the "prompt payee farmers.
- Interest subvention will be available to Public Sector Bank, Private Sector Bank and to NABARD for providing concessional refinance to RRBs and Cooperative Banks.
- The Scheme is provided for four segments namely;
    - Interest subvention for short term crop loans.
    - Interest subvention for post-harvest loans.
    - Interest subvention under Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM).
    - Interest subvention for relief to farmers affected by natural calamities.

8.17.8. E-KRISHI SAMVAD

Why in news?

Union Agriculture and Farmers Welfare Minister recently launched e-Krishi Samvad, an **online interface for farmers and other stakeholders in the agricultural sector.**

What is it?

- It is an online interface through which farmers and other stakeholders can directly approach **ICAR (Indian Council of Agricultural Research**) with their problems for effective solutions.
- Stakeholders can also upload photographs of crop diseases, animals or fishes for diagnostics and remedial measures instantly from the specialists.
- Appropriate solutions from specialists will be provided via **SMS.**

8.18. AGRICULTURE MARKET

8.18.1. E-RAKAM PORTAL FOR SELLING AGRI-PRODUCE

- The government recently launched an e-auction portal **e-RaKam** for selling agricultural produce.
- It **is joint initiative of MSTC Ltd.** (a Mini Ratna PSU under the administrative control of the Ministry of Steel) **and Central Railside Warehousing Company.**
- It has been launched in order to **help farmers get reasonable price for the produce** and not fall prey to middlemen as well as save them the effort to carting the produce to the mandi.
- The farmers will be paid directly into their bank accounts.

8.18.2. AGRI UDAAN

Why in news?

- Recently, ICAR-NAARM and IIM-A's incubator centres announced "AGRI UDAAN"- Food and Agribusiness Accelerator 2.0.

Details

- It is a food and Agriculture Accelerator which focuses on catalyzing scale-up Food & Agribusiness start-ups through **rigorous mentoring, industry networking and Investor pitching**.
- The main idea is to **attract rural youth** and train them to **add value to agriculture and farmer's produce**.

- The aim of AGRI- UDAAN is to bring start-up revolution in agriculture which has been mostly concentrated in Services sector.

8.18.3. NEGOTIABLE WAREHOUSING RECEIPTS

Why in news?

- **Ministry of Food Processing Industries** has launched negotiable warehousing receipts in electronic format that farmers can use to avail of bank credit easily and without fear of losing or misusing it.

What is negotiable warehouse receipt (NWR)?

- Warehouse Receipts are documents issued by warehouses to depositors against the commodities deposited in the warehouses, for which the warehouse is the bailee.
- Warehouse Receipts may be **either non-negotiable or negotiable.** NWRs can be traded, sold, swapped and used as collateral to support borrowing.
- It is defined in the Warehousing (Development and Regulation) Act, 2007.
- NWR was launched first in 2011 and are regulated by the Warehousing Development and Regulatory Authority (WDRA).

8.18.4. NIVESH BANDHU

Why in news?

- Recently, several initiatives were launched during the World Food India Expo, 2017.

Initiatives launched

- **Nivesh Bandhu** an investor facilitation portal which would provide information on Central and State Governments' investor friendly policies, agro-producing clusters, infrastructure, and potential areas of investment in the food processing sector.
- Ministry of Food Processing Industries and Food Safety and Standards Authority of India has also launched the **Food Regulatory Portal**.
- It has been planned as a single interface for food businesses to cater to both domestic operations and food imports.

8.19. AGRICULTURAL EDUCATION

8.19.1. NATIONAL AGRICULTURAL HIGHER EDUCATION PROJECT

Why in news?

- The **National Agricultural Higher Education Project** has been formulated by the ICAR in partnership with the **World Bank** with a focus to improve and sustain quality of higher education.

ICAR

- The **Indian Council of Agricultural Research (ICAR)** is an autonomous organisation under the **Department of Agricultural Research and Education (DARE), Ministry of Agriculture and Farmers Welfare** , Government of India.
- It was established on 16 July 1929 as a registered society under the Societies Registration Act, 1860.
- The Council is the **apex body for co-ordinating, guiding and managing research and education in agriculture including horticulture, fisheries and animal sciences** in the entire country.
- **Pusa Krishi App** has been developed by ICAR's Indian Agricultural Research Institute which gives information about
  - The varieties of products available to farmers
  - Technology that can be used to yield better crops
  - Information about produce and the region it is best suited
  - Information about animal feed and bio-fertilizers

About the Project

- All statutory agricultural universities, deemed to be Universities and Agricultural faculty of Central Universities are eligible to participate in this project.
- It will **focus on raising the standards of teaching and learning** through faculty and student development programmes, infrastructure, state of the art laboratories, industry linkage, alumni network, career development etc.
- It project has **three major components**:
  - Support to Agricultural Universities
  - Investments in ICAR for Leadership in Agricultural Higher Education
  - Project Management and Learning.

Other Government Initiatives

- **ARYA:** The GOI launched ARYA – "Attaining and Retaining Youth in Agriculture" in 2015 with the objective for entrepreneurial development of Youth in Rural Areas to take up various Agriculture, allied and service sector enterprises for sustainable income and gainful employment.

- **Pandit Deendayal Upadhyay Unnat Krishi Shiksha Scheme**: It was launched in 2016 under which 100 new centres were opened up for agricultural education.

8.19.2. INTERNATIONAL RICE RESEARCH INSTITUTE

Why in News?

- Union cabinet recently approved establishment of International Rice Research Institute (IRRI), South Asia Regional Center (ISARC) at campus of National Seed Research and Training Center (NSRTC) in Varanasi.

Details

- A Centre of Excellence in Rice Value Addition (CERVA) will be established in Varansi which will include **a modern and sophisticated laboratory** with capacity to determine quality and status of heavy metals in grain and straw.
- This is going to be **the first international Center in the eastern India** and will play a major role in harnessing and sustaining rice production.
- IRRI is an international agricultural research and training organisation with Headquarter at Philippines.
- It aims to reduce poverty and hunger, improve the health of rice farmers and consumers, and ensure environmental sustainability of rice farming

8.20. CODEX ALIMENTARIUS COMMISSION

Why in news?

Codex Alimentarius Commission (CAC) adopted three Codex standards for black, white and green pepper, cumin and thyme in Geneva.

Background

- Spices Board of India had submitted to CAC a proposal for an exclusive **committee for spices and culinary herbs** in 2013 which became the first new Codex commodity committee to be approved in the past 25 years.
- The adoption of Codex standards for the three spices will help evolve a common standardization process for their global trade and availability of high quality, clean and safe spices.

Spice Board of India

- Spices Board is the flagship organization for the development and worldwide promotion of Indian spices.
- It was constituted in 1987 under the **Spices Board Act 1986 and** has its headquarters at **Kochi**.
- It is one of five statutory boards functioning under the **ministry of commerce and industry** namely Coffee board, Rubber board, Tea board, Tobacco board.

What is Codex Alimentarius Commission (CAC)?

- The Codex Alimentarius Commission (CAC) is an **intergovernmental body** with over 180 members, within the framework of the Joint Food Standards Programme.
- It was established by the **Food and Agriculture Organization** of the United Nations (FAO) **and the World Health Organization (WHO)** in 1963 with the purpose of protecting the health of consumers and ensuring fair practices in the food trade.
- Codex food safety standards are also referred in the **WTO's Agreement on Sanitary and Phytosanitary measures (SPS Agreement).**

- The SPS Agreement entered into force with the establishment of the World Trade Organization on 1 January 1995.
- It concerns the application of food safety and animal and plant health regulations.
- It allows countries to set their own standards. But it also says regulations must be based on science.
- They should be applied only to the extent necessary to protect human, animal or plant life or health.
- And they should not arbitrarily or unjustifiably discriminate between countries where identical or similar conditions prevail.

9. INDUSTRIAL POLICY AND ASSOCIATED ISSUES

9.1. MSME SECTOR

Why in news?

- Recently, cabinet has approved proposal for the amendment in Micro, Small and Medium Enterprises Development (MSMED) Act, 2006.
- Also **CriSidEx**, India's first sentiment index, has been launched for micro and small enterprises (MSEs).

IMPORTANCE OF MSMES

It is important for inclusive growth as it provides the bulk of Industrial employment in the country

5.1 crore	Operating MSMEs in India
11.7 crore	Employment in MSME sector
77.6 lakh	Registered MSMEs as on January 10, 2018 of which 40 lakh registered since September 2015 under Udyog Aadhaar
30.7 %	Contribution to GDP (fiscal 2015)
45.0 %	Contribution to exports
78.2 %	Dependence on self-finance

Key facts about CriSidEx

- CriSidEx is a composite index, developed jointly by CRISIL & SIDBI, 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 readings will flag potential headwinds and changes in production cycles which will help improve market efficiencies.
- By capturing the sentiment of exporters and importers, it will also offer actionable indicators on foreign trade.

Recent amendment to MSMED Act 2006

- Change in the basis of classifying Micro, Small and Medium **enterprises from 'investment in plant & machinery/equipment' to 'annual turnover'.** Accordingly Section 7 of the Act will be amended
  - **A micro enterprise**: annual turnover does not exceed five crore rupees
  - **A small enterprise:** annual turnover is more than 5 crore rupees to Rs 75 crore;
  - **A medium enterprise:** annual turnover is more than 75 crore rupees to 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.

Government Initiatives

- **Udyami Mitra Portal –** It has been launched by SIDBI to improve accessibility of credit and handholding services to MSMEs.
- **Digital MSME Scheme –** It involves usage of Cloud Computing where MSMEs use the internet to access common as well as tailor-made IT infrastructure (including software for managing their business processes) rather than installing in-house IT infrastructure
- **MSME Delayed Payment Portal – MSME Samadhaan –** will empower Micro and Small entrepreneurs across the country to directly register their cases relating to delayed payments by Central Ministries/Departments/CPSEs/State Governments
- **MSME Sambandh -** The Portal will help in monitoring the implementation of the Public Procurement from MSEs by Central Public Sector Enterprises
- **Prime Minister Employment Generation Programme**.
- **Revamped Scheme of Fund for Regeneration Of Traditional Industries (SFURTI)**.
- **A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE).**
- **National Manufacturing Competitiveness Programme (NMCP)** - to develop global competitiveness among Indian MSMEs
- **Micro & Small Enterprises Cluster Development Programme (MSE-CDP) -** adopts cluster development approach for enhancing the productivity and competitiveness as well as capacity building of MSEs.
- Government has also launched **MSME Sambandh**- a Public Procurement portal for Micro Small and Medium Enterprises (MSME) recently to monitor the implementation of the Public Procurement from MSEs by Central Public Sector Enterprises and achieving the procurement goal of minimum of 20 per cent of the total annual purchases of the products or services produced or rendered by MSMEs as mandated by Public Procurement Policy, 2012.

9.2. CHAMPION SECTORS IN SERVICES

Why in news?

The Union Cabinet recently approved an action plan for 12 champion services sector identified by the Ministry of commerce and industry for special focus.

Better Regulatory Advisory Group

- The **Better Regulatory Advisory Group** has been convened under the **Department of Industrial Policy and Promotion** to look into the issues of regulatory processes for fast tracking of investments, both from the domestic and the foreign companies.
- Six sub-groups have been formed to look into areas of: **Income Tax, Goods and Services Tax, Corporate Laws, Financial Securities Law, Regulatory Impact Assessment and MSMEs**.

More on news

- **Department of Industrial Policy and Promotion (DIPP)**, the nodal department for 'Make in India', would spearhead the initiative for the Champion Sectors in manufacturing and **Department of Commerce** would coordinate the proposed initiative for the Champion Sectors in Services.
- A **dedicated fund of Rs. 5000 crores** has been proposed to be established to support initiatives for sectoral Action Plans of the Champion Sectors.
- 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**.
- A goal of achieving a share of services in GVA of 60 % (67% including construction services) has been envisaged by the year 2022 which is currently about 52%.

9.3. INITIATIVES RELATED TO START UPS

9.3.1. STATE START-UP RANKING 2018

Why in news?

- Recently, **Department of Industrial Policy and Promotion** (DIPP) launched State Start-up Ranking 2018.
- Government has also **amended the definition of start up** taking into account the long gestation period by Startups to establish, now an entity shall be considered as a Startup up to seven years from the date of its incorporation/ registration (from earlier 5 years).
- However, in the case of Startups in the Biotechnology sector, the period shall be up to ten years from the date of incorporation/ registration.

FRAMEWORK PILLARS	# OF ACTION POINTS	SCORE ASSIGNED
1 Startup policy and implementation	13	17
2 Incubation support	3	20
3 Seed funding support	2	15
4 Funding support: Angel and venture funding support	3	10
5 Simplified regulations	4	13
6 Easing public procurement	5	14
7 Awareness and outreach	8	11
TOTAL	38	100

About State Start-up Ranking 2018

- **State Start-up Ranking** has been launched to foster **competitiveness** among Indian states and UTs and access **interventions on key areas** that are crucial for **healthy Start Up ecosystem**.
- The tools for ranking are –
  - State and Union Territory Start-up Ranking Framework (see figure for pillars)

- Compendium of Good Practices for Promoting Start-ups in India.
- Start-up India Kit – It is a one-stop guide on all the benefits available to startups from the Startup India initiative.

Start up India Scheme

- It aims to **build a strong eco-system for nurturing innovation** and startups in the country which will drive economic growth and generate large scale employment opportunities.
- Also **the Standup India** scheme was launched to facilitate bank loans from Scheduled Commercial Banks (SCBs) between Rs.10 lakh to Rs.1 Crore to at least one Scheduled Caste (SC) or Scheduled Tribe (ST) and one woman per bank branch for setting up a greenfield enterprise in trading, services or manufacturing sector.
- Features of Start up India are:
    - **Simplification and Handholding through** Simple Compliance Regime for startups based on Self-certification, relaxed norms for procurement, faster exit etc.
    - **Funding support and Incentives:** through a Fund of Funds with a corpus of Rupees 10,000 crore.
    - **Industry-Academia Partnership and Incubation**
    - Ceating a **credit guarantee fund** for startups through Small Industries Development Bank of India (SIDBI) with a Corpus of Rs. 500 crore per year for the next four years.

9.3.2. START-UP INDIA HUB

Why in news?

- Ministry of Commerce & Industry recently launched the Startup India Virtual Hub.

What is Startup India Hub?

- A common online platform for all stakeholders of the entrepreneurial ecosystem like startups, investors, mentors, academia, incubators, accelerators, corporates, Government bodies in India, etc. to discover, connect and engage with each other.

- Startup India Hub comes under **Invest India**, the official Investment Promotion and Facilitation Agency of the Government of India, mandated to facilitate investments into India.
- The Hub has aggregated over 50 relevant Govt schemes/programs. In the next phase, the platform will also aggregate schemes available across various state governments.

9.3.3. START-UP SANGAM INITIATIVE

Why in news?

- Recently, Start-up Sangam initiative was launched by **Ministry of Petroleum and Natural Gas.**

Start-up Sangam Initiative

- It was launched for bringing in **innovations and disruptions in the technology** in heavy oil and gas industry.
- Under the initiative a **corpus of 320 crore** has been put together by contribution of various PSUs like - India Oil Corporation, ONGC, and Engineers India etc.
- It will be used to fund more than 30 start ups for the next three years.
- The selected start-ups will work in various energy fields such as converting **waste plastics to petroleum fuels**, **solar stove, and multi-purpose fuel from agricultural waste biomass** and **leak detectors for liquefied natural gas (LNG) cylinders** etc.
- It is expected to **reduce fuel import dependence** through innovations in alternative fuels.

9.4. TEXTILE SECTOR

9.4.1. SAATHI SCHEME

Why in news?

- Recently, Sustainable and Accelerated Adoption of Efficient Textile Technology to Help Small Industries (SAATHI) scheme has been jointly launched by Ministry of Power and Ministry of Textile.

About SAATHI

- Under this initiative, Energy Efficiency Services Limited (EESL), would procure energy efficient Powerlooms, motors and Rapier kits in bulk and provide them to the small and medium Powerloom units at no upfront cost.

- The initiative will be jointly implemented by **Energy Efficient Services Limited (EESL)** and the office of the Textile Commissioner on a pan-India basis.

Energy Efficient Services Limited (EESL)

- It is a **joint venture of four National Public Sector Undertakings** – NTPC Limited, Power Finance Corporation Limited, Rural Electrification Corporation Limited and POWERGRID Corporation of India Limited.
- It has been set up under **Ministry of Power, Government of India.**
- It also leads the market-related activities of the **National Mission for Enhanced Energy Efficiency.**
- It also acts as the resource centre for capacity building of State DISCOMs.
- It implements **Street Lighting National Programme** (under this, the government aims at replacement of 1.34 crore conventional street lights across the country) and **Unnat Jyoti by Affordable LEDs for All**(UJALA)

9.4.2. SCHEME FOR CAPACITY BUILDING IN TEXTILES SECTOR

Why in News?

- Recently, Cabinet Committee on Economic affairs has approved a new scheme for capacity building in textile Sector (SCBTS).

About the SCBTS

- The Scheme will have a span of three year i.e. 2017-2020 with an outlay of Rs. 1300 Cr.
- It will be implemented through textile industry and recognised public and private training institutes of textile sector.
- The scheme is intended to provide placement oriented skilling programme, for organised sector and enhance livelihood opportunity by skill-upgradation for traditional sector.
- It will cover entire value chain of textile **excluding** Spinning & Weaving in organized Sector.
- The scheme will have **National Skill Qualification Framework (NSQF)** training courses.
- Successful trainees will be assessed and certified by an accredited Assessment Agency. At least 70% of the certified trainees are to be placed in the wage employment and **post placement tracking** will be **mandatory under the scheme**
- Funding to the institution will be available only when the Internal Complaints Committee to be constituted under the **Sexual Harassment of Women at Workplace** Act, 2013, is in place.

National Skill Qualification Framework (NSQF)

- It is a framework to organize qualifications according to a series of levels of knowledge, skills and aptitude.
- It aims to obtain uniformity in the outcomes associated with different qualifications across institutions.
- NSQF is operationalised by National Skill Development Agency.
- It will also facilitate **Recognition of Prior Learning** (RPL) that is largely lacking in the present education and training scenario.

9.4.3. RAJIV GANDHI SHRAMIK KALYAN YOJANA

Why in news?

Ministry of Textiles has decided to merge Textile Workers Rehabilitation Fund Scheme (TWRFS) with Rajiv Gandhi Shramik Kalyan Yojana .

Details

- **Rajiv Gandhi Shramik Kalyan Yojana** launched by **the Employees' State Insurance Corporation** is an **unemployment allowance scheme** for the Insured Persons who are rendered jobless due to retrenchment or closure of factory etc., or on permanent disablement of at least 40 per cent arising out of non-employment injury
    - The Insured Person and his/her dependant family members are also entitled to medical care for a period of one year from the date of unemployment.
    - For ensuring re-employability, Vocational Rehabilitation Skill Development Scheme has also been included in the Scheme.
    - Allowance shall cease to be payable in case the Insured Person gets re-employment or attains the age of superannuation or 60 years.
- **Textile Workers Rehabilitation Fund Scheme by** Ministry of Textiles aims to provide relief to the workers rendered

jobless due to **permanent closure** of Non-Small Scale Industry Textile Mills in **private sector.**

9.5. LEATHER INDUSTRY

Why in News?

- Recently, government has approved Rs. 2,600 crore special package for employment generation in the leather and footwear sector.

Overview of leather Industry

- India is the second largest producer of footwear and leather garments in the world and accounts for 12.93% of the world's leather production of hides/skins.
- The **entire leather product sector is de-licensed,** and 100% FDI is permitted through the automatic route.
- The industry is highly labour intensive and employs around 3 million people out of which 30% are women.

Indian Footwear, Leather & Accessories Development Programme

- It is being implemented by Department of Industrial Policy and Promotion (Ministry of Commerce and Industry) with six sub schemes:
    - **Human Resource Development (HRD)** – Financial assistance is provided for placement linked skill development training.
    - **Integrated Development of Leather Sector (IDLS) sub-scheme**: Providing investment grant/subsidy for Modernization /technology upgradation in existing units and also for setting up of new units.
    - **Mega Leather, Footwear and Accessories Cluster (MLFAC) sub-scheme:** providing infrastructure support through graded assistance upto 50% of the eligible project cost.
    - **Leather Technology, Innovation and Environmental Issues sub-scheme:** financial assistance for upgradation/installation of Common Effluent Treatment Plants (CETPs).
    - **Promotion of Indian Brands in Leather, Footwear and Accessories Sector sub-scheme:** financial assistance to promote 10 Indian brands in the international market in three years.
    - **Additional Employment Incentive for Leather, Footwear and Accessories Sector sub-scheme.**

9.6. SHIP-BREAKING INDUSTRY

Why in News?

- Recently, government has proposed a revision in the **Shipbreaking code 2013**.

Shipbreaking code 2013: it is a comprehensive plan which provides:

- **Recycling Plan:** Code requires the recycler to formulate a plan with two components, the Ship Recycling Facility Management Plan ('SRFMP') and the Ship Specific Recycling Plan ('SSRP').
- **Worker Safety and Health**: by providing the availability of proper equipment, adequate open space, etc.
- **Ensure labour welfare:** applicability of ESIC, EPFO, workman compensation act etc.

Hong Kong Convention 2009: establishment of an appropriate enforcement mechanism for ship recycling, incorporating certification and reporting requirements.

Background of Ship-Breaking

- It is also known as beaching or ship-recycling/dismantling sector.
- Alang in Gujarat, is the largest shipbreaking site in India, facilitated by geographical advantages such as wide continental shelf, mud free coast and vast expanse of intertidal zone, making it feasible to accommodate big ships.
- In 2016, India dismantled over 300 ships, which is more than ship dismantling in Bangladesh, Pakistan and China. But in terms of gross tonnage dismantled, **Bangladesh is ahead of India.**
- Steel generated from ship recycling meets the 1% to 2% of the domestic steel demand **(Indian Bureau of Mine; 2015).**
- It has been **transferred** from the control of **Ministry of Steel to Ministry of Shipping**, in 2014.

9.7. ELECTRONICS MANUFACTURING IN INDIA

Why in news?

- India's electronics manufacturing has been unable to respond to the rising demand thereby increasing the import bill and losing an opportunity to create employment for millions.

National Policy on Electronics (NPE) 2012

Vision: To create a globally competitive electronics design and manufacturing industry to meet the country's need and serve international market.

NPE Goals of 2020

- To achieve a turnover of about USD 400 Billion by 2020
- Investment of about USD 100 Billion and
- Providing employment to around 28 million by 2020.
- Achieving a turnover of USD 55 Billion of chip design and embedded software industry, USD 80 Billion of exports in the sector.
- Setting up of over 200 Electronic Manufacturing Clusters.
- Significantly upscale high-end human resource creation to 2500 PhDs annually by 2020 in the sector.

Government initiatives

- The Government has approved National Policy on Electronics (NPE).
- The government has listed the electronics industry as a priority sector under its Make in India campaign.
- **Modified Special Incentive Package Scheme (MSIPs)** provides subsidy of 25% of capital expenditure (20% in SEZs).
- **Electronic Manufacturing Clusters Scheme** provides 50% of the cost for development of infrastructure and common facilities in Greenfield clusters (undeveloped or underdeveloped area from electronic manufacturing point of view) and 75% of the cost for Brownfield clusters (area where a significant number of existing EMC exists). Currently around 30 Electronic Manufacturing clusters are notified and GoI is targeting for 200 Electronic Manufacturing clusters by 2020.
- **Preference to domestically manufactured goods** in Government procurement. Extent of government procurement will not be less than 30%.
- **Electronic Development Funds** for Research & Development and Innovation in Electronics sector is under active consideration to support start-ups in electronics and IP generation in the area of electronics.

9.8. DOMESTICALLY MANUFACTURED IRON AND STEEL PRODUCTS POLICY

Why in News?

- The government recently approved the policy for providing **preference to domestically manufactured iron & steel products** on Government procurement.
- In 2016, India overtook Japan to become the second-largest producer of **stainless steel** in the world, behind China according to data released by the International Stainless Steel Forum.

National Steel Policy 2017

- The policy envisages a **crude steel capacity of nearly 300 mt by 2030-31**, which is similar to the earlier target set by the earlier National Steel Policy, 2005.
- In a shift away from earlier policies, it **not only sets a directional roadmap** by setting 160 kg per capita steel consumption but also **puts in place a policy on how to achieve it.**
- India currently imports around 70 per cent of coking coal requirement. It aims at raising the availability of washed coking coal to reduce import dependence on coking coal by 50 per cent by 2030-31.

Features

- It provides a **minimum value addition of 15%in notified steel products** which are covered under preferential procurement.
- Each **domestic manufacturer shall provide self-certification** declaring that the iron & steel products are domestically manufactured.
- A **grievance redressal committee** will be set up under the Ministry of Steel to dispose **of the complaint in a time bound manner.**

Iron and Steel Industry of India

- The inputs for the industry include raw materials such as iron ore, coal and limestone, along with labour, capital, site and other infrastructure.
- This is a feeder industry whose products are used as raw material for other industries.
- All the important steel producing centres such as Bhilai, Durgapur, Burnpur, Jamshedpur, Rourkela, Bokaro are situated in a region that spreads over four states — West Bengal, Jharkhand, Odisha and Chhattisgarh.

- Various challenges faced by the industry are:
  - Shortage of raw material base: Coking coal available in India has a high ash content which adversely affects the quality of iron and steel produced.
  - Shortage of power
  - Transportation problem
  - Increase in input cost and problem of administered price
  - Under-utilisation of capacity
  - High cost of capital and low labour productivity
  - Lack of technological development

9.9. NATIONAL PRODUCTIVITY COUNCIL (NPC)

Why in News?

Recently, NPC celebrated National Productivity Day and National Productivity Week on its 60th anniversary.

"**Industry 4.0 Leapfrog Opportunity for India**" has been selected as the **theme** for the National Productivity Week -2018.

About Industry 4.0

- Being called as the next industrial revolution, it is characterized by the increasing digitization and interconnection of products, value chains and business models.
- It would mean **the convergence of real and virtual worlds-**the next phase in bringing together conventional and modern technologies in manufacturing.
- This will result in the **"Smart Factory",** which is characterized by versatility, resource efficiency, ergonomic design and direct integration with business partners.

About NPC

- It is an **autonomous organization** under the administrative control of the Department of Industrial Policy and Promotion to promote productivity culture in India.
- Established as a **registered society in 1958** by the Government of India, it is a **tri-partite non-profit organization** with equal representation from the government, employers and workers' organizations, apart from technical and professional institutions including members from local productivity councils and chamber of commerce on its Governing Body.
- It provides training, consultancy and undertakes research in the area of productivity.
- It carries out the programmes of the Tokyo based **Asian Productivity Organization** (APO), an inter-governmental body of which the Government of India is a founder member.
- It has been appointed as one of the National Monitoring and Implementation Unit (NMIU) for the implementation of **Lean Manufacturing Competitiveness Scheme** under National Manufacturing Competitiveness programme.

National Manufacturing Competitiveness Programme

Its main **objective** is to enhance the global competitiveness of manufacturing Micro, Small and Medium Enterprises (MSMEs) by intervening through following components:

- **Lean Manufacturing Competitiveness Scheme** aims at improving the overall productivity of MSMEs by reduction of wastes with the help of lean manufacturing concepts.
- Design Clinic Scheme.
- Technology & Quality Up-gradation support for MSMEs (TEQUP).
- Promotion of ICT in manufacturing Sector.
- Building Awareness on Intellectual Property Rights (IPR).
- Entrepreneurial & Management Development of SMEs through incubators.
- Bar Code under Market Development Assistance (MDA) scheme.

9.10. LAND BANK FOR INDUSTRIAL ALLOCATION

Why in News?

State government of Odisha is creating a 1.2 lakh acre land bank across the state for allocation to the industrial sector.

What is Land Bank?

- Land bank is a pool of land which allows government to offer land to investors without waiting for the process of land acquisition.
- It is conceived to do away with regulatory process and avoid any land acquisition related issues.
- It helps in Improving Ease of doing business, attracting investment and Preventing distress sales of land by farmers.

10. INFRASTRUCTURE

10.1. ROADS

10.1.1. NATIONAL HIGHWAY INVESTMENT PROMOTION CELL

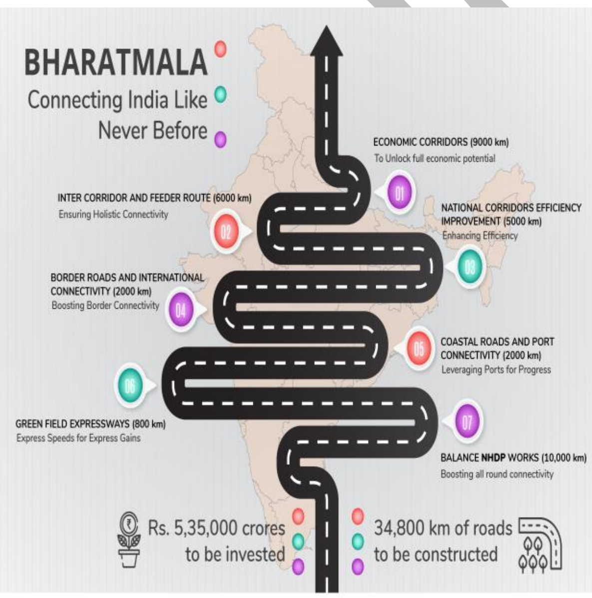
Why in news?

- National Highways Authority of India has created the **National Highways Investment Promotion Cell (NHIPC).**

- The **National Highways Authority of India** was constituted by the National Highways Authority of India Act, 1988. It is under the aegis of **Ministry of Road, Transport and Highways.**
- It is responsible for the development, maintenance and management of National Highways entrusted to it and for matters connected or incidental thereto.
- **National Highways Development Programme (NHDP)** was launched in 1998 with the objective of developing roads of international standards which facilitate smooth flow of traffic.

Need

- **Funds for Bharatmala:** The government has set the target of constructing **35,000 kms of National Highways in the next five years** under the **Bharatmala project** which requires an investment of Rs. 5.35 crore.



The project is to be funded through debt funds, private investment or from central road fund or toll collection. The main agencies tasked with the construction are the **National Highways Authority of India, National Highway and Industrial Development Corporation** and State Public Works Department.

Objectives of NHIP

- The cell will engage with global institution investors, constructions companies, developers and fund managers in order to build investor participation in road infrastructure projects.

PPP Models Used Under Road Construction in India

- **BOT (Build-Operate-Transfer):** The private partner is responsible to design, build, operate (during the contracted period) and transfer back the facility to the public sector. The government starts paying to the private party after the commercial launch of the project. DBFOT (Design-Build-Finance-Operate-Transfer) is one of its variants.
- **BOT-Toll:** Similar to BOT, the only difference is that the private party is allowed to recover its investment through toll collection. In this case, government does not pay anything to the private party.
- **Engineering, Procurement and Construction (EPC) model:** Procurement of raw material and construction costs are met by the government. The private sector's participation is limited to the provision of engineering expertise.
- **Hybrid Annuity Model (HAM):** It is a mix of BOT and EPC models. The government will contribute the 40% cost of the project in the first five years through annual payments. The remaining 60% is paid after the completion of the project as variable annuity depending upon value of the assets created.

10.1.2. INAM-PRO+

Why in news?

- The Minister of Road Transport & Highways and Shipping launched INAM-Pro + in New Delhi.

What is INAM-PRO?

- It is a web portal designed by National Highways and Infrastructure Development Corporation Ltd (NHIDCL).
- The portal facilitates comparison of price, availability of materials etc. and made it very convenient for the prospective buyers to procure cement at reasonable rates in a transparent manner.
- INAM-PRO+ is an upgraded version of INAM-PRO to include everything related to construction materials, equipments/

machinery and services like purchase/ hiring/lease of new/used products and services in the domains of Construction Materials

10.1.3. CENTRAL ROAD FUND

Why in News?

- The Loak Sabha passed the Central Road Fund (Amendment) Bill, 2017.

Highlights of the Bill

- The Bill seeks to amend the Central Road Fund Act, 2000 to allocate a share of cess towards the development of **inland waterways.**

Central Road Fund

- The Central Road Fund (CRF) is a **non-lapsable fund** created under Central Road Fund Act 2000.
- It is credited with the **cess collected on high speed diesel oil and petrol**.
- The cess is distributed to state development of rural roads, national highways, railway over bridges etc.
- Central government has the power to administer the fund.

10.1.4. NATIONAL VEHICLE REGISTRY

Why in News?

- Recently, Government has launched "VAHAN" as a national vehicle registry.

About VAHAN

- It an online data repository of vehicles details such as registration number, chassis/engine number, body/fuel type, colour, manufacturer and model.
- It has been designed to capture all the information mandated by the Central Motor Vehicle Act 1988 as well as State Motor Vehicle Rules.

10.1.5. INTELLIGENT TRANSPORTATION SYSTEMS

Why in news?

- Recently, NITI Aayog and the International Road Federation (IRF Geneva) signed a Statement of Intent (SoI) to cooperate in the field of Intelligent Transportation Systems (ITS).

What is Intelligent Transportation Systems (ITS)?

- It visualizes information and communication technology (ICT) and advanced vehicular technologies, helping mobile vehicles and infrastructure communicate on a real-time basis.
- It is multi-disciplinary and cross-functional, and involves the following systems:
    - Advanced traffic management systems
    - Advanced traveller information systems
    - Advanced vehicle control systems
    - Commercial vehicle operations.
    - Advanced public transportation systems
    - Advanced rural transportation systems

International Road Federation

- It is global non-governmental, not-for-profit organisation with mission to encourage and promote development and maintenance of better, safer and more sustainable roads and road networks.
- It seeks to promote social and economic benefits of sustainable and environmentally sound road transport infrastructure at all levels of society.

10.1.6. INDIA ROAD ASSESSMENT PROGRAMME

Why in news?

- Recently International Road Assessment Programme has launched India Road Assessment Programme (India-RAP) that will rate highways' safety levels and seeks to eliminate the most unsafe roads.

Initiatives for Road Safety

- Adopted the National action plan aimed at halving number of road accident deaths by 2020.
- Pradhan **Mantri Surakshit Sadak Yojana** to eliminate dangerous spots on highways.
- **UN Decade of Action of Road Safety** and the **Sustainable Development Goals (Goal 3.6),** had urged nations to take necessary actions to reduce road crash deaths by **50% by 2020.**
- **Safe system approach** of World Health Organisation recognised that people' role in road safety cannot be eliminated completely by penalisation methods, rather the policy approach should be shifted towards **education and awareness** for all the strata of society.
- **Brasilia Declaration of 2015** call for rethinking the transport policies in order to favour more sustainable methods and modes of transport.

About the Programme

- **International Road Assessment Program (IRAP)** is a charity which is dedicated towards preventing road accidents and making roads safe.
- The IndiaRAP programme is being supported by FedEx Express and will be hosted by the Asian Institute of Transport Development.
- It will provide road safety rating by using **IRAP's evidence based Star Rating methodology and investment planning tools** which will provide a simple and objective measure of **the level of safety.** (1 being worst and 5 being best rated roads).
- **IndiaRAP** will seek to eliminate one and two star rated roads and promote construction and design of safe and smart roads in the country.

10.1.7. INTERNATIONAL ROAD TRANSPORTS (TIR) CONVENTION

Why in News?

India ratified **United Nations TIR** convention in June, 2017 becoming its 71st signatory.

About TIR Convention

- TIR stands for Transports Internationaux Routiers or **International Road Transport**
- It is an **international transit system** under the auspices of the United Nations Economic Commission for Europe (UNECE)
- It facilitates **seamless movement of goods** within and amongst the parties to the Convention
- The TIR system **secures customs duties and taxes and provides a robust guarantee mechanism**, thereby reducing **trade transaction costs**, and **facilitating higher growth** of intra-regional and inter-regional trade.

10.2. RAILWAYS

10.2.1. RAIL DEVELOPMENT AUTHORITY

Why in News?

Government has approved to setup a Rail Development Authority (RDA) based in Delhi.

- This initiative has been recommended by various committees like:
    - Rakesh Mohan expert group (2001).
    - National Transport Development Policy Committee (NTDPC) (2014).
    - Bibek Debroy Committee (2015).

Functions of the authority

- It will act within the parameters of the Railway Act 1989 and make recommendations to the Railway Ministry on passenger and freight fares.
- It will be an independent body. The provisions of a separate budget, and the appointment and removal process would help maintain its independence.
- **Regulatory functions**: pricing of services commensurate with costs, protection of consumer interests, ensuring competition, creating a positive environment for investment, and providing a framework for non-discriminatory open access to the dedicated freight corridor.
- **Developmental functions**: promote efficiency and economy and absorption of new technology, market development, benchmarking of services against international norms, and human resources development.

Composition of the authority

- It will have a chairman and three members with a fixed term of five years each.
- The Central government will appoint the chairman and members by choosing from a panel of names recommended by the search and selection committee chaired by cabinet secretary.

10.2.2. NEW METRO RAIL POLICY 2016

Why in News?

- Recently, the Union Cabinet approved the New Metro Rail Policy which focuses on compact urban development, cost reduction and multi-modal integration.

Highlights of New Metro Rail Policy

- Makes PPP (Public Private Partnership) component mandatory for availing central assistance for new metro projects.
- Mandates **Transit Oriented Development (TOD)** to promote compact and dense urban development along metro corridors.
- New metro projects will be approved in line with global best practices, on the basis of

'Economic Internal Rate of Return of 14%', a change from the existing '**Financial Internal Rate of Return of 8%.**

- The policy also makes it mandatory for state governments to set up a statutory body called as **Unified Metropolitan Transport Authority**.

> **Transit Oriented Development** is the creation of compact, walkable, pedestrian-oriented, mixed-use communities cantered around high quality train systems. This makes it possible to live a lower-stress life without complete dependence on a car for mobility and survival.

10.2.3. NATIONAL RAIL AND TRANSPORTATION UNIVERSITY

Why in news?

- Recently Cabinet approved establishment of National Rail and Transportation University (NRTU) in Vadodara.

About NRTU

- It is a first ever University in India to be established by Ministry of Railways **to skill its human resources and build capacity.**
- The University will be set up as a **Deemed University**.
- Ministry of Railways will set up a non-for-profit company under section 8 of the Companies Act, 2013 which will be the managing company of the proposed University.
- The Company will provide financial and infrastructural support to NRTU and appoint Chancellor and Vice-Chancellor however entire funding will come from Ministry of Railways.

10.2.4. IROAF GETS GOLDEN PEACOCK AWARD

Why in news?

- **Indian Railways Organization for Alternate Fuel (IROAF)** has been awarded the National level **"Golden Peacock Award for the Year 2017 for Eco-Innovation"**
- IROAF received the award for **substitution of fossil fuels (Diesel) by environment friendly CNG in DEMU passenger train services.**

> - **Golden Peacock Awards** was constituted in 1991 by the **Institute of Directors.**
> - It is regarded as a benchmark for corporate excellence globally.

10.2.5. SFOORTI APP

- Ministry of Railways has launched the **Smart Freight Optimisation and Real Time Information** (SFOORTI) Application
- It helps freight managers plan traffic flows and optimize freight operations through Freight Operation Information System Map View, a Geographic Information System (GIS) based monitoring and management tool.
- It can track both passenger and freight trains (loading and utilization) over Zones/ Divisions/ Sections in single GIS View.

10.3. AVIATION

10.3.1. UDAN 2

Why in news?

- The Centre has decided to connect 73 underserved and unserved airports and helipads under the phase 2 of the regional connectivity scheme UDAN.

Details

- This was the first time bids were received from helicopter operators under the scheme.
- The scheme will provide around 26.5 lakh seats per annum that will be covered with airfare cap of Rs. 2,500/hr of flying. In addition, around two lakh RCS (regional connectivity scheme) seats per annum are expected to be provided through helicopter operations.
- The Centre has decided not to increase the ₹ 5,000 regional air connectivity levy charged per departure from airlines flying on major routes to fund the UDAN scheme. It would now be partly funded by the dividend that AAI (Airports Authority of India) paid to the Government of India.

About 'UDAN' scheme

UDAN is an innovative scheme to develop the regional aviation market. The objective of the scheme was **"Ude Desh Ka Aam Naagrik".**

Key Features

- UDAN will be applicable on flights which cover between 200 km and 800 km with no lower limit set for hilly, remote, island and security sensitive regions.
- The scheme seeks to reserve a minimum number of UDAN seats i.e. seats at subsidized

rates and also cap the fare for short distance flights.

- This would be achieved through two means:
  - A **financial stimulus** in the form of concessions from Central and State governments and airport operators like tax concessions, exemptions from parking and landing charges etc.
  - A **Viability Gap Funding** to the interested airlines to kick-off operations from such airports so that the passenger fares are kept affordable. Such support would be **withdrawn after a three year period**, as by that time, the route is expected to become self-sustainable.
- A **Regional Connectivity Fund** would be created to meet the VGF requirements under the scheme. The RCF levy per departure will be applied to certain domestic flights along with 20% contribution from states.
- For **balanced regional growth**, the allocations under the scheme would be equitably spread across the five geographical regions of the country viz. North, West, South, East and North-east.
- The scheme UDAN envisages providing connectivity to un-served and under-served airports of the country through **revival of existing air-strips and airports**.
- The scheme would be in operation for a period of 10 years.

10.3.2. AUDIT OF AVIATION SECTOR IN INDIA

Why in news?

Recently ICAO concluded audit of aviation sector in India and rated the regulatory mechanism 'satisfactory'

More on news

- The present audit has given the feedback as being **'satisfied'** of the regulatory mechanisms. For the audit India had made preliminary preparations such as hiring flight operation inspectors, aligning its rules with ICAO norms, certifying flight examiners etc.
- In 2012, ICAO's audit has placed India amongst the worst 13 performing countries as a result of which Indian Airlines were not allowed to add new routes.

International Civil Aviation Organisation

- It is a specialised agency of the United Nations which was established in 1944 to manage the administration and governance of the Convention on International Civil Aviation (Chicago Convention).
- The **Chicago Convention** is a convention on international Civil Aviation for safe and orderly development of international air transport services, based on equality of opportunity.

Universal Safety Oversight Audit Program

- It was launched in 1999 for regular and mandatory audits of ICAO Member States' safety oversight systems. The audits focus on State's capability in providing safety oversight by assessing various safety measures put in place by the State.

10.4. PORTS AND WATERWAYS

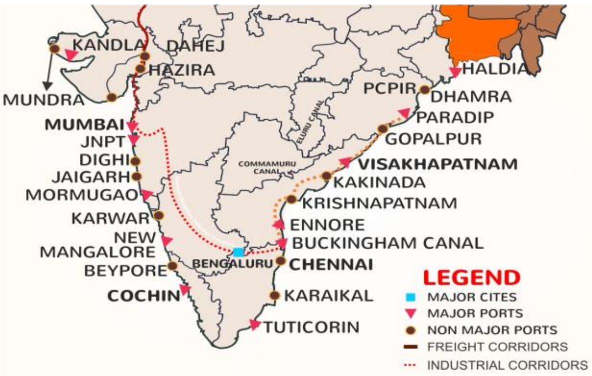
10.4.1. PORTS SECTOR

Why in news?

- Union Cabinet recently approved changes in the **model concession agreement (MCA)** for public-private partnership projects (PPP) in major ports conceived under Sagarmala programme.
- **Commerce Ministry** has also announced overhauling of the infrastructure standards **in Dry Ports or Inland Container Depots (ICDs).**

Details

- Port development in India is a **concurrent subject.** Major ports are regulated by central government under Major Ports Act, 1963 and non-major ports governed by state governments under the Indian Ports Act 1908.
- PPP projects in Major ports operate on **Revenue Sharing model** and are regulated by **Tariff Authority for Major ports (TAMP).**
- MCA provides for an **exit clause** for developers and a **Society for Affordable Redressal of Disputes- Ports** (SAROD-PORTS) for dispute resolution.
- Dry ports are inland terminals, directly connected to a seaport by rail or road, which provides similar services as that of a seaport such as handling, temporary storage, inspection and customs clearance for international freight etc.



Sagarmala Programme

- It is coastal and port city development plan, where manufacturing units will be set up to generate jobs.
- Its aims to harness country 7,500 km long coastline, 14,500 km of potentially navigable waterways and strategic location on key international maritime trade routes.
- **Components of NPP of Sagarmala Programme**;
  - Port Modernization & New Port Development
  - Port Connectivity Enhancement
  - Port-linked Industrialization
  - Coastal Community Development

Other information about Sagarmala Programme

- **National Sagarmala Apex Committee (NSAC)** chaired by the Minister in-charge of Shipping, is envisaged for overall policy guidance and high level coordination, and to review various aspects of planning and implementation of the plan and projects.
- **Sagarmala Development Company** (SDC) has been incorporated under administrative control of the Ministry of Shipping to assist the State level/zone level Special Purpose Vehicles (SPVs).

National Maritime Agenda 2010–20

- A holistic action plan ranging from Port building, Ship construction and developing inland waterways.
- It also envisions enactment of new port act, Shipping Trade Practices act, Admiralty Act, Amendment of Merchant Shipping Act and Control of Piracy.

National Maritime Development Programme

- The scheme is aimed at construction of 276 berths, deepening of channels, rail/road connectivity projects, equipment upgradation/schemes and other related schemes for creation of backup facilities.

10.4.2. COASTAL ECONOMIC ZONE

Why in news?

Recently, government has given the approval for setting up India's first mega coastal economic zone (CEZ) at Jawaharlal Nehru Port (JNPT) in Maharashtra.

More on News

- The CEZ will stretch along north Konkan region spread across Nashik, Thane, Mumbai, Pune and Raigarh.
- This is the part of setting up of 14 mega CEZs under the **National Perspective Plan of the Sagarmala Programme.**

What is Coastal Economic Zone?

- It is conceptualised as a spatial-economic region which could extend along **300-500 km of coastline** and around **200-300 km inland** from the coastline. Each CEZ will be an agglomeration of coastal districts within a State.
- It will provide the geographical boundary within which port led industrialization will be developed by having a uniform policy along the ports and coastal states.
- The CEZs have been envisaged to tap synergies with the planned industrial corridors like Vizag Chennai Industrial Corridor and Delhi Mumbai Industrial Corridor.

10.4.3. RO-RO FERRY SERVICE LAUNCHED

Why in news?

- Recently, **Ro-Ro** ('roll-on, roll-off) **Ferry Service** was launched in Gujarat between Ghogha and Dahej.

Ro-Ro Ferry Service

- It refers to vessels used to carry **wheeled cargo** like cars, trucks, semi-trailer trucks, trailers, and railroad cars, that are driven on (rolled on) and off (rolled off) the ferry on their own wheels or using a platform vehicle.
- It has been launched by **Ministry of Shipping** as part of **Sagarmala Project.**
- It is also being proposed to be extended to other locations such as Gulf of Khambat and Gulf of Kutch.

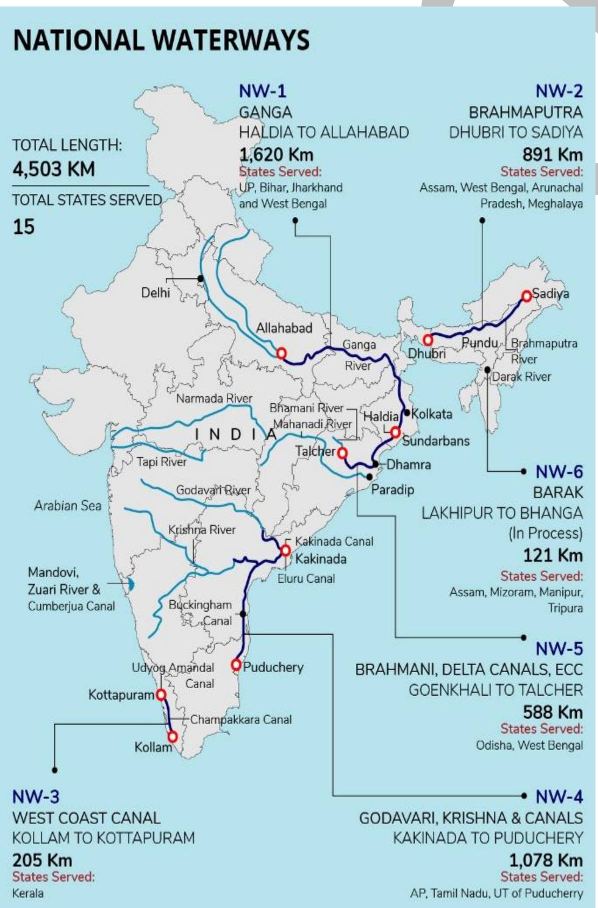
10.4.4. JAL MARG VIKAS PROJECT

Why in News?

- Recently, government has granted ₹5,369 crores to Jal Marg Vikas Project for development of fairway (navigable waterway) on National Waterway-1(NW 1).

About Jal Marg Vikas Project (JMVP)

- It is a World Bank funded (partially) project on the river Ganga, being developed between Allahabad and Haldia (on NW 1) by Inland Waterways Authority.
- Its objective is to achieve an appropriate depth and width to enable commercial navigation of vessels with capacity of 1500-2000 DWT (Deadweight tonnage).
- It will establish a multi-modal terminal at Varanasi, Sahibganj and Haldia for rail and road connectivity.
- The project adopted the first time in India a **River Information System,** an IT based system to optimise the resource management of waterborne transport chain by enabling information exchange between vessels, lock and bridges, terminals and ports, status of fairways, calamity abatement etc.



- Under the Union List of the Seventh Schedule of the Constitution, the Central Government can make laws on shipping and navigation on inland waterways.
- National Waterways are established under the National Waterways Act.
- The amendment to the act in 2016 has declared additional 106 Waterways as NWs making **total of 111 National Waterways** currently.
- The Inland Waterways Authority of India (IWAI) a statutory body administered by the Ministry of Shipping is the nodal agency.

10.5. ELECTRICITY

10.5.1. SAUBHAGYA YOJANA

Why in news?

- Prime Minister has launched **Pradhan Mantri Sahaj Bijli Har Ghar Yojana 'Saubhagya'** with an aim to provide electricity to over four crore families in rural and urban areas by December 2018,
- The Pradhan Mantri Sahaj Bijli Har Ghar Yojana – **'Saubhagya' Web Portal** was also launched recently which would disseminate information on household electrification status (state, district, village-wise), and household progress on live basis.
    - It also offers a feature on village electrification camps that will be organized by DISCOMs in villages for facilitating the instant filling up of application forms to complete mandatory documentation which will speed up the release of electricity connections to households.

As per the latest definition, a village would be declared as electrified, if:

- Basic infrastructure such as Distribution Transformer and Distribution lines are provided in the inhabited locality as well as the Dalit Basti hamlet where it exists.
- Electricity is provided to public places like Schools, Panchayat Office, Health Centers, Dispensaries, Community centers etc.
- The number of households electrified should be at least 10% of the total number of households in the village.

Why need for new scheme?

- The government has fixed a target to provide 24X7 power to all by March, 2019.
- Despite the government's aggressive **village electrification** programme, under the Deen

Dayal Upadhyay Gram Jyoti Yojana, it was realised that the problem of electricity 'access' wasn't resolved.

- With a large number of household still remaining without access to electricity, the scheme aims at ensuring the **coverage of households as opposed to only villages.**

Details of scheme

- **Objective:** to provide electricity to **all families** in India.
- **Total Outlay:** 16,320-crore. The scheme is being funded to the extent of 60% by central grants, 30% by bank loans and 10% by states.
- **Identification of beneficiaries:** The government will use Socio Economic and Caste Census (SECC) 2011 data to identify the beneficiaries for free electricity connections.
- **Implementation:**
    - The **Rural Electrification Corporation Limited** will be the nodal agency for the operationalization of the scheme throughout the country.
    - To ensure on-the-spot registration, mobile applications will be used. While free connections will be provided to below poverty line (BPL) households, even those not covered under this category can avail it by paying Rs500 in 10 installments with their monthly bill.
    - For those household where the national electricity grid can't reach, households will be provided with solar power packs along with battery banks.
    - There will be **no subsidy component** for monthly electricity consumption and the Gram Panchayat and public institutions in the rural areas will be authorised to carry out billing and collection tasks which have been pain points for the discoms.
    - States have also been provided with an incentive of 50% of their loan being converted to grants, if the electrification targets are met by 31 December 2018.

10.5.2. NATIONAL POWER PORTAL (NPP)

Why in news?

Government has recently launched National Power Portal (NPP).

About it

- It is a centralized platform for **collation and dissemination of Indian power sector information,** (through GIS enabled navigation and visualization chart windows) for generation, transmission and distribution of power in India.
- NPP Dashboard would also act as the single point interface for all Power Sector Apps launched previously by the government like **TARANG, UJALA, VIDYUT PRAVAH, GARV, URJA and MERIT (Merit Order Despatch of Electricity).**
- **Major stakeholders of NPP** are Ministry of Power, Central Electricity Authority (CEA), Power Finance Corporation (PFC) for Integrated Power Development Scheme (IPDS), Rural Electrification Corporation (REC) for Deen Dayan Upadhyaya Gram Jyoti Yojana (DDUGJY).
- **Central Electricity Authority (CEA)** is a nodal agency for NPP implementation. **CEA** is a **statutory** organization, constituted under the Electricity Act(2003), to advise the Central Government on the matters relating to the national electricity policy, co-ordinate the activities of the planning agencies and to provide reliable and affordable electricity for all consumers

10.6. LOGISTIC SECTOR

Why in News?

- Recently, Finance Ministry has granted infrastructure status to logistic sector by widening the category of infrastructure sub-sectors to "transport and logistics".
- Gujarat has topped in the newly released logistics index (LEADS) by Ministry of commerce and industry, followed by Punjab & Andhra Pradesh.

Benefit of Infrastructure status

- The sector will get Infrastructure lending at easier terms with enhanced limits, access to longer duration funds, tap the external commercial borrowing route and refinance existing loans at competitive rates.
- The sector will have access to longer tenor funds from insurance companies and pension funds.

Harmonized list of Infrastructure sub-sectors

- It is meant to facilitate a coordinated approach, among agencies providing support to infrastructure, and, thus spur infrastructure development in a more optimal manner.

- Currently, five broad categories include - Transport and Logistics, Energy, Water and Sanitation, Communication and Social and Commercial Infrastructure.

About Logistic infrastructure

- It involves material handling, warehousing, packaging, transportation, shipping security, inventory management, and supply chain management, procurement, and customs service.
- Government includes logistics infrastructure as;
    - A multimodal logistics park comprising an Inland Container Depot (ICD) with a minimum investment of Rs50 crore and minimum area of 10 acre.
    - A cold chain facility with a minimum investment of Rs15 crore and minimum area of 20,000 sq. ft. and a warehousing facility with a minimum investment of Rs25 crore and a minimum area of 100,000 sq ft will be logistic infrastructure.

Logistics Hub in Assam

- The road ministry announced a project to develop a multimodal logistics park in Jogighopa (Assam), backed by the Asian Development Bank.
- A special purpose vehicle, backed by the **Asian Development Bank (ADB)**, will be created to execute the project.

Government Initiative

- **Logistic enhance efficiency programme**: was launched for management and development of logistic parks and reduce the cost of logistics.
- **Technology initiative:** Automated storage and retrieval systems (ASRS) in warehouse and transportation, radio frequency identification (RFID) in place of bar codes, and global positioning system (GPS) for real-time tracking.

Logistics Ease Across Different States (LEADS)

- It is loosely based on the World Bank's biannual Logistics Performance Index (LPI), on which India was ranked 35 among 160 countries in 2016, up from 54 in 2014.
- It is a composite index based on eight parameters such as infrastructure, services, timeliness, track and trace, competitiveness of pricing, safety of cargo, operating environment and regulatory process.
- It aims to serve as an indicator of efficiency of logistical services necessary for promoting investment, exports and economic growth in general.

10.7. REAL ESTATE (REGULATION AND DEVELOPMENT) ACT, 2016

Why in news?

The administration of the Real Estate (Regulation and Development) Act, 2016 has been brought under the Ministry of Housing & Urban Poverty Alleviation.

Important provisions of Real Estate (Regulation and Development) Act, 2016 (RERA)

- It regulates the transactions between buyers and real estate promoters through establishment of **Real Estate Regulatory Authorities in every state**.
- The authority will also have power to impose fines.
- It mandates to establish a **Real Estate Appellate Tribunal**.
- It will regulate both commercial and residential projects and set up state-level regulatory authorities to monitor real estate activity.
- The builders would also be responsible for fixing structural defects for five years after transferring the property to a buyer.
- The Real Estate Residential Projects need to be registered with RERAs before being offered for sale or booking and the further promotional advertisements need to carry the unique RERA registration number.
- The details of all the registered projects also need to be then uploaded on website for public access.
- The promoters also need to maintain a **separate bank account** in which minimum of 70% of the money from investors and buyers will be deposited.
- The regulator's website should have the necessary public disclosure of details related to each project
- A clear definition of carpet area and buyers will be charged for the carpet area and not super built-up area.

10.8. INVIT AND REITS

Why in news?

- Sebi recently allowed real estate and infrastructure investment trusts to raise debt securities.
- India's first InvIT, IRB InvIT fund sponsored by IRB Infrastructure Developers ltd. (a publicly held company) was launched recently after SEBI allowed mutual funds to invest in InvIT.

What are InvITs?

- Infrastructure Investment Trusts (InvITs) are mutual fund like institutions that enable investments into the infrastructure sector by pooling small sums of money from multitude of individual investors for directly investing in infrastructure.
- InvITs are designed **to attract low-cost, long term capital** and the underlying focus is to reduce the funding pressure on the banking system as well as generating fresh equity capital for infrastructure projects.
- Two types of InvITs have been allowed:
  - one, which invests in completed and revenue generation infrastructure projects
  - the other, which has the flexibility to invest in completed or under-construction projects.
- InvITs are set up as a trust and registered with SEBI.
- As per present regulations, InvIT investments are **not open for small and retail investors**. The minimum application size for InvIT units is **Rs 10 lakh**. The main investors could be foreign institutional investors, insurance and pension funds and domestic institutional investors (like mutual funds, banks) and also super-rich individuals.

Real Estate Investment Trusts

- It is a company that owns, operates or finances income-producing real estate.
- It raises funds from a large number of investors and directly invests that sum in income-generating real estate properties.
- The trusts are listed in stock exchanges so that investors can buy units in the trust.
- They are regulated by Securities and Exchange Board of India (SEBI).

10.9. NATIONAL INVESTMENT AND INFRASTRUCTURE FUND

Why in news?

Abu Dhabi Investment Authority (ADIA) recently became the **first institutional investor in NIIF's Master Fund**.

About NIIF

- **NIIF was set up in** 2015 as India's first sovereign wealth fund registered as a **category II alternative investment fund** with the SEBI.
- It has been set up as **fund of funds.**
- A **governing council** under the chairmanship of the **Finance Minister** act as an advisory council to NIIF.
- The **corpus of the fund** is proposed to be around Rs. 40, 000 crore, with the government investing 49% and the rest to be raised from third-party investors such as sovereign wealth funds, insurance and pension funds.
- It will invest in areas such as energy, transportation, housing, water, waste management and other commercially viable **green-field, brownfield and stalled projects** in the infrastructure sector.

Alternative Investment Fund

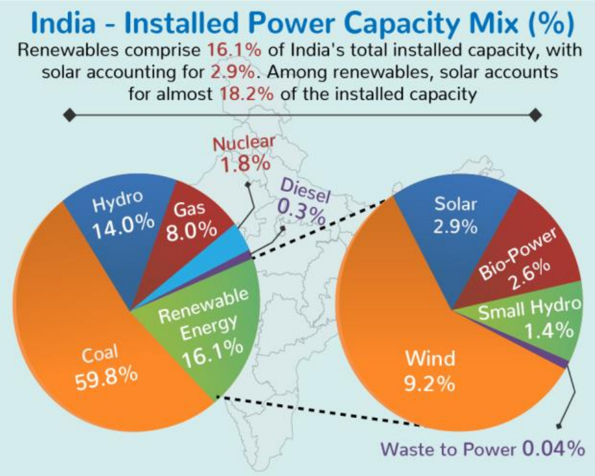
- It refers to any **privately polled investment fund** in form of a trust or a company or a body corporate or limited liability partnership which do not come jurisdiction of any regulatory agency in India.
- AIFs have been defined in **SEBI (Alternate Investment Fund) Regulations 2012**. And its definition includes venture capital fund, hedge fund, private equity fund etc.

Sovereign wealth fund

- It consists of pools of money derived from a country's reserves, set aside for investment purposes to benefit the country's economy and citizens.

The funding for a sovereign wealth fund comes from central bank reserves that accumulate as a result of budget and trade surpluses, and from revenue generated from the exports of natural resources

11. ENERGY



11.1. HYDROPOWER

Why in news?

- A Loan agreement was signed for the project **Pare Hydroelectric Plant (Arunanchal Pradesh)** under Indo-German Bilateral Development Cooperation.
- The **Biaras Small Hydro Power Project** (SHP) has recently become the first project to be commissioned under the **Prime Minister's Ladakh Renewable Energy Initiative.**

India's total generation capacity stands at 330GW, of which 44GW is from hydropower.

India has hydro potential of 148GW (5th largest in the world) but only 30 per cent of the total potential is harnessed.

Classification of Hydro Projects based on Installed Capacity
Micro: Up to 100 KW
Mini: 101KW to 2 MW
Small: 2 MW to 25 MW
Mega: Hydro projects with installed capacity >= 500 MW and Thermal Projects with installed capacity >=1500 MW
The projects less than 25MW capacity come under the purview of Ministry of New & Renewable Energy.

More about the news

- Prime Minister's Ladakh Renewable Energy Initiative aims to reduce dependency on diesel, kerosene and firewood in the region through setting up of small/micro hydel projects, solar photovoltaic (SPV) power plants, solar thermal systems such as water heating, solar cookers etc.
- It is being implemented by the Ministry of New and Renewable Energy.

11.2. WIND POWER

Why in News?

- Recently government has issued **Guidelines for procurement of wind power** under Section 63 of the **Electricity Act, 2003**.

Some Facts about Wind energy

- India's overall installed capacity is 329.4 GW, with renewables accounting for 57.472 GW (April 2017).
- In the country's renewables mix, contribution of wind power is at 56.2% (32.3 GW), and solar power is at 21.8 % (12.5 GW).
- India is at 4th position in term of wind power installed capacity after China, USA and Germany.
- According to **the National Institute of Wind Energy,** India's installable wind energy potential is 302 GW with towers of a height of 100 metres.
- **India's Integrated Energy Policy** projects 800 GW installed capacity in 2031-32 out of which 40% (320 GW) will come from renewable energy.

Background

- India has set a target of reaching 175 GW of installed capacity from renewable energy sources including 100 GW from solar and 60 GW from wind by the year 2022.
- Earlier, respective State's electricity regulatory commission used to fix the prices, at which wind energy companies would sell

energy which used to be normally around 4-6 per unit.

- **Wind Energy under Concurrent List:** Several auction initiatives had failed in the past by state government, due to the absence of central guidelines required under Section 63 of the Electricity Act, 2003.

Highlight of guideline

- It provides framework for procurement of wind power through a **transparent process of bidding**.
- It has introduced a **payment security mechanism** that guarantees a partial compensation to wind power developers even if power is not transmitted to the grid.
- It penalizes power developer if it fails to provide prescribed Capacity Utilisation Factor agreed at the time of signing of the Power Purchase Agreement.
- These regulations shall be applicable only for new projects.

Government Steps to promote wind energy

- **National Offshore Wind Energy Policy:** It paves the way for setting up of offshore wind power projects up to the seaward distance of **200 Nautical Miles (EEZ of the country)** from the base line.
- **Guidelines for Development of Onshore Wind Power Projects:** To facilitate development of wind projects in an efficient, cost-effective and environmentally benign manner.
- **Renewable purchase obligation** specified in the Electricity Act, 2003 has given fillip to the enhancement of wind-generator in India.
- **Green Energy Corridors Project**: Power evacuation and transmission infrastructure for renewables is being augmented as part of the “Green Energy Corridors” project.
- **Draft Wind-Solar Hybrid Policy**: It aims to add wind-solar hybrid capacity of 10 GW by 2022.

11.3. SOLAR

11.3.1. KUSUM

Why in News?

Kisan Urja Suraksha evam Utthaan Mahaabhiyan (KUSUM) scheme was announced in Budget 2018-19.

About KUSUM

- It aims to incentivise farmers to run solar farm water pumps and use barren land for generating solar power to have extra income.
- The total cost of the capacities under this scheme would be Rs 1.4 lakh crore, out of which, the Centre will provide Rs 48,000 crore financial assistance.

Components of KUSUM

- **Utilisation of barren land** by farmers to generate **10,000 MW** of solar energy and sell it to grid. For this, discoms would be given 50 paise per unit as generation based incentives to buy power from farmers for five years.
- The government will provide **subsidy** to farmers for buying **17.5 lakh off grid solar farm pumps**. The Centre and the states will provide 30% subsidy each on solar pumps. Another 30% will be met through loans while 10% of the cost will be borne by the farmer.
- **Solarisation of grid-connected farm pumps** involving 7,250 MW capacity.
- **Solarisation of government departments' grid connected water pumps**.

11.3.2. SUSTAINABLE ROOFTOP IMPLEMENTATION FOR SOLAR TRANSFIGURATION OF INDIA (SRISTI)

Why in news?

- To accelerate the deployment of rooftop solar power in the country, the Ministry of New and Renewable Energy (MNRE) has prepared a concept note on **‘Sustainable Rooftop Implementation for Solar Transfiguration of India (SRISTI)’**.

Background

- Government has set a target of reaching 100 GW of solar power installed capacity in the country by 2022, of which 40 GW is targeted through solar rooftop.
- For promotion of solar rooftop, the Ministry is implementing **Grid Connected Rooftop Solar (RTS)** Power Programme. States/UTs have also taken conducive policy and regulatory measures.
- **Present status** - The programme was expected to support installation of 4,200 MW RTS plants in the country by year 2019-20.

11.4. NUCLEAR POWER PLANTS

Why in news?

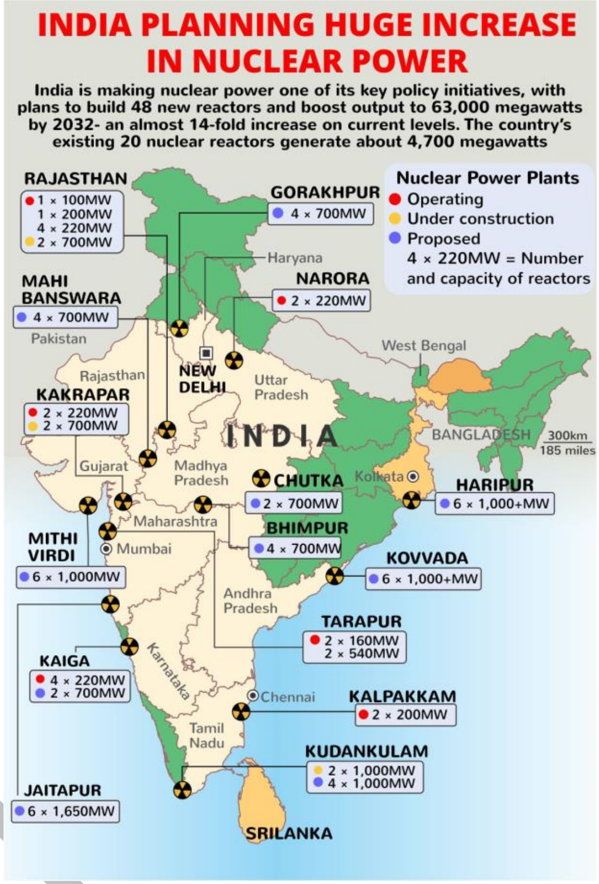
- Cabinet has recently cleared the proposal to construct 10 indigenous pressurised heavy water nuclear reactors (PHWR) with each having a capacity of 7,00 MWe, to be built by Nuclear Power Corporation of India Ltd (NPCIL).

About NPCIL

- It is a Public Sector Enterprise under the **Department of Atomic Energy**
- It is registered as a **Public Limited Company** under the Companies Act
- Its main objectives are operating atomic power plants and implementing atomic power projects for generation of electricity
- It also has **equity participation in BHAVINI,** another PSU of Department of Atomic Energy (DAE) which implements Fast Breeder Reactors programme.

Current status of India's nuclear capacity

- According to the **World Nuclear Industry Status Report 2017,** India is third in the world in the number of nuclear reactors being installed, while China tops the list.
- NPCIL is presently operating 22 commercial nuclear power reactors (details shown in the figure)
- The total installed capacity in India is 6780 MWe, constituting 2.1% of the total installed capacity in India. Proposed plants will more than double the country's current installed nuclear capacity of 6,780 MWe.
- The reactor fleet comprises of three types of reactor
  - Pressurized Heavy Water Reactor
  - Boiling water reactor (BWR)
  - VVER (Pressurized water reactor type)
- India today has civil nuclear cooperation agreements with several countries, including France, Russia, UK, US and Japan.



11.5. COAL

11.5.1. SHAKTI POLICY

Why in News?

- Cabinet recently approved a coal linkage policy called **Scheme to Harness and Allocate Koyla Transparently in India (SHAKTI)**. It aims to auction long term coal linkages to power companies.

Provisions of the policy

- Coal linkages would be awarded to designated state-owned power distribution companies (DISCOMs).
- The independent power producers (IPPs) having **Power purchase agreements** (PPAs) will participate in the auction and will bid for discounts on the existing tariff.
- IPPs without Power Purchase Agreements (PPAs) shall be bidding for linkage over the notified price of the coal company.

A power purchase agreement is a contract between the seller (one who generates electricity for the purpose of sale) and the buyer.

- It defines all of the commercial terms for the sale of electricity between the two parties, including when the project will begin commercial operation.
- The government is working to make obligations under power purchase agreement (PPA) statutory binding.

Saral Eindhan Vitaran Application (SEVA)

- It is an app for power consumers, developed indigenously **by Coal India Limited**.
- It is a **part of 'Digital India' initiative**, aimed at increasing the Consumer Connect as well as the **transparency and accountability in coal dispatch.**
- It would initially cover only those coal mines that are associated with power generation.
- It would work with **SEVA Dashboard** which provides summary of quantity of coal dispatched along with grades for a day, month, and the latest yearly updates as well.

11.5.2. COMMERCIAL MINING IN COAL

Why in news?

- Recently, the Government has approved opening up **commercial mining in coal for Indian and foreign companies in the private sector.**

Currently **Coal India Limited** and its associates has near monopoly accounting for over **80% of country's coal supply** with remaining coming from **Singareni Colleries Companies** and some other captive coal mines.

Coal Reserves in India

- The reserves are located mainly in states of Jharkhand, Odisha, Chhattisgarh, West Bengal, Madya Pradesh, Telangana and Maharashtra.
- Indian coal reserves are primarily of Lignite and Bituminous types (other two types are Peat and Anthracite).

- Problems with Indian coals are-
  - Lower calorific value
  - Higher ash content
  - Less efficient coal mines in India

Expected Benefits of allowing Commercial Mining

- **Increased production and energy security**: It will also help the country come closer to its vision of producing 1.5 billion tonne of coal annually by 2022.
- **Reduced imports**: by Rs 30,000 crore as currently about 22% of domestic demand is being met through imports despite India being the 3rd largest coal producing country in the world.
- **Benefit to power sector** as coal accounts for around 70% of the country's power generation.
- **Improved efficiency**: as it would attract **investments** from private and foreign players and bring **best possible technology** in the sector.
- **Development of coal bearing states**
- **Industry consolidation**

11.6. PETROLEUM

11.6.1. STRATEGIC OIL RESERVES

Why in News?

- Recently, Ministry of Petroleum and Natural Gas invited Saudi Arabia and Oman to participate in the Indian Strategic Petroleum Reserve Programme.
- Abu Dhabi National Oil Company (ADNOC) has signed an agreement to store about 6 million barrels of crude oil at India's maiden strategic oil reserve.

Background

- India consumes about 3.8 million barrels of oil and oil products a day and has to import about 80% of that.
- The International Energy Agency (IEA) predicts that by 2020, India will be the largest oil importer, increasing its vulnerability to threats of physical supply disruptions and to large price fluctuations.

Oil & Gas scenario in India

- India has 0.5% of the oil and gas resources of the world and 15% of the world's population.
- India is **the third-largest oil consuming nation** in the world.

- India is **the fourth-largest Liquefied Natural Gas (LNG) importer** after Japan, South Korea and China.
- **Draft National Energy Policy** target to reduce oil imports by 10% from (2014-15 levels) by 2022

- Moreover, global standard for strategic oil reserves, as set by IEA and **Integrated Energy Policy 2006** of India recommended that country should maintain a reserve equivalent to 90 days of oil imports for strategic-cum-buffer stock purposes.

About Strategic Oil Reserve

- It is a storage of crude oil which would act as a cushion during any external supply disruptions or supply-demand mismatch shock.
- The crude oil storages are constructed in **underground rock caverns** and are located on the East and West coast of India. They are considered to be more environment friendly and incur less evaporation loss than ground level storage
- Construction of storage facilities are maintained by **Indian Strategic Petroleum Reserves Limited** (a special purpose vehicle of the Oil Industry Development Board under Ministry of Petroleum and Natural Gas).
- Presently, strategic reserves are situated at Visakhapatnam (Andhra Pradesh), Mangalore (Karnataka), and Padur (Kerala).
- Moreover, project of three additional reserves is in pipeline -at Chandikhol (Odisha), Bikaner (Rajasthan) and Rajkot (Gujarat).

The IEA (International Energy Agency)

- Founded in 1974 to help countries collectively respond to oil supply disruptions.
- It is an autonomous body **within the OECD framework**. Membership is made up of 30 member countries (**India is not a member**).
- It publishes the **World Energy Outlook (WEO).**

11.6.2. HYDROCARBONS EXPLORATION AND LICENSING POLICY (HELP)

Why in news?

- The Government of India recently launched the **Hydrocarbons Exploration and Licensing Policy** which will govern the exploration of oil and gas resources in the country replacing the existing **New Exploration Licensing Policy (NELP)**.

National Data Repository

- Along with HELP, the government has also introduced a database of geological and hydrocarbon information that would be open for all.
- It will **enhance prospects of petroleum exploration and facilitate the Bidding Rounds by improving the availability of quality data.**

Objectives of the Policy

- To make India **business and investor friendly** by reducing regulatory restrictions.
- **Double India's existing oil production** from current 80 million metric tons to about 150-155 million metric tons by 2022.
- **Identification of areas** where exploration of different hydrocarbons can be made possible.

HELP vs. NELP

POLICY CATEGORY	HELP	Pre-HELP
Types of hydrocarbon	Covers all conventional and unconventional oil and gas	NELP covered only conventional oil and gas; Coal Bed Methane Policy covered coal bed methane
License	A single license for exploration and extraction of all types of oil and gas	Separate license required for conventional oil and gas, coal bed methane, shale oil and gas, and gas hydrates
Revenue model	Revenue-sharing model under which revenue will be shared with the government in the ratio submitted by bidders	Production/profit-sharing model under which government received a share in the profits
Coverage	Open acreage policy under which exploration companies and can apply to explore any block not under exploration	Exploration was restricted to blocks opened for bidding by the government
Oil and gas pricing	Companies have the freedom to sell their production domestically without government intervention	Crude oil price was based on import parity; gas price was fixed by the government
Royalty	Concessional royalty for deep water (5 percent) and ultra-deep water (2 percent) areas, which are difficult to explore, and reductio of royalty in shallow water (from 10 percent to 7.5 percent)	12.5 percent for the onshore areas and 10 percent for offshore areas; 10 percent for coal bed methane

11.6.3. FUEL ADMINISTERED PRICE MECHANISM

Why in News?

- Recently, Administered Price Mechanism (APM) for petrol and diesel were dismantled by the government.

Fuel Administered Price Mechanism

- The APM was created after the Government **nationalized the international oil majors** – Caltex, Esso and Burmah Shell in the early 1970s.
- In Administered Pricing, **under the cost plus formula**, prices of all petroleum products are **fixed on the basis of cost of procuring and refining crude oil**.
- Cross subsidization among petroleum products was in existence under the administered pricing mechanism. The prices of petrol and diesel subsidized the prices of liquefied petroleum gas (LPG) and kerosene.
- The Narasimha Rao government had set up a "**R Committee**" (R for Reforms) under Vijay Kelkar to plot a blueprint for dismantling Administered Price Mechanism.

Provisions

- India **lifted price control on diesel in 2014 and on petrol in 2010** allowing state companies to charge market prices. At present, **state companies review prices at the end of every fortnight** depending on the prevailing international prices.
- From now on, the **daily sales at all the petrol pumps would be linked** to the international prices of crude oil.

11.6.4. PRADHAN MANTRI URJA GANGA

Why in news?

Recently, it was proposed to extend the Pradhan Mantri Urja Ganga Yojana to North Eastern states.

About Pradhan Mantri Urja Ganga Yojana

- Currently India has a total of over 15000 km of natural gas pipeline infrastructure and an additional pipeline of 15000 km will complete **the National Gas Grid**.
- To have a gas based economy and enhance the share of gas in the energy **basket to 15%**, the Government has envisaged developing additional 15,000 km of gas pipeline network.
- At present the natural gas network predominantly connects western, south eastern and northern parts to major gas sources. However, in order to connect the Eastern parts of the country to the natural gas grid, Pradhan Mantri Urja Ganga Yojana is being implemented to add another 2655 km of pipelines.
- It is an ambitious two phased project which was launched in 2016 (also known as Jagdishpur-Haldia & Bokaro-Dhamra Natural Gas Pipeline (JHBDPL) and covers over 2655 km of pipelines.
- It was initially launched to cover five eastern states – Uttar Pradesh, Bihar, Jharkhand, Orissa and West Bengal. But it is being planned to extend the 750km of pipelines to Guwahati first and then to all North Eastern State capitals.

Petroleum and Natural Gas Regulatory Board

- It is a statutory body which has been established under The Petroleum and Natural Gas Regulatory Board Act, 2006.
- It has been established to protect the interests of consumers and entities engaged in specified activities relating to petroleum, petroleum products and natural gas and to promote competitive markets and for matters connected therewith.

National Gas Grid

It is being developed by the Government in order to:

- remove regional imbalances within the country with respect to access to natural gas and provide clean and green fuel throughout the country,
- connect gas sources to major demand centres, ensure availability of gas to consumers in various sectors and
- development of city gas distribution networks for supply of CNG and PNG.

11.7. MINERALS

11.7.1 DRAFT TEMPLATE FOR STAR RATING OF MINOR MINERALS

Why in news?

- The **draft evaluation template for the star rating of minor minerals** has been formulated by **the Ministry of Mines.**

What is it?

- The star rating evaluation template for minor minerals like sand and clay has been formulated on the lines of the star rating system of major minerals that was launched in 2016.
- It will assess on criteria such as Systematic and sustainable mining, health and safety of workers, statutory compliance etc.

- **Minerals** have been classified into **major and minor** according to the **Mines and Minerals (Development and Regulation) Act, 1957.**
- According to the act, **minor minerals are building stones, gravel, ordinary clay, ordinary sand other than sand used for prescribed purposes as well as any other minerals notified as minor minerals through Gazette of India notification by the government.**
- There has been no clear classification of major minerals under the act, therefore **any mineral not classified as minor is considered a major mineral**.

Star Rating of Major Minerals

- A star rating system for major minerals was instituted by the **Ministry of Mines through Indian Bureau of Mines (IBM)** in May 2016
- A **web-portal** has been developed for online filing of the evaluation template for Star Rating of Mines.
- The self- certification is to be evaluated and validated by the IBM. Based on the performance of the mining lease, a star rating of 1-5 is to be awarded.
- The star rating will be based on the following parameters:
    - Scientific and systematic mining to mitigate environmental impact.
    - Addressing social impacts of resettlement and rehabilitation of mining affected people.
    - Local community engagements and welfare programmes for socio-economic development of local community.
    - Progressive and final mine closure to ensure for restoration of mined out land in better conditions than original.
    - Adoption of international standards for mining operations and reporting.

11.7.2. DRAFT NATIONAL MINERAL POLICY 2018

Why in news?

Recently, draft National Mineral Policy (NMP) 2018, was released which seeks to replace NMP (2008).

Background

- **Supreme Court** on August 2, 2017 directed the Government to revisit the NMP (2008) and announce a new Mineral Policy for which a committee under K. Rajeswara Rao was setup.
- **Management of Mineral resources** under both the Union List and the State list of the seventh schedule.

Highlights of the draft policy

- **Transparent Mechanism** for reserving areas for state agencies
- **Facilitator role** of the government in survey and regulation of exploration
- **Grant Industry Status To Mining Sector**
- **Encouraging beach sand mining**
- **National web portal** to monitor and review the implementation of schemes under DMF for giving effect to PMKKKY.

Minerals Policy 2008

- It seeks to make the **regulatory mechanisms technologically advanced** and in consonance with the investment flow making the whole process more **transparent** with respect to allocation of mineral concessions, seamlessness and security of tenure in the concession processes.
- **Strengthening the role of Geological Survey** of India, Indian Bureau of Mines and State Directorates of Mining and Geology.
- Developing and enforcing a **Sustainable Development Framework** so that the rights of indigenous population are not hampered and also ensuring a sustainable ecological balance.
- Discouraging unsustainable mining and promoting zero-wastage mining.
- Developing cluster based approach of mining small deposits.

National Sustainable Development Framework empowers the Central Government to institutionalize a statutory mechanism for ensuring sustainable mining with adequate concerns for environment and socio-economic issues in the mining areas.

The National Sustainable Development Framework, inter-alia, included the following:

- specification of factors and parameters influencing sustainable and scientific mining;
- broad criteria beyond which mining may not be deemed sufficiently sustainable or scientifically manageable;
- (iii) systemic measures needed to be taken or built-in to increase sustainability of mining operations considering its entire life cycle

The Mines and Minerals (Development & Regulation) Amendment Act, 2015.

- It mandated the setting up of **District Mineral Foundations (DMFs)** in all districts in the country affected by mining related operations and to protect the interests of tribal communities who have borne the costs of mining. The miners have to contribute a fraction to DMF of total royalty payable to people.

- Establish **National Mineral Exploration Trust (NMET)**: It is a non-profit body run by the Central government with the primary objective of promoting regional and detailed mineral exploration in the country.

Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKY)

- To provide for the welfare of areas and people affected by mining related operations, using the funds generated by District Mineral Foundations (DMFs).
- To implement various developmental and welfare projects/programs in mining affected areas that complement the existing on-going schemes/ projects of State and Central Government.
- All areas directly affected by mining related operations as well as those areas indirectly affected by such operations will be covered under PMKKKY

12. REPORTS/INDEXES

12.1. EASE OF DOING BUSINESS REPORTS

Why in news?

- Recently, **World Bank** has released Ease of Doing Business report for 2018, which placed India at 100th rank out of 190 countries.
- Niti Aayog recently released Ease of doing business report to assess existing business regulations and the environment from the firm's perspective.

Fast Mover

India's Performance in World Bank's ease of doing business' report

Indicator (Ranking)	2017	2018
Starting a Business	155	156
Dealing with Construction Permits	185	181
Getting Electricity	26	29
Registering Property	138	154
Getting Credit	44	29
Protecting Minority Investors	13	04
Paying Taxes	172	119
Trading across Borders	143	146
Enforcing Contracts	172	164
Resolving Insolvency	136	103
Overall Ranking	130	100

WORLD BANK

How NITI Aayog report differs from the World Bank's Doing Business Survey?

- The World Bank Survey focuses on Delhi and Mumbai while this survey covers almost all states and Union Territories in India.
- While the World Bank survey has a standardized survey across 190 countries, this survey is a non-standardized survey only for India.
- The present survey is meant to be qualitative. It does not rank states in the ease of doing business. Its objective is to provide information for states on their business environment.
- While the World Bank Survey covers 10 parameters handled by the states and the central government, this survey primarily deals with issues handled by the State Governments.

Other World Bank Reports

- World Bank released the Global Economics Prospects 2018 which examines global economic developments and prospects with a special focus on emerging market and developing economies (EMDE).
- **Global Investment Competitiveness report 2017** is published by World Bank which shows various factors (domestic market size, macroeconomic stability and a favourable exchange rate, labour force talent and skills, physical infrastructure etc.) affecting investment decision in a country.
- The **World Bank's Global Financial Development Report** was also released.

12.2. STATE INVESTMENT POTENTIAL INDEX

Why in news?

- Gujarat has retained the top position in the list of 21 states and UTs, according to a report by economic think-tank NCAER which ranks states on their competitiveness in business and their investment climate.

About NCAER and the index

- Established in 1956, National Council of Applied Economic Research (NCAER) is India's oldest and largest independent, non-profit, economic policy research institute.
- The index is based on six pillars -- labour, infrastructure, economic climate, governance and political stability, perceptions and land -- and 51 sub-indicators.

12.3. WORLD ECONOMIC FORUM REPORTS/ INDEX

12.3.1. GLOBAL COMPETITIVENESS INDEX

Why in news?

- Recently **World Economic Forum's global competitiveness index (GCI)** was released.

INDIA'S PERFORMANCE OVERVIEW

India remains the most competitive country in South Asia, appearing at No. 40 in the ranking of 137 countries by the World Economic Forum's Global Competitiveness Report 2017-18. This has been due to the country investing in infrastructure, higher education and training, backed by its state of technological readiness.

	Rank/137 (2017-18)	Score (1-7)
GLOBAL COMPETITIVE INDEX	**40**	**4.6**
Institutions	39	4.4
Infrastructure	66	4.2
Macroeconomic environment	80	4.5
Health and primary education	91	5.5
Higher education and training	75	4.3
Goods market efficiency	56	4.5
Labour market efficiency	75	4.1
Financial market development	42	4.4
Technological readiness	107	3.1
Market size	3	6.4
Business sophistication	39	4.5
Innovation	29	4.1

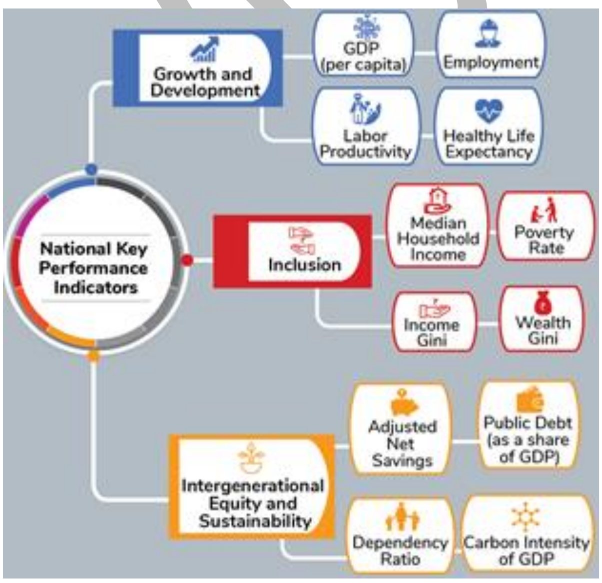
World Economic Forum

- It is a not-for-profit foundation headquartered in Geneva, Switzerland.
- It aims at improving the state of the world by engaging business, political, academic and other leaders of society to shape global, regional and industry agendas.
- It has also recently released **Global Manufacturing Index** placing India at the 30th position.

12.3.2. INCLUSIVE DEVELOPMENT INDEX

Why in news?

India was ranked 62nd among 74 emerging economies on **World Economic Forum's** Inclusive Development Index.



About the Inclusive Development Index (IDI) 2018

- It measures progress of 103 economies on eleven dimensions of economic progress in addition to GDP.
- Presenting an alternative to GDP, it also takes into account the "living standards, environmental sustainability and protection of future generations from further indebtedness"
- **Lithuania** is ranked the world's most inclusive emerging economy, while **Norway** tops the advanced economy list.
- **Performance among BRICS economies** is mixed with the Russian Federation (19) ahead of China (26), Brazil (37), India (62), and South Africa (69).

Other topics related to Inequality

- Oxfam, in its report titled **'Reward Work, Not Wealth,** noted that the richest 1% in India cornered 73% of the wealth generated in 2017 while bottom 67 crore Indians saw their wealth rise by just 1%
- **Gini coefficient** is a popular statistical measure to gauge the rich-poor income or wealth divide. It measures inequality of a distribution — be it of income or wealth — within nations or States. Its value varies anywhere from zero to 1; zero indicating perfect equality and one indicating the perfect inequality.

12.4. WORLD ECONOMIC SITUATION AND PROSPECTS

The report is a joint product of the **United Nations Department of Economic and Social Affairs (UN/DESA), the United Nations Conference on Trade and Development (UNCTAD)** and the five United Nations regional commissions.

UNCTAD (United Nation Conference on Trade and Development)

- It is a permanent intergovernmental body established by the United Nations General Assembly in 1964.
- It is part of the UN Secretariat and the principal body dealing with trade, finance, investment and developmental issues.
- It recently released **World Investment Report, 2017** (India at 9th position) and **State of Commodity Dependence Report, 2016.**

12.5. WORLD EMPLOYMENT AND SOCIAL OUTLOOK 2018

Why in News?

- Recently, International Labor Organization has released its **World Employment and Social outlook trend 2018.**

International Labour Organisation
- **Established in** 1919, it became first affiliated specialized agency of the United Nations in 1946.
- It has total 187 member nation including India which is its founder member.
- It is the **only** organisation of UN **having tripartite** governing structure, representing Workers, Employers and Government.
- It sets labor standards, develops policies and devises programmes promoting decent work for all women and men.

Highlights of the global trends in report

- **Global unemployment rate** – It is expected to fall slightly to 5.5% in 2018 (from 5.6% in 2017)
- **Vulnerable employment**- The number of workers in vulnerable forms of employment (own-account workers and contributing family workers) is likely to increase.
- **Structural shifts to service sector-** There is an increasing trend of employment under service sector, whereas manufacturing sector continues to have declining trend of employment rate which confirms the ongoing trend of "**premature deindustrialisation**".

12.6. LIVEABILITY INDEX

Why in news?

- The **Ministry of Housing and Urban Affairs** has decided to bring out a **liveability index of 116** cities with funding from World Bank.

- **Economist Intelligence Unit** brings out an annual liveability index of cities across the world.
- Currently, **the EIU's 'Global Liveability Ranking'** for 140 cities includes only two Indian cities — Mumbai and Delhi. Melbourne has been named the world's most liveable city for seventh year in a row followed by Vienna and Vancouver.

More about the index

- It ranks the cities in order of the **quality of life** offered by these 116 cities which includes 99 smart cities already identified, state capitals, and cities with 1 million-plus population
- The index comprises of 79 parameters, including 57 Core Indicators and 22 Supporting Indicators, to measure various aspects determining the liveability of a city.
- The index gives different weightage to 4 aspects – institutional (25%), social (25%), economic (5%), physical (45%).
- The Economist Intelligence Unit (EIU), in alliance with the IPSOS Research Private Limited and Athena Infonomics (India Pvt. Ltd.) are selected under World-Bank funded Capacity Building for Urban Development program for assessment.

12.7. WORLD ECONOMIC OUTLOOK

Why in news?

The International Monetary Fund (IMF) in its January update of the **World Economic Outlook** (WEO) has forecasted India to grow 7.4% in FY19, gaining pace to 7.8% in FY20.

Details

- WEO forecasts include key macroeconomic indicators, such as GDP, inflation, fiscal balance and current account of more than 180 countries around the globe.
- It also deals with major economic policy issues.
- India will regain the tag of fastest-growing major economy in FY19 replacing China.India has slipped behind China this year owing to the disruption caused by demonestisation and the imposition of GST.

12.8. CONSUMER CONFIDENCE INDEX SURVEY

Why in news?

Recently the December 2017 round of the Consumer Confidence Survey was released.

About the Survey

- **Reserve Bank of India** is conducting the CCS on a quarterly basis since June, 2010.
- The CCS shows the **Current Situation Index** (CSI) and the **Future Expectation Index** (FEI).
- Consumer confidence levels above 100 indicate optimism and below a 100 indicate pessimism.

- The Consumer Confidence Index (Current situation) of India is 96.9.
- The Consumer Confidence Index in India is **part of The Nielsen Global Survey of Consumer Confidence and Spending Intentions**, established in 2005.

12.9. OTHER REPORTS

- **Credit Suisse Research Institute** released its **Global Wealth Report** 2017.
- Global Talent Competitiveness Index (GTCI) was released by INSEAD combined with Adecco group and Tata communications which measures and ranks 119 countries and 90 cities based on their **ability to grow, attract and retain talent**. India was ranked at 81.
- The 2017 **Global Retail Development Index** (London based consultancy A T Kearney,) titled 'The Age of Focus' has placed India at the first and China at the second position among 30 developing countries on ease of doing business in the retail sector.
- State of Electricity Access Report is published by the World Bank. India has the largest deficit in Electricity Access as of 2014.
- **Port Logistics: Issues & Challenges in India** report was released by advisory firm Dun & Bradstreet (DNB) on behalf of Niti Aayog.

13. MISCELLANEOUS

13.1. CONSUMER PROTECTION BILL, 2018

Why in News?

- The **Consumer Protection Bill, 2018** was introduced in the Lok Sabha.

Background

- The new law seeks to **replace** the Consumer Protection Act (CPA) 1986 and is in line with the revised **UN guidelines** on consumer protection**.**
- The CPA act 1986 provides for:
    - **Central Consumer Protection Council** to promote six rights (i) **Right of Safety** (ii) **Right be informed** (iii) **Right to choose** (iv) **Right to be heard** (v) **Right to seek redressal** (vi) **Right to Consumer Education.**
    - **Grievance Mechanism: Three tier complaint** redressal mechanisms such as District, State and Nation Consumer Dispute Redressal Mechanism has been set-up.

Important Features of the Consumer Protection Bill 2018

- Central Consumer Protection Authority, will act as a **national authority to regulate** and prevent violation of consumer rights.
- It provides for **product liability action** on account of harm caused to consumers due to a defective product or by deficiency in services against a product manufacturer, service provider or seller.
- It empowers the Central Government to take measures to protect the interest and rights of consumers in **e-commerce**.
- It provides for penalties for false or **misleading advertisement** (by celebrities as well), selling or distributing or importing adulterated and spurious products.
- **Alternate Dispute Redressal Mechanism** has been provided by establishment of consumer mediation cell.

13.2. BUREAU OF INDIAN STANDARDS ACT, 2016

Why in news?

Recently the Bureau of Indian standards (BIS) Act 2016 was brought into force which repealed the existing Bureau of Indian Standards Act, 1986.

Eco-mark

- It is a voluntary labelling scheme for easily identifying environment friendly products.
- The products have to meet strict environmental requirements, as well as quality requirements.
- The scheme was **launched by the Ministry of Environment and Forests**, and is administered by the Bureau of Indian Standards (BIS), which also **administers the Indian Standards Institute** (ISI) mark quality label (also voluntary), a requirement for any product to gain the Eco-mark label.

Key Features of the BIS Act 2016

- It establishes Bureau of Indian Standards as **National Standards Body of India** to formulate, implement and certify certain standards of quality for goods, services, articles, processes and systems.
- The act allows the central government to notify certain goods, articles, etc., which will need to compulsorily carry a standard mark in the interest of public interest, safety of the environment, prevention of unfair trade practices, national security etc.
- There is provision for **repair or recall**, including **product liability** of the products bearing Standard Mark but not conforming to the relevant Indian Standard.
- **Other mechanism:**
    - simplified **conformity assessment schemes** including self-declaration
    - **Mandatory hallmarking** of the precious metal articles.
    - **Penalties** in case of improper use of the Indian standard mark.

13.3. INDIAN LABOUR CONFERENCE (ILC)

Why in news?

The **47th ILC** which was scheduled on 26-27 Feb, 2018 was **indefinitely postponed** by the government.

Details about ILC

- Indian Labour Conference is also known as the **Labour Parliament** of the country.
- It is the apex level **tripartite (Trade Union, employer and government) consultative committee** in the Ministry of Labour & Employment to advise the Government on the issues concerning working class of the country.
- All the **12 Central Trade Union Organisations, Central Organisations of employers**, all State Governments and Union Territories and Central Ministries/Departments concerned with the agenda items, are the members of the ILC.
- The **first ILC** (termed that time as tripartite National labour conference) **was held in 1942** and was envisaged to bring workers' and employers' representatives together to help in the **World War II allied efforts**.

13.4. PUBLIC UTILITIES SERVICES

Why in news?

- Recently, Ministry of Labor and Employment had extended the Public Utility Services (PUS) status of the **Manufacturing of Alumina and Aluminium' and 'Mining of Bauxite'** for a period of six month.

Public Utility Service (PUS)

- It has been defined **and safeguarded** against the strikes and lockout under the **Industrial Disputes Act, 1947.**
- PUS are listed as facilities required to serve the necessity of public at large, for e.g. transport (other than road transportation), defence establishments, cotton service, various mining and minerals industries etc.
- If any service is listed under the PUS then a six week notice has to be served by the Employee and Employer to each other in case of strike and lock-out respectively.
- Moreover, the period for the declaration of PUS on any service/**industry shall not exceed six months in the first instance**. However, it may be extended from time to time, by any period not exceeding six months.

13.5. NATIONAL CSR DATA PORTAL & CORPORATE DATA PORTAL

Why in news?

Recently National CSR Data Portal & Corporate Data Portal were launched by the Ministry of Corporate Affairs.

Details

- **National Corporate Social Responsibility Data Portal** will capture information on CSR activities carried out by eligible companies, filed on the MCA21 registry (related to enforcement and compliance of the legal requirements under the Companies Act) in their financial statements.
- **Corporate Data Portal** aims at making all the financial and non-financial information of the companies available in a user friendly format to the general public.

Corporate Social Responsibility

- It is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.
- CSR in India is governed by Section 135 Companies Act 2013and rules made under it.

13.6. INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS (IAIS)

Why in news?

- Union Cabinet has given its approval for IRDAI's admission as a signatory to International Association of Insurance Supervisors (IAIS) Multilateral Memorandum of Understanding (MMoU).

Insurance Regulatory and Development Authority

- IRDAI is an autonomous, statutory agency tasked with regulating and promoting the insurance and re-insurance industries in India
- It was constituted by the Insurance Regulatory and Development Authority Act, 1999 and is headquartered in Hyderabad.

International Association of Insurance Supervisors (IAIS)

- IAIS is a global framework for cooperation and information exchange between insurance supervisors.

- IAIS Multilateral MoU will help in cooperation in the Field of information exchange as well as procedure for handling information requests related to international insurance companies.

13.7. DARPAN PROJECT

Why in News?

- The Union Ministry of Communications has launched DARPAN (The Digital Advancement of Rural Post Office for A New India.

Details

- DARPAN is an Information Technology (IT) modernization project. It offers core banking services to the account holders.
- The project intends to provide low power technology solution to each branch postmaster (BPM).

13.8. BHARTIYA NIRDESHAK DRAVYA

Why in News?

- Recently India developed **Bhartiya Nirdeshak Dravya (BND4201)** which is a gold bar, weighing 20 grams, to verify the purity of gold sold in India.

Background

- In 2016, India Government Mint (IGM), a unit of Security Printing and Minting Corp of India Ltd, signed an agreement with the Bhabha Atomic Research Centre (BARC) and CSIR-National Physical Laboratory (NPL) to develop the **first gold standard**.
- While the bars will be made by the IGM, technical aspects such as measurement would be done by the BARC and certifying the purity of the bars would be the responsibility of the NPL.
- NPL is the **repository of standard units** — such as the kilogram, the second, the centimetre — in India and provides calibration services.

13.9. DHOLA SADIYA BRIDGE

- Prime Minister inaugurated the country's longest bridge (9.15 km) recently over the Lohit River in Assam. It is also known as Bhupen Hazarika bridge.

13.10. INAUGURATION OF AJI DAM

Why in news?

Recently the Prime Minister inaugurated the filling of Aji Dam near Rajkot under Sauni Yojana.

About SAUNI yojana

- SAUNI stands for Saurashtra Narmada Avtaran Irrigation.
- SAUNI envisages filling 115 major dams of the arid Saurashtra region by diverting floodwaters overflowing from the Sardar Sarovar Dam across the Narmada in south Gujarat.

13.11. THINK20 TASK FORCE

Why in News?

- Germany recently convened the **first-ever G20 "digital ministers" meeting** and as a result a T20 task force (**Think20 Task Force**) was set up.

About T20 task force

- It comprises of think tanks and academia (**Observer Research Foundation of India** is in this force) that will offer recommendations to strengthen digital economies and manage the "digitalization" of traditional sectors.
- It would help articulate rules of economic operation for businesses, governments and users transacting on the Internet.
- It would also focus upon **Affordable and inclusive Cyber security**.

13.12. ANUGA

Why in news?

India became Co-Partner Country in ANUGA 2017 - an international business platform for Food Industry held in Cologne, Germany.

- Allgemeine Nahrungs Und Genußmittel Ausstellung (General Food and Non essential Provisions Exhibition) is the **world's biggest and most important trade fair for Food and beverage trade.**