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PT 365

ECONOMY

Classroom Study Material

(May 2019 to February 2020)

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ECONOMY

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1. FISCAL POLICY

1.1. STATE OF INDIAN ECONOMY

1.1.1. SLOWDOWN IN INDIAN ECONOMY

Why in news?

Recent economic data indicates that there is slowdown in Indian economy.

More on news

- **GDP:** GDP growth rate at Constant (2011-12) Prices in the recent Q3 (October-December) is **4.7% which is lowest in 7 years.**
  - It was released **by National Statistical Office.**
  - In terms of quarterly growth, India has **lost the tag of the fastest growing economy to China which posted a growth of 6% in the September quarter.**
  - The Economic Survey 2019-20 projected growth for the fiscal year 2020-21 at 6 % to 6.5 %.
  - **Reasons for slowdown** are both **structural** (Slow growth in manufacturing, electricity and construction) **and cyclical** (contraction in investment and weak exports).
- **Investment:** The investment rate as measured by Gross Fixed Capital Formation (GFCF) as a per cent of GDP is showing a declining trend.
  - GCFC is essentially net investment which measures the net increase in fixed capital. It is a component of the Expenditure method of calculating GDP.
  - The fixed investment rate has started declining sharply since 2011- 12 and subsequently plateaued from 2016- 17 onwards which led to the deceleration in growth since 2017-18.
- **Saving:** Saving declined from 32.7 per cent in 2011 to 29.3 per cent in 2018. The decline in savings rate is because the economy is experiencing a declining wage growth (both rural and urban wages).
- **Total Factor Productivity (TFP)-** It is **ratio of total Output (e.g. GDP) and weighted average of inputs (e.g. labour & capital).**
  - A higher **TFP implies higher growth with the same set of labour and capital employed.**
  - Since 2008, TFP growth has been slower for most nations (for China it has been negative since 2012).
  - In 2016 India's TFP growth was 3.5%, in 2017 it was 1.6% and in 2018 it was 2.4%.
- **Middle Income Trap-** Recently, a member of PM Economic Advisory Council (PMEAC) warned that India may soon get caught in the 'middle income trap'.
  - It refers to countries that have experienced rapid growth and thus quickly reached middle-income status (with Gross National Product per capita between $1,000 & $12,000), but then failed to overcome that income range to further catch up to the developed countries and achieve high-income status.
  - It is a relatively new phenomenon and was first mentioned in 2007 in the World Bank report.
  - It is associated with a relatively sustained growth slowdown with both **direct effects** (e.g. income losses) as well as **indirect effects** (e.g. social conflicts).
- **Auto-Industry-** According to Society of Indian Automobile Manufacturers (SIAM) data, Auto-industry witnessed steep dip in sale in month of July.
  - **Reasons** for it may include the NBFC crisis, policy reset by multiple ministries, shared mobility from aggregators like Ola, growing organized pre-owned vehicle market etc.

Additional Information

Changes made in Indian GDP Series	**In 2015**, the Central Statistics Office came up with a revised methodology **for the calculation** of GDP of the country. • **Change of base year to 2011-12 (from 2004-05)** to capture the unorganized sector data from NSSO's

	Employment-Unemployment Survey (EUS) of 2011-12. • **Incorporation of Recommendations of System of National Accounts (SNA), 2008:** ○ Valuation of **Gross Value Added (GVA)** & Net Value Added (NVA) at **basic prices** ✓ Considering **GDP at market prices as headline GDP** instead of GDP at factor cost, to make the new calculation more **consumer-centric (as it takes into account indirect taxes and subsidies).** ✓ Treating **unincorporated enterprises** maintaining accounts as quasi-corporations • **Incorporation of MCA21 database:** Ensuring comprehensive coverage of corporate sector in mining, manufacturing & services. • **Broader coverage of financial sector** by including stock brokers, stock exchanges, asset management companies, mutual funds and pension funds, as well as regulatory bodies, SEBI, PFRDA and IRDA. • **Adopted Effective Labour Input (ELI) Method:** Earlier, it was assumed that all categories of workers contribute equally. New method **addresses differential labour productivity issue** by assigning weights to different categories of workers based on their productivity.
GVA	• GVA is **measure of value added** in goods and services produced in economy **i.e. GVA = economic output – input.** • **GVA is sector specific while GDP is calculated by summation of GVA of all sectors** of economy with taxes added and subsidies are deducted.
Cyclical Slowdown	• It is a period of lean economic activity that occurs at regular intervals. Such slowdowns last over the short-to-medium term, and are based on the changes in the business cycle. • Generally, interim fiscal and monetary measures, and need-based regulatory changes are required to revive the economy
Structural Slowdown	• It is a more deep-rooted phenomenon. It is driven by disruptive technologies, changing demographics. • Fixing such problems would require the government to undertake some structural policies, like the New Economic Policy 1991.

Stagflation	• It is a peculiar **combination of stagnant growth and rising inflation** leading to high unemployment. • It is a prolonged period of little or no growth (usually less than 2 to 3% annually) in an economy. • In normal low growth situation, the government or the central bank can provide economic stimulus via higher public spending and cut interest rates. • But in stagflation, when inflation is already running high, fiscal and monetary stimulus can make it worse as that puts more money in the hands of the consumer.
First Advance Estimates of National Income, 2019-20	• It was **released by National Statistical Office** (NSO), Ministry of Statistics and Programme Implementation. • Advance estimates are **based on key benchmark indicators** like Index of Industrial Production (IIP), financial performance of Listed Companies in the Private Corporate sector, accounts of Central & State Governments, information on indicators like Deposits & Credits etc. • **It seeks to find an extrapolated version of what happened in the economy in the first eight months of the fiscal year.**

1.1.2. FOREIGN CURRENCY BORROWINGS

Why in news?

In the Budget 2019-20, the Finance Minister announced that the government would start raising a part of its gross borrowing programme via sovereign bonds in external markets in external currencies. **However, it was not taken up later.**

More on news

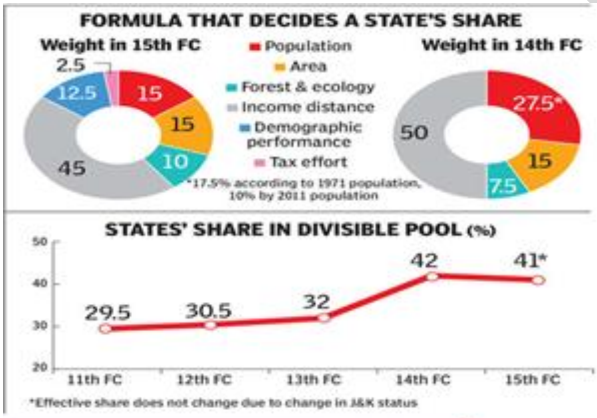
- The idea of the Indian government borrowing in foreign currency has been discussed multiple times earlier in the 1990s, in the early 2000s etc. It had been recommended as it could
  - Address the shallowness of bond market which exists in India as well as reduce crowding out effect.
  - Frees up resources for domestic savings and production
  - Bring less expensive sourcing of resources and force financial discipline on governments

- Create a benchmark for Indian companies to raise money abroad
- The reason given for not taking it up was that a dollar bond could subjugate India's interests to a global order.
- Also it wasn't a cheap option, as after accounting for customary rupee depreciation and the occasional currency meltdown, dollar debt can suddenly grow expensive.
- **A government bond or sovereign bond** is a form of debt that the government undertakes wherein it issues bonds with the promise to pay periodic interest payments and also repay the entire face value of the bond on the maturity date. So far, the **government has only issued bonds in the domestic market**.
  - Sovereign bonds can be denominated in both foreign and domestic currency.

1.2. FIFTEENTH FINANCE COMMISSION

Why in news?

Recently, the Fifteenth Finance Commission submitted its report with recommendations for the financial year 2020-21.



More on news

- **15th FC is to submit two reports** - one for 2020-21 and another for 2021-26. The deadline for 2021-26 Report is October 30, 2020.
  - 15th FC was to submit its report for period 2020-2025. However, its term was extended last year. Now, apart from present interim report, it will submit its second report for 2021-22 to 2025-26 in October.
  - **Article 280** of the Constitution of India provides for a Finance **Commission as a quasi- judicial body,** which is to be constituted every 5 years **to recommend the distribution of net proceeds of taxes** between Centre and states, and among states.
  - It is constituted by the president of India every fifth year or at such earlier time as he considers necessary
  - The constitution of the Commission has been in the **backdrop of various major fiscal/budgetary reforms** introduced by the Union Government like closure of the Planning Commission and its replacement by NITI Aayog; removal of distinction between Non-Plan and Plan expenditure; introduction of GST and New FRBM architecture with debt and fiscal deficit path

Terms of reference of Fifteenth Finance Commission
The 15th FC will consider measures to augment consolidated fund of a state to supplement resources of *panchayats*, municipalities in the state on the basis of recommendations by the finance commission of the state
The commission may also examine whether revenue deficit grants be provided at all.
The 15th FC will consider resources of centre and states for the five years commencing April 1, 2020, on the basis of the levels of tax and non-tax revenue likely to be reached by 2024-25
The FC to consider impact on centre's fiscal situation following enhanced tax devolution to states, coupled with the continuing imperative of the national development programme, including New India – 2022
The FC to study impact of GST, including payment of compensation for possible loss of revenues for five years, and abolition of a number of cesses on the finances of Centre and states

Key recommendations

- Reduction in share of states in divisible pool of central taxes to 41% from prevailing 42%.
  - Newly formed Union Territories of Jammu and Kashmir, and Ladakh, will now get funds from Centre's share.
- **Reintroduced performance-based incentives** to states on 2 parameters - **demographic performance** (based on Total Fertility Rate) and **taxation efforts**.
- **Rationalise centrally sponsored schemes** and Centre and states should fully reveal their off-budget borrowings.
- An **overarching fiscal framework** for Centre & states, on lines of FRBM Act, to lay down accounting, budgeting and auditing standards to be followed at all levels of government.
- Enhanced devolution to **local bodies** compared to 14th FC.

Additional Information

Income Distance	• It measures the difference between the per capita GSDP of a state and the per capita GSDP of the state with the highest per capita income.

1.3. STATISTICAL SYSTEM OF INDIA

1.3.1. NATIONAL STATISTICAL OFFICE (NSO)

Why in news?

Recently, the government has decided to merge the Central Statistical Organisation (CSO) and the National Sample Survey Office (NSSO) to form a National Statistical Office (NSO), under the Ministry of Statistics and Program Implementation.

About NSO

- Headed by a Director General, it is **responsible for conduct of large-scale sample surveys** in diverse fields on All India basis.
- Primarily data are collected through nation-wide household surveys on various socio-economic subjects, Annual Survey of Industries (ASI), etc.
- Besides these surveys, NSO collects data on rural and urban prices and plays a significant role in the **improvement of crop statistics** through supervision of the area enumeration and crop estimation surveys of the State agencies.
- The NSO has four Divisions:
    - Survey Design and Research Division (SDRD)
    - Field Operations Division (FOD)
    - Data Processing Division (DPD)
    - Survey Coordination Division (SCD)

1.3.2. NATIONAL STATISTICAL COMMISSION (NSC)

Why in news?

The government released **Draft National Statistical Commission (NSC) Bill** which aims at empowering NSC **to become nodal body for all core statistics in country.** It has provisions such as the composition of NSC, statistical audit, independent secretariat for the commission etc.

About NSC

- The NSC is the **apex advisory body on statistical matters**, but its suggestions are **not binding** on the government.
    - It was set up in 2005 through a Notification on **recommendations of Rangarajan Commission**, as an interim measure. However, in the **absence of any legislative framework**, the NSC has faced challenges in implementing its recommendations
    - **Core statistics include** national income statistics like GDP, jobs data, industry data and budgetary transactions data.
- **Composition:** a **part-time Chairperson** who is, or has been, **an eminent statistician** or social scientist, four part-time Members, Chief Executive Officer, NITI Aayog as ex-officio Member and **Chief Statistician of India** as its Secretary.

1.3.3. 7TH ECONOMIC CENSUS

Why in news?

Delhi is the 26th state where the survey has been launched, while the **process is already on** in 20 states and 5 UTs starting **since June 2019**.

More on news

- For the **first time**, an **IT based digital platform is being used** for data capture, validation, report generation and dissemination. This will ensure **high accuracy** and **data security**.
    - For this, **Ministry of Statistics and Program Implementation (MoSPI)** has tied up with **Common Service Centre (CSC)**, a Special purpose vehicle under Ministry of Electronics and IT.
- The **process of Economic Census was first held in 1978.** Present Census will provide disaggregated information on various **operational and structural aspects of all establishments** in the country.
- The census will provide valuable insights into geographical spread/clusters of economic activities, ownership pattern; persons engaged etc. of the establishments engaged in economic activity.

Additional Information

Major Statistics in India	• **Central Statistics Office (CSO)**- GDP, Index of Industrial Production, Energy Statistics, Infrastructure Statistics, National Income Accounting, Conduct of Annual Survey of Industries, Consumer Price Indices for Urban Non-Manual Employees, Human Development Statistics, Gender Statistics, Imparting training in Official Statistics.

	• **National Sample Survey Office (NSSO)**- Primarily data are collected through nation-wide household surveys on various socio-economic subjects, Annual Survey of Industries (ASI). Also collects data on rural and urban prices, crop statistics.
Standing Committee on Economic Statistics (SCES)	• Ministry of Statistics and Programme Implementation had constituted a 28 member **Standing Committee on Economic Statistics**, headed by **Pronab Sen,** to improve the quality of data. • SCES **subsumed four earlier standing committees** on labour force statistics; industrial statistics; services sector; and unincorporated sector enterprises. It has 27 members including academics and industry representatives. • It will review the existing framework of data sources, indicators and definitions of IIP, periodic labour force survey, time use survey, economic census and sector statistics, among others. • The committee has been constituted to ensure there is **convergence about decision making process** so that quality of data is improved.
Payroll Reporting	• Payroll data of Employees' State Insurance Corporation (ESIC) for November showed 19.62 lakh new additions. • Since April, 2018 **National Statistical Organisation (NSO) has been bringing out the employment related statistics** in formal sector across various age groups and gender. • It **uses payroll data of subscribers under 3 schemes**- Employees' Provident Fund (EPF) Scheme, Employees' State Insurance (ESI) Scheme and National Pension Scheme (NPS). • The report gives different perspectives on the levels of employment in formal sector and does not measure employment at a holistic level.
Consumer Expenditure Survey of 2017-18 (NSO)	• Ministry of Statistics and Programme Implementation (MoSPI) has decided not to release survey due to **data quality issues.** • Consumer Expenditure Survey generates estimates of **household monthly per capita Consumer Expenditure (Food and Non-food)** and the distribution of **households and persons over the Monthly Per Capita Expenditure (MPCE) classes.** It is a **quinquennial exercise (once in every 5 years).**

1.4. INDIRECT TAX

1.4.1. GOODS AND SERVICES TAX

Why in news?

With 66.79 lakh new dealers registered under the Goods and Service Tax, GST Network has decided to make **Aadhaar authentication or physical verification mandatory for new dealers from January 1, 2020, to check malpractices**.

About GST

- GST is a **destination-based indirect tax** and is **levied at the final consumption point.**
- Under GST, a gamut of **17 indirect taxes** like excise duty, VAT, service tax, luxury tax etc are subsumed.
    - **Taxes NOT subsumed under GST**: Basic Custom Duty, Anti-Dumping Duty, Central Excise on Petroleum Products, VAT on alcohol for human consumption, Stamp Duty, Property Tax (levied by local bodies), Professional Tax etc.
- GST is currently levied on every product [except **petroleum products, alcohol, real estate & electricity**] in four slabs of **5, 12, 18 and 28%.**
    - Most of the daily use articles have zero GST as per the latest revision of the tax rates last year.
    - In addition, a cess is levied on automobiles, luxury, and demerit and sin goods.
- It was launched on 1st July, 2017 in a special session of Parliament.
- **GST collection rose 6% to cross Rs 1 lakh crore mark in November**
    - GST collections had fallen 2.7% in September and 5.3% in October from the corresponding months in 2018.
- Centre has written to all States voicing concern that **due to the lower Goods and Services Tax (GST) collections,** the compensation cess might not be enough to pay for losses arising out of the new tax system.
    - **Compensation cess** is levied on luxury and sin goods, and the proceeds are used to compensate states for any loss they incur **within the first five years of GST implementation.**

Additional Information

GST Council	• It is a **constitutional body (Article 279A)** for making recommendations to Union & State Govt. on issues related to GST.

	• It is **chaired by the Union Finance Minister** and other members are the Union State Minister of Revenue or Finance and Ministers in-charge of Finance or Taxation of all the States. ○ Every decision of the council has to be taken by a **majority of not less than three-fourth of the weighted votes of the members present**. The vote of the central government has a weightage of one-third of the total votes cast, and votes of all the state governments together have a weightage of two-thirds of the total votes cast. • The 38th meeting of the GST Council has been recently concluded under the **Chairmanship of the Union Minister for Finance** ○ A **single rate of GST @ 28% on both State run and State authorized lottery** to be levied. Currently, there are **dual rates for lotteries** – 12% GST on state-run lotteries and 28% on state-authorised, or private lotteries. ○ Council for the **first time exercised the option of voting to decide on the GST rate** on lottery.
Reverse Charge Mechanism	• The GST has to be typically paid by the supplier of goods and services. But in some cases, the liability to pay the tax falls on the buyer. This is called reverse charge. • This is only applicable in certain instances e.g. when a business buys goods or services from a supplier who is not registered to pay GST or in cases of import.
E-way Bill	• 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 GST regime. • It is generated from the GST Common Portal by the registered persons or transporters before commencement of movement of goods of consignment.
Compensation Cess	• It was introduced as relief for States for the loss of revenues arising from the implementation of GST. • States' tax revenue as of FY16 is considered as the base year for the calculation of this 14 per cent growth. • The collected compensation cess flows into the Consolidated Fund of India, and then transferred to the Public Account of India, where a GST compensation cess account has been created.
National Anti-Profiteering Authority (NAA)	• The National Anti-Profiteering Authority (NAA) has been constituted under Section 171 of the Central Goods and Services Tax Act, 2017. • It is to ensure the reduction in rate of tax or the benefit of input tax credit is passed on to the recipient by way of commensurate reduction in prices.

1.4.2. SABKA VISHWAS

Why in news?

Recently the Sabka Vishwas-Legacy Dispute Resolution Scheme, 2019 was notified.

More on news

- It was announced with the objective of **settling pending disputes** of Service Tax and Central Excise, which are now subsumed under GST.
- The two main components of the Scheme are **dispute resolution and amnesty**
  - The **dispute resolution** component is aimed at liquidating the legacy cases of Central Excise and Service Tax that are subsumed in GST and are pending in litigation at various forums.
  - The **amnesty component** offers an opportunity to the taxpayers to pay the outstanding tax and be free of any other consequences under the law.

1.5. DIRECT TAX

1.5.1. DIRECT TAX CODE

Why in news?

Recently, the draft legislation of the **new Direct Tax Code (DTC)** was submitted by the task force, headed by **Akhilesh Ranjan**, to the Government of India.

More on the news

- **The Direct Tax Code** (DTC) is an attempt by the Government of India to simplify the direct tax laws in India.

- It will **revise, consolidate and simplify** the structure of direct tax laws in India into a single legislation.
- When implemented, it will replace the **Income-tax Act, 1961 (ITA),** and other direct tax legislations like the Wealth Tax Act, 1957.

Trends of Direct tax

- There has been a growth of more than 80% in the number of returns filed in the last four financial years and direct tax-GDP ratio rose to 5.98% in FY 2017-18, the highest it has been in the last 10 years.
- Further, the number of persons filing income tax returns also increased by about 65% during period from 2014-2018.
- Moreover, **Direct Tax-GDP ratio rose** to 5.98% in FY 2017-18, which is highest in the last 10 years. This shows a sign of improvement of **Tax-Buoyancy** in the economy.

Additional Information

Corporate Tax Rate Cut	• **Domestic as well as foreign companies** are liable to pay corporate tax under the Income-tax Act. While a domestic company is taxed on its universal income, a foreign company is only taxed on the income earned within India i.e. is being accrued or received in India. • Domestic company is one which is registered under the Companies Act of India and also includes the company registered in the foreign countries having control and management wholly situated in India. A domestic company includes private as well as public companies. • The government reduced the corporate tax rate to 22% from 30% for existing companies, and to 15% from 25% for new manufacturing companies.
Liberalized Remittance Scheme (LRS)	• Recently, the **Central Board of Direct Taxes (CBDT)**, after examining **LRS data** from several banks in Mumbai and Delhi, has found "nothing adverse" in the cases it scrutinised. • It was introduced in 2004 by Reserve Bank of India (RBI) which allows **resident individuals to remit a certain amount of money** during a financial year to another country for investment and expenditure. • According to the prevailing regulations, resident individuals may freely remit up to $250,000 per financial year. There is **no restriction** on the use of funds remitted abroad –– the money can be gifted, spent freely, paid toward college fees, invested in financial securities, etc. • Apart from this, the remitted amount can also be **invested in shares, debt instruments, and be used to buy immovable properties in overseas market.** • The remittances can be made in **any freely convertible foreign currency.**
Buyback tax	• A buyback is where a company buys back or repurchases the shares issued to shareholders. • A dividend is a specified amount per share that is paid out to the shareholders. • A buyback offer, however, is optional. Only those shareholders who wish to receive money in lieu of their shares may tender their shares in a buyback. • The government had proposed to tax buyback of shares by companies at 20%. • Currently buyback tax is applicable only for unlisted companies.

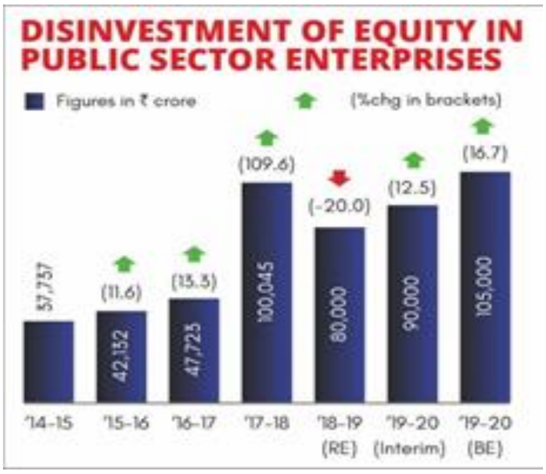
1.6. DISINVESTMENT

Why in news?

Centre has given in-principle approval for the strategic disinvestment of the government shareholding along with management control in 5 PSUs such as BPCL, CCI etc.

More on news

- **Disinvestment** refers to the government selling or liquidating its assets or stakes in PSE (public sector enterprise).
  - The Department for investment and public asset management (**DIPAM**) under Ministry of finance is the nodal agency for disinvestment
- The Union Cabinet approved the new Strategic Disinvestment policy under which the **Department of Investment and Public Asset Management (DIPAM) under the Ministry of Finance has been made the nodal department for the strategic stake sale.**
  - DIPAM and NITI Aayog will now jointly identify PSUs for strategic disinvestment
  - **DIPAM secretary would now co-chair the inter-minister group on disinvestment,** along with the secretary of administrative ministries concerned.
- **Announcements in Budget 2020-2021-** The government has promised to raise Rs 210,000 crore in 2020-21, compared to only Rs 65,000 crore in 2019-20.



Additional Information

Methods	• **Stock market:** Initial Public Offering (IPO), Further Public Offering (FPO), and Offer for sale (OFS) offer are such methods through the stock markets. • **Institutional Placement Program (IPP):** only Institutions can participate in the offering. • **Exchange Traded Fund (ETF)**- it allows simultaneous sale of government stake in various CPSEs across diverse sectors through single offering. It provides a mechanism to monetize its shareholding in those CPSEs, which form part of the ETF basket. Currently, it consists of (i) **CPSE-ETF** and (ii) **Bharat-22 ETF** • **Strategic Disinvestment:** o It 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. o It is intended for efficient management of Government investment in CPSEs. Various programmes like addressing issues such as capital restructuring, dividend, bonus shares, are part of this policy. o Disinvestment allows the transferring of the Indian government's enormous public debt of its PSUs to the Indian private sector.
Singapore's Model of Temasek Holdings	• Temasek Holdings **was incorporated by Singapore government** as a private commercial entity, **to hold and manage its investments in** its government-linked companies. • **Economic Survey 2019-20 suggests** this model to lend professionalism and autonomy to disinvestment programme of the Government. • Government can transfer its stake in the listed CPSEs to a separate corporate entity. This entity would be managed by an independent board and would be mandated to divest the government stake in these CPSEs over a period of time.

2. BANKING AND MONETARY POLICY

2.1. BANKING REFORMS

Why in news?

The Economic Survey 2019-20 observes that credit growth among Public Sector Banks (PSBs) has declined significantly since 2013 even as New Private Banks (NPBs) had considerable credit growth.

More on news

- In 2019 public sector banks accounted for about 80 per cent of the NPAs of India's banking system. (The gross NPAs of PSBs amount to 11.59 per cent of their gross advances)

Problem of Non-Performing Assets

Stressed Assets

It is a broader term and comprises of NPAs, restructured loans and written off assets.

- **Restructured Loans**: Assets/loans which have been restructured by giving a longer duration for repayment, lowering interest or by converting them to equity.
- **Written off Assets**: Assets/loans which aren't counted as dues, but recovery efforts are continued at branch level – done by banks to clean up their balance books.

Non-performing asset (NPA)

It is a loan or advance for which the **principal or interest payment remained overdue for a period of 90 days or more.** In case of Agriculture/Farm Loans, the NPA varies for short duration crop (interest not paid for 2 crop seasons) and long duration crops (interest not paid for 1 Crop season).

Banks are required to classify NPAs further into Substandard, Doubtful & Loss assets.

- **Substandard assets**: Assets which have remained NPA for a period less than or equal to 12 months.
- **Doubtful assets**: Assets which have remained in the substandard category for a period of 12 months
- **Loss assets**: It 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.

Reasons for high NPAs

- **On Borrower's side**- Global & Domestic economy slowdown; wilful default; diversion of funds by borrowers for purposes other than mentioned in loan documents; volatility in prices of raw material and the shortage in availability of power etc. impacts the performance of the corporate sector
- **On Bank's side**- Bad lending practices; inadequate capacity to evaluate projects
- **Other external factors:** Economic condition of a region effected by natural calamities; ineffective recovery tribunals; change in government policies (e.g. diversion of manpower of PSBs), administrative hurdles.

Recent steps taken towards banking reforms-

By the Government

- The Union cabinet has expanded the **Partial Credit Guarantee Scheme** to lower rated assets.
  - **Partial Credit Guarantee** is offered by Government of India (GoI) to Public Sector Banks (PSBs) for **purchasing high-rated pooled assets** from financially sound Non-Banking Financial Companies (NBFCs)/Housing Finance Companies (HFCs)'.
  - Its objective is to **address temporary asset liability mismatches** of otherwise solvent NBFCs/HFCs without having to resort to distress sale of their assets for meeting their commitments.
- **(Enhanced Access and Service Excellence) EASE 3.0**- It is a reform agenda which aims at providing smart, tech-enabled public sector banking (like Dial-a-loan for doorstep loan facilitation, palm banking),to enhance ease of banking in all customer experiences.
- **Insolvency and Bankruptcy Code (Amendment) Act, 2019**- The amendment primarily aims to **protect successful resolution applicants from criminal proceedings** against offences committed by previous managements or promoters.

By the Reserve Bank of India

- **Prompt Corrective Action (PCA)**- It was introduced in 2002 as a **structured early-intervention mechanism** for banks that become under-capitalised due to poor asset quality, or vulnerable due to loss of profitability.
  - The PCA framework deems banks as risky if they slip some trigger points - **capital to risk weighted assets ratio (CRAR), net NPA, Return on Assets (RoA) and Tier 1 Leverage ratio.** The PCA framework is applicable only to commercial banks and not extended to co-operative banks, non-banking financial companies (NBFCs) and FMIs.
  - The **leverage ratio**, as defined under Basel-III norms, is **Tier-I capital as a percentage of the bank's exposures.**

✓ **Bank's total exposure** is defined as the sum of the following exposures: on-balance sheet exposures; derivative exposures; securities financing transaction exposures; and off-balance sheet items.

✓ The RBI **relaxed the leverage ratio (LR)** and a cut in leverage ratio implies that **banks can lend more on the same capital base**

- The Reserve Bank of India (RBI) allowed **domestic banks to directly sell their bad loans in manufacturing and infrastructure sectors to investors abroad** as part of one-time settlement (OTS) exercises.
- **Prudential Framework for resolution of stressed assets-** RBI has made it voluntary for lenders to take defaulters to the bankruptcy court i.e. to use the Insolvency and Bankruptcy Code.
- Asset Reconstruction Companies (ARCs) have been **barred from buying financial assets from their sponsors and lenders.**
  - An asset reconstruction company is a **special type of financial institution that buys the debtors of the bank** at a mutually agreed value and attempts to recover the debts or associated securities by itself.
  - They are registered under the RBI and regulated under the SARFAESI Act, 2002.
- **Reforms for Urban Co-operative Banks (UCBs)-**
  - RBI has revised the **Supervisory Action Framework (SAF)** on UCBs for deterioration of financial position. Under this, UCBs will face restrictions on **worsening of 3 parameters:**
    - ✓ Net non-performing assets exceed 6% of net advances.
    - ✓ Losses for two consecutive financial years or have accumulated losses on their balance sheets
    - ✓ Capital adequacy ratio (CAR) falls below 9%.
  - RBI has directed **large UCBs (with assets of ₹500 crores and above)** to report all exposures of ₹5 crore and above to the **Central Repository of Information on Large Credits (CRILC)**.
    - ✓ **CRILC** was **set up by RBI in 2014-15 for early recognition of financial distress,** enabling prompt action for resolution and fair recovery for lenders and as part of a framework for revitalizing distressed assets in the economy.
    - ✓ **All Scheduled Commercial banks, all India financial institutions and certain non-banking financial companies report to CRILC** having aggregate fund based and non-fund-based exposure of Rs 5 Crore and above.

Additional Information

Bank for International Settlements (BIS)	• It is an **international financial institution owned by central banks** which fosters international monetary and financial cooperation and serves as a bank for central banks. • Its head office is in Basel, Switzerland. • BIS hosts and supports a number of international institutions engaged in standard setting and financial stability, one of which is **Basel Committee on Banking Supervision (BCBS).**
Basel Committee on Banking Supervision (BCBS)	• It is an international committee formed in 1974 to develop standards for banking regulation. • It consists of central bankers from 27 countries and the European Union. • It developed a series of policy recommendations known as **Basel Accords,** which suggested minimum capital requirements to keep bank solvent during the times of financial stress. o Reserve Bank issues guidelines based on **Basel III reforms** for banks operating in India. o The Basel III capital regulation has been implemented from April 1, 2013 in India in phases and it was to be fully implemented as on March 31, 2019. • The other important Basel Standards are Minimum Common Equity Capital Ratio, Countercyclical Capital Buffer Framework, Minimum tier 1 Capital, Minimum total capital, D-sib requirements etc.
Tiers of Bank Capital	• **Tier I capital (Core Capital):** It consists of money kept as Statutory Liquidity Ratio (SLR), in physical cash form & as share capital and secured loans. At least 6% of CAR must come from Tier 1 capital. This capital can absorb losses without bank ceasing its trading operations. • **Tier II capital (supplementary capital):** It includes after tax income, retail earnings of the bank,

	capital in the form of bonds/hybrid instruments & unsecured loans (getting serviced). • **Tier III capital:** Includes Non-Performing Assets (NPAs), subordinated loans (not getting serviced) & undisclosed reserves from the balance sheet.
Inter-Creditor Agreement (ICA)	• It is aimed at the resolution of loan accounts with a size of ₹50 crore and above that are under the control of a group of lenders. It is part of the **"Sashakt" plan** approved by the government to address the problem of resolving bad loans. • It is based on a recommendation by the **Sunil Mehta committee** that looked into resolution of stressed assets.
Banks Board Bureau (BBB)	• It was set up in February 2016 as an autonomous body– based on the recommendations of the RBI-appointed **PJ Nayak Committee** to improve governance of Public Sector Banks (PSBs). • It had replaced Appointments Board of Government. • Its broad agenda is to improve governance at state-owned lenders. Its mandate also involved advising the government on top-level bank appointments and assisting banks with capital-raising plans as well as strategies to deal with bad loans.

2.2. MONETARY POLICY TRANSMISSION

Why in news?

The State Bank of India Ltd announced the linking of savings bank account deposits and short-term loans to the RBI's repo rate which may ensure faster monetary transmission.

More on news

- Monetary transmission refers to the process by which a central bank's monetary policy signals (like repo rate) are passed on, through financial system to influence the businesses and households.
- In India, policy rate changes by RBI are not reflected in the base rates of banks regularly. While rate hikes are passed on immediately, but same is not witnessed in rate cuts by the RBI. This shows there is a lag in monetary transmission.
- **Reasons for a lag in monetary transmission in India**
  - **Overdependence on banks**- The Indian financial system remains bank-dominated, and the share of non-bank finance companies (NBFCs) and markets (corporate bonds, commercial paper, equity, etc.) is less. Hence, most public savings are in Bank deposits, reducing the banks' dependency on repo rate.
  - **Locking of bank funds**- due to double financial repression and priority sector lending.
  - **Increasing Non-Performing Assets-** in bank balance sheets, which impedes the bank's ability to offer lower interest rates.
  - **Sub-optimal performance of MCLR system**- as suggested by the Janak Raj Committee.

Other Related News

Financial Sector Regulatory Appointment Search Committee	• As per the RBI Act, the central bank should have one governor and four deputy governors -Two from within the ranks and one commercial banker and another an economist to head the monetary policy department. • This committee recommends on the posts to be filled due to any vacancy in this list. • It is **headed by Cabinet Secretary** and includes additional Principal Secretary to the Prime Minister who is a permanent government nominee and 3 other experts. • The same process is being followed in the selection of Chairman of SEBI and IRDAI.
Interest Rate Spread	• Spread refers to the difference in borrowing rates and lending rates of financial institutions. • In other words, it is the interest yield on earning assets such as a loan minus interest rates paid on borrowed funds.
Marginal cost of funds-based lending rate (MCLR)	• It is the minimum lending rate below which a bank is not permitted to lend, except in some cases allowed by the RBI. • It is an internal **benchmark or reference rate for the bank.** It replaced the earlier base rate system. • Its calculation is based on four components**: the marginal cost of funds, negative carry on account of cash reserve ratio, operating costs and tenor premium.**

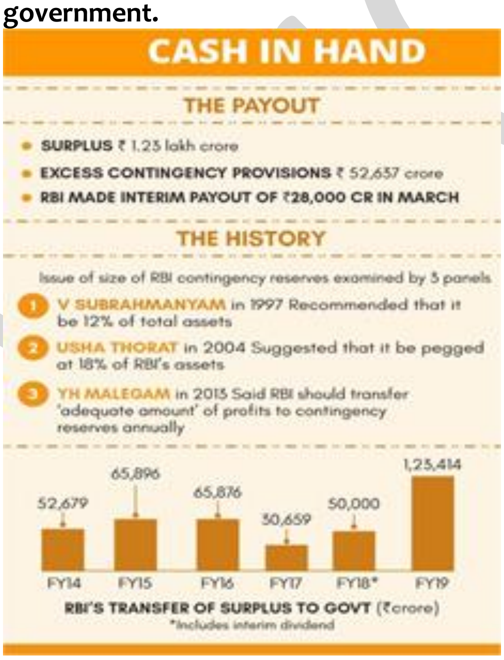
2.2.1. ECONOMIC CAPITAL FRAMEWORK

Why in news?

Recently, the Reserve Bank of India (RBI) decided to transfer a surplus of **Rs 1.76 lakh crore** to the Government of India exchequer.

More on news

- The RBI transfers the "**surplus**", i.e. the excess of income over expenditure, to the government, in accordance with **Section 47 (Allocation of Surplus Profits)** of the Reserve Bank of India Act, 1934.
- Earlier, the RBI used keep a major chunk of this surplus for its contingency and asset development. However, after the **Malegam Committee (2013)** recommendations its transfer of surplus increased.
- Last year, RBI formed a committee under the chairmanship of **Bimal Jalan** to review the provisions under the **Economic Capital Framework.**
    - The committee has **defined economic capital-** as a combination of **realized equity** and **revaluation reserves**. (Central Board has decided to keep this entire capital at the level of **20-24.5%**)
    - Based on the recommendations of the committee, the RBI Central Board has **decided to increase its net transfer to the government.**



Additional Information

How does the RBI accumulate these resources?	• Apart from keeping inflation in check, the RBI also performs following activities- o Management of the borrowings of the Governments in India, o Regulation of banks and non-banking finance companies, o Management of the currency and payment systems. • While carrying out these functions or operations, **it makes profits**. It also earns through- o Its **foreign currency assets** (bonds & treasury bills of other central banks and deposits with other central banks). o Its **holdings of local rupee-denominated government bonds or securities**, and while lending to banks for very short tenures, such as overnight. o It **claims a management commission** on handling the borrowings of state governments and the central government. • Its expenditure is majorly on the printing of currency notes and on staff salaries.

2.2.2. CRR LEEWAY FOR NEW RETAIL AND MSME LOANS

Why in News?

Reserve Bank of India (RBI) asked banks to avail cash reserve ratio (CRR) exemption on incremental retail loans given to MSME, housing and auto sectors between January 31 and July 31, 2020 for a period of five years.

More on news

- **Banks can deduct the equivalent amount of incremental credit** disbursed by them as retail loans to these sectors, over and above the outstanding level of credit to these segments as on January 31, 2020, **from their net demand and time liabilities (NDTL)** for maintenance of the CRR.
- RBI also decided to link pricing of loans by scheduled commercial banks for the medium enterprises to an external benchmark effective April 1, 2020.
    - **External Benchmarks include** policy **repo rate**; or any benchmark market interest rate produced by the Financial Benchmarks India Private Ltd. (FBIL), including **Treasury bill rates**.

Maintenance vs. Non-maintenance of CRR

- All Scheduled Commercial Banks are at present required to maintain with RBI a Cash Reserve Ratio (CRR) of 4% of **the Net Demand and Time Liabilities (NDTL) (excluding**

liabilities subject to zero CRR prescriptions) under Reserve Bank of India Act, 1934.

- Non-maintenance of CRR on **new loans** for specified condition implies that **Banks can claim deduction equivalent to these loans from their Net Demand and Time Liabilities (NDTL).**
- This step could **indirectly decrease interest rates** for auto, housing and MSME sector due to **fiscal room** provided by non-maintenance of CRR on such loans.
- This is **only for the purpose of computing the CRR for a period of five years** from the date of origination of the loan.
- Also, the **leeway is given only on new loans (i.e. incremental credit)** in these sectors post specified date- 31 January 2020. (**Loans before this date** under these sectors are **not eligible.**)

Rationale behind relaxing norms for CRR

- The primary aim is to **revitalise the flow of bank credit** to productive sectors having **multiplier effects** to support overall growth impulses in the economy.
- In the light of prevalent liquidity crunch, it is being seen as an **additional liquidity measure** and also to **nudge banks to lend more** to the needy segments.
- Apart from above, the RBI expects that the special window will **reinforce monetary transmission, strengthen regulation and supervision, broaden and deepen financial markets**; and also **improve payment and settlement systems.**

Rationale for External Benchmark for MSME loans

- RBI has **not been satisfied with** the way **monetary transmission** works as financial institutions tend to not pass on the benefit to the consumer.
- The current paradigm for determination of interest loans is **based on Marginal Cost of Lending Rate (MCLR)** which is determined by the respective bank.
- RBI aims to **directly link** the interest on loans with an **external benchmark** so that any change can be **directly transmitted to the consumer.**

Additional Information

Monetary Policy Committee (MPC)	• MPC is constituted by the Central Government under the RBI Act, 1934 to determine the policy interest rate required to achieve the inflation target. • **The committee comprises six members** – three officials of the RBI (including **RBI Governor who also chairs the MPC**) and three external members nominated by the Government of India.
Inflation Targeting	• It is a monetary policy where a central bank follows an explicit target for the inflation rate for the medium-term and announces this inflation target to the public. • The Government of India has notified a medium-term **inflation target of 4 %**, with a band of +/- 2 %

2.3. NON-BANKING FINANCE COMPANIES

2.3.1. REGULATION OF NBFC

Why in news?

Recently, the RBI has taken various steps towards regulation of NBFCs.

More on news

- NBFC experienced difficult times in 2018-19 in the aftermath of the ratings downgrades and default of IL&FS Group.
  - Immediately after the IL&FS crisis, NBFCs faced **severe liquidity crunch** as mutual funds (MFs) stopped refinancing the loans of NBFCs.
  - **Government took measures** to control this issue, consequently, the flow of resources from the banking sector to NBFCs improved for some time.
  - However, the **flow of resources from the banking side has contracted** since November 2018 which has impacted the lending capability of the sector in recent quarters.
- RBI has said that **NBFCs** have to now maintain a **liquidity buffer of high-quality liquid assets** to meet short-term obligations so that they can survive any acute liquidity crisis.
- RBI has introduced **liquidity management framework** for NBFCs. It is applicable to all non-deposit-taking NBFCs with an asset size of ₹100 crore and above, systemically important Core Investment Companies and all deposit- taking NBFCs irrespective of their asset size.
- RBI notified that the **aggregate exposure of a lender to all borrowers** at any point of time, across all non-banking financial company **Peer to Peer (P2P) platforms**, will be capped at Rs 50 lakh, against Rs 10 lakh at present.

Non-Banking Financial	• It is a company registered under the Companies Act, 1956 **engaged in the business of loans and advances,**

Company (NBFC)	**acquisition of shares/stocks/bonds/ debentures/securities** issued by Government or local authority or other marketable securities of a like nature, leasing, hire-purchase, insurance business, chit business. • It **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. • **Housing Finance Companies, Merchant Banking Companies, Stock Exchanges, Companies engaged in the business of stock-broking/sub-broking, Venture Capital Fund Companies, Nidhi Companies, Insurance companies and Chit Fund Companies** are NBFCs.
P2P lending Platform	• P2P lending is a **form of crowd-funding** which enables individuals to borrow and lend money without any financial institution as an intermediary. The borrower can either be an individual or a legal person. • Some of the P2P lending platforms are Faircent, Lendenclub, Finzy, Rupeecircle, Lendbox, etc. • All P2P platforms are **considered non-banking financial companies and are regulated by the RBI.**

2.4. DIFFERENTIATED BANKING

- 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 Banks or Niche Banks.
- 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.

	Payment Banks	Small Finance Banks
Who can promote	Prepaid card issuers, telecom companies, NBFCs, Business correspondents, Supermarket chains, Corporates, Realty sector Co-ops and PSUs	Individuals/ professionals with 10 years experience in finance, NBFCs, microfinance cos, local area banks
What they must do	○ Have a minimum capital of Rs. 100 cr ○ Maintain 75% of deposits in govt. bonds ○ Maintain 25% of deposits in other banks ○ Have at least 26% investment by Indians ○ Get listed if net worth crosses Rs 500 cr ○ Have 25% of branches in unbanked areas ○ Be fully networked and technology driven ○ Have Rs 1 lakh cap for deposits in one a/c	○ Have a minimum capital of Rs.100 cr ○ Extend 75% of loans to priority sector ○ Have 25% of branches in unbanked areas ○ Maintain reserve requirements ○ Cap loans to individuals and groups at 10% and 15% of net worth ○ Have a business correspondent network
What they can do	○ Offer internet banking ○ Sell mutual funds, insurance, pensions ○ Offer bill payment service for customers ○ Have ATMs and business correspondents ○ Can function as BC of another bank	○ Sell FOREX to customers ○ Sell mutual funds, insurance, pensions ○ Can convert into a full-fledged bank ○ Expand across the country ○ Transform into a full fledged bank, but only after RBI's approval.
What they can't do	○ Offer credit cards ○ Extend loans ○ Handle cross-border remittances ○ Accept NRI deposits	○ Extend large loans ○ Float subsidiaries ○ Cannot deal in sophisticated financial products

Additional Information

Shivalik Mercantile Co-operative Bank Ltd to convert to a small finance bank (SFB)	This is **first license issued by RBI** to an urban co-operative bank (UCB) to convert into SFB under **Scheme on voluntary transition of Urban Co-operative Bank into an SFB.** • Under the scheme, UCBs with a good track record shall be eligible to voluntarily transit into an SFB. • UCBs with a minimum net worth of Rs.500 million and maintaining Capital to Risk (Weighted) Assets Ratio of 9% and above are eligible to apply for voluntary transition to SFB.

On-tap licensing of small finance banks	• Recently, the RBI released the **draft guidelines for on-tap licensing of small finance banks.** • An **"on-tap" facility** would mean the RBI will accept applications and grant licenses for banks throughout the year.

2.4.1. DEVELOPMENT BANK

Why in news?

Finance minister recently announced setting up a development bank as a slew of measures to boost the economy and financial market sentiments.

More on news

- Development banks are financial institutions that **provide long-term credit for capital-intensive investments spread over a long period**.
- These banks also extended **useful services such as in-house technical expertise, underwriting new capital issuance and creating confidence in other lenders.**
  - Due to these social benefits, they are often supported by governments or international institutions in the form of **tax incentives and administrative mandates for private sector banks and financial institutions** to invest in their securities
- In India, development banking was started immediately after independence.
  - **Industrial Finance Corporation of India (IFCI)** was the first development bank in India. It started in 1948 to provide finance to medium and large-scale industries in India.
  - After 1991, following the Narasimham Committee reports on financial sector reforms, development finance institutions were disbanded and got converted to commercial banks.

2.4.2. COOPERATIVE BANKS

Why in news?

RBI has given its final nod to the Kerala Government for the formation of the Kerala Bank which will be the largest banking network in the State.

More about Cooperative Banks

- Co-operative banks, which are **distinct from commercial banks**, were born out of the concept of co-operative credit societies where members from a community band together to extend loans to each other, at favourable terms.
- Broadly, co-operative banks in India are divided into **two categories – urban and rural.**
  - **Rural cooperative credit institutions** could either be short-term or long-term in nature.
    - ✓ Further**, short-term cooperative credit** institutions are further sub-divided into State Co-operative Banks, District Central Co-operative Banks, Primary Agricultural Credit Societies.
    - ✓ Meanwhile, the **long-term institutions** are either State Cooperative Agriculture and Rural Development Banks (SCARDBs) or Primary Cooperative Agriculture and Rural Development Banks (PCARDBs).
- **Urban Co-operative Banks (UCBs)** are either scheduled or non-scheduled. Scheduled and non-scheduled UCBs are again of two kinds- multi-state and those operating in single state.

Additional Information

Urban Cooperative Bank	• UCBs are registered **as cooperative societies** under the provisions of, either the **State Cooperative Societies Act of the State concerned or the Multi State Cooperative Societies Act, 2002.**
	• These banks provide a wide range of regular banking and financial services and are **located in urban and semi-urban areas.**
	• In the event UCBs fail, deposits with them are covered by the **Deposit Insurance and Credit Guarantee Corporation of India** up to a sum of ₹1 lakh per depositor, the same as for a commercial bank.
	• **Regulation:** The UCBs in India are under dual regulation, by the Reserve Bank of India (RBI) and the Registrar of Cooperative Societies (RCS) under the government.
	  o **RBI:** Banking operations are regulated and supervised by the RBI, which lays down their capital adequacy, risk control, lending norms, issuing licenses, new branches etc.
	    ✓ They are governed under two laws, namely, the **Banking Regulations Act, 1949, and the Banking Laws (Co-operative Societies) Act, 1955.**
	    ✓ RBI also has developmental

	function like **refinance facilities to urban cooperative banks.** • **Government:** Registration and management related activities are governed by the Registrar of Cooperative Societies (RCS) in case of UCBs operating in single State and Central RCS (CRCS) in case of multi-State UCBs.

2.5. DIGITAL PAYMENT

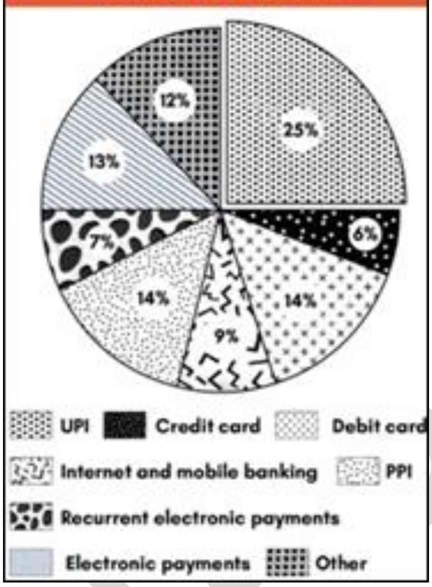
Why in news?

Recently various steps have been taken to promote digital payments in India.

More on news

- RBI has removed charges for payments via NEFT and RTGS and asked banks to pass on the benefits to customers.
- The **merchant discount rate** charges applicable on payment via RuPay and UPI have been removed.
  - MDR is the cost paid by a merchant to a bank for accepting payment from their customers via digital means, which is usually recovered from the customer.
  - Also, all business companies with an annual turnover of ₹50 crore or more have been mandated to offer RuPay & UPI modes of payment to customers.
  - **RuPay and UPI** are products of **National Payments Corporation of India (NPCI).**
    - ✓ **RuPay** is the first domestic Debit and Credit Card payment network of India.
    - ✓ **UPI** is an immediate real-time payment system to instantly transfer funds between multiple bank accounts through a mobile platform. This will give indigenously developed digital payment medium like RuPay and BHIM UPI an edge over the payment gateway promoted by foreign companies (eg.PhonePe, Google pay).
    - ✓ NPCI is an umbrella organisation for operating retail payments and settlement systems in India, is an initiative of **Reserve Bank of India (RBI) and Indian Banks' Association (IBA)** under the provisions of the **Payment and Settlement Systems Act, 2007.**
- Earlier, Finance Minister in budget speech of 2019-20 had announced that business establishments with annual turnover of more than Rs. 50 crore **shall offer low cost digital modes of payment** such as **BHIM UPI, UPI QR Code, Aadhaar Pay etc.**

Share of digital payments by volume from April to Sept 2019[1]



Additional Information

<table>
<tr><td>Digital modes of payment settlement</td><td>
<table>
<tr><th>Features</th><th>NEFT</th><th>RTGS</th><th>IMPS</th></tr>
<tr><td>Introduced by</td><td>RBI</td><td>RBI</td><td>NPCI</td></tr>
<tr><td>Settlement type</td><td>Half-hourly batches</td><td>One on one settlement</td><td>One on one settlement</td></tr>
<tr><td>Min transfer limit</td><td>Re. –</td><td>Rs. 2 lakh</td><td>Re. 1</td></tr>
<tr><td>Max transfer limit</td><td>No limit (Rs. 50,000 per transaction)</td><td>No limit</td><td>Rs. 2 lakh</td></tr>
<tr><td>Funds Transfer Speed</td><td>2 hours</td><td>Immediate</td><td>Immediate</td></tr>
<tr><td>Service timings</td><td>24/7</td><td>Available on certain days of week between stipulated time period (till 6PM)</td><td>24/7</td></tr>
<tr><td>Mode</td><td>Online/ offline</td><td>Online/ offline</td><td>Online</td></tr>
</table>
</td></tr>
<tr><td>Trends in Digital Payments</td><td>• Currency in Circulation as a percentage of GDP increased from 8.7% in 2016-17 to 11.2% in 2018-19. This is less than the pre-demonetisation level of 12.1% in 2015-16.</td></tr>
</table>

	○ However, demand for high value denominated currency has outpaced low value denominated currency which may indicate that cash is increasingly used as a store of value and less for making payments. • **Estimates of Cash Payments:** 72% of India's consumer transactions take place in cash. ○ Merchants, especially in rural areas, remain unable or unwilling to accept digital transactions due to network connectivity issues and a reluctance to pay charges for low-value transactions. • **Digital payments** witnessed a Compounded Annual Growth Rate of 61% and 19% in terms of volume and value, respectively over the past 5 years. This demonstrates a steep shift towards digital payments. • **Financial Inclusion:** Digital payment methods (Aadhar enabled Payment System, Aadhar Payment Bridge System, DBT) have played a large role in financial inclusion of large number of historically excluded population • **Committees related to Digital Payment in India** – Ratan Watal (2016) and Nandan Nilekani (2019)
Bharat Bill Payment System	• RBI has **expanded the scope and coverage of Bharat Bill Payment System (BBPS)** to include all categories of billers who raise recurring bills and payments (except prepaid recharges) as eligible participants, on a voluntary basis. • BBPS is a one-stop payment platform for all bills, **providing an interoperable and accessible "Anytime Anywhere" bill payment service** to customers across the country. It is regulated by **NPCI.** • Payments through BBPS may be made using cash, transfer cheques and electronic modes. **Bill aggregators and banks, who will function as operating units,** will carry out these transactions for the customers.
Data Security Council of India (DSCI)	• It is a **not-for-profit, industry body on data protection in India**, setup by NASSCOM, • It is committed to making the cyberspace safe, secure and trusted by establishing best practices, standards and initiatives in cyber security and privacy. • DSCI has collaborated with Ministry of electronics & IT (MeitY) and Google India to launch a nationwide awareness campaign **'Digital Payment Abhiyan'.** ○ It will **educate end-users on the benefits of making digital payments** and urge them to adopt security and safety best practices. It will be crafted in seven languages

Acceptance Development Fund	• **Recently, RBI announced setting up of Acceptance Development Fund** to improve the last- mile payments network in rural India to transact digitally. • It will be operationalized as **a bank-sponsored development fund** solely **to improve payment infrastructure** in Indian small towns and villages especially in Tier III to Tier VI centers, where most daily transactions are in cash.
Mobile Aided Note Identifier (MANI)	• It is a mobile application, launched by RBI, **for aiding visually impaired persons to identify denomination of Indian banknotes.**
Digital Payments Index (DPI)	• The Reserve Bank shall construct and periodically publish a composite DPI to **capture the extent of digitisation of payments** effectively. • The DPI would be based on multiple parameters and shall reflect accurately the **penetration and deepening of various digital payment modes.** • The DPI will be made **available from July 2020** onwards
Digital Competitive Index	• Released by- **IMD World Competitiveness Center.** • It **measures the capacity and readiness of 63 economies to adopt and explore digital technologies** as a key driver for economic transformation in business, government and wider society. It was started in 2017. • **Top Rankers**- United States, Singapore, Sweden, Denmark, Switzerland • To evaluate an economy, WDCR examines 3 factors: **Knowledge**- capacity to understand and learn the new technologies; **technology**- competence to develop new digital innovations; and **future readiness**- preparedness for coming developments. ○ India rose from 48th place in 2018 to 44th in 2019 as the country has improved overall in all factors -- knowledge, technology and future readiness.

2.6. NATIONAL STRATEGY FOR FINANCIAL INCLUSION

Why in news?

Recently, Reserve Bank of India released **National Strategy for Financial Inclusion** (NSFI) for the period 2019-2024 to set forth the vision in expanding and sustaining **the financial inclusion process at the national level through a broad convergence of action.**

More on news

- **Key Recommendations include-**
  - Provide banking access to every village within a 5 km radius / hamlet of 500 households in hilly areas by March 2020.
  - Strengthen eco-system for various modes of **digital financial services in all the Tier-II to Tier VI centres** to create the necessary infrastructure by March 2022.
  - Enroll every willing and eligible adult enrolled under PM Jan Dhan Yojana under an insurance scheme (PMJJBY, PMSBY, etc.), Pension scheme (NPS, APY, etc.) by March 2020.
  - Make **Public Credit Registry** (database of credit information of borrowers) **fully operational by March 2022** so that organized financial entities could leverage it for assessing credit proposals from all citizens.
- NSFI has been **organized and approved by the Financial Stability Development Council.**

Additional Information

Financial Stability and Development Council	• It is **apex level autonomous body constituted in 2010** to ensure financial stability, regulate the entire financial sector of the country and enhance coordination between various financial regulatory bodies. • It is **headed by the finance minister** and heads of financial sector regulatory authorities are its member (RBI, SEBI, IRDA)
Fiscal Performance Index	• Developed by- **Confederation of Indian Industry (CII)** • It assesses the **quality of Budgets** presented by the Centre and state governments. • The index has been constructed using UNDP's Human Development Index methodology. • **Components**- Quality of revenue expenditure; Quality of capital expenditure; Quality of revenue; Degree of fiscal prudence; Debt Index • Financial performance of states with low-income levels is better than those with higher income. • High-income states performed poorly mainly on the expenditure quality and own tax receipts index as compared to their low-income counterparts.
Financial Secrecy Index (FSI) 2020	• Released by- **Tax Justice Network (TJN)**, an independent international network • FSI ranks jurisdictions according to their **secrecy** and scale of their offshore financial activities, every two years. ○ It examines how intensely the country's **legal and financial system allows wealthy individuals and criminals to hide and launder money**. ○ Parameters used in the ranking include automatic exchange of information and registration of beneficial ownership. • Cayman Island ranked first, moving up two slots from the 2018 ranking. US continued to retain its second position. **India ranks 47** out of 133 countries.
NDAP	• Recently, the **NITI Aayog** released the **National Data and Analytical Platform (NDAP) vision document.** • Its Mission is to **standardize data** across multiple Government sources, provide **flexible analytics** and make it **easily accessible** in formats conducive for research, innovation, policy making and public consumption. • The first version of the platform is expected to be launched in 2021.

2.7. OTHER MISCELLANEOUS INFORMATION ON BANKING

Consortium lending	• The Indian Banks' Association (IBA) will come out with a framework around April next year to address issues related with consortium lending to industry. ○ **Consortium lending** is a process under which several banks finance a borrower based on common appraisal and documentation, and conduct joint supervision and follow-up exercises. ○ Consortium lending has often led to **inordinate delay in loan appraisal because of inability of banks to share data with each other in timely manner** which delays funding for borrowers. ○ It also resulted in **adding more non-performing assets (NPAs)** to the banking system. • **About IBA** ○ It is an **association of Indian banks and financial institutions** formed, in 1946.

	○ It aims to promote and develop in India sound and progressive banking principles, practices and conventions and to contribute to the developments of creative banking.
Guidelines for financial benchmark administrators	• RBI unveiled the norms for Financial Benchmark Administrators (FBAs). • FBA is an organization or a legal person which controls the creation and operation of significant benchmark administration process, whether or not it owns the intellectual property relating to the benchmark. • **Benchmarks include prices, rates, indices, values or a combination** thereof related to financial instruments that are calculated periodically and used as a reference for pricing or valuation of financial instruments or any other financial contract. • The major FBAs recognized in India are: ○ **Fixed Income Money Market & Derivative Association of India (FIMMDA)** for the Indian rupee interest rate benchmarks, ○ **Foreign Exchange Dealers' Association of India (FEDAI)** for Foreign exchange benchmarks, ○ **Financial Benchmark India Private Ltd (FBIL)** has been recognized by Reserve bank of India as an independent Benchmark administrator. • According to the guidelines FBA should be a company incorporated in India with a minimum net worth of Rs one crore at all times.
Proposal for increasing bank deposit insurance limit	• Following the recent fraud at Punjab and Maharashtra Cooperative Bank (PMC Bank), the **government is considering a proposal from Deposit Insurance and Credit Guarantee Corporation (DICGC)** to increase the deposit insurance limit. ○ DICGC (subsidiary of RBI) has sent a proposal to the government for **increasing the deposit insurance cover to between ₹3 lakh and ₹5 lakh** (presently ₹1 lakh). ○ For deposit insurance to increase, **DICGC Act needs to be amended.** • **Under bank deposit insurance scheme,** in case of an unlikely bank failure, deposits up to just Rs 1 lakh is insured and paid back to the

	depositor. ○ The scheme **covers all banks operating in India** including private sector, co-operative and even branches of foreign banks in India. ○ There are some **exemptions** like deposits of foreign governments, deposits of central/state governments and inter-bank deposits. • DICGC **insures all bank deposits,** such as savings, fixed, current and recurring.
NPA Divergence	• Divergence is the **difference between RBI's assessment and that reported by the lender/ banks.** • Divergence takes place when the RBI finds that a lender has under-reported or not reported at all bad loans in a particular year and hence asks the lender to make disclosures if under-reporting is more than 10% of bad loans or the provisioning. • Divergence was identified because many of the banks were late in identifying NPAs • Recently three public sector banks have reported divergence while announcing quarterly reports.
Customer Outreach Initiative	• The Government had announced in September the launch of **Customer Outreach Initiative** by Public Sector Banks (PSBs) to **improve credit delivery** and support the needs of the economy, with particular focus on MSMEs, NBFCs, corporates, retail and agriculture sector borrowers, **without compromising prudential lending.**
Letter of undertaking (LoU)	• It is a **form of bank guarantee** under which a bank can allow its customer to raise money from another Indian bank's foreign branch in the form of a short term credit. • LoUs worth Rs 25,000 crore were issued fraudulently in PNB fraud case.
Repco Bank	• It is a multi-state cooperative society established in 1969 by the central government for rehabilitation of repatriates from Myanmar and Sri Lanka. • It is operated only in the **South Indian states** of Andhra Pradesh, Karnataka, Kerala and Tamil Nadu. • It is controlled by the **Ministry of Home Affairs.**

RBI's Prudential Framework for Resolution of Stressed Assets (PFRSA)	• Rattan India Power Limited, has closed a One-Time Settlement transaction for debt resolution with its consortium of 12 lenders led by Power Finance Corporation Ltd and State Bank of India.
	• This makes it the first successful scheme to have been closed under **RBI's Prudential Framework for Resolution of Stressed Assets (PFRSA)** issued on June 7, 2019 and the largest in terms of size outside the National Company Law Tribunal framework.
	• **PFRSA** provides for early resolution of stressed assets in a transparent and time-bound manner by
	  ○ **giving complete discretion to lenders** with regard to design and implementation of resolution plans,
	  ○ **disincentives** for delay in implementation of resolution plan or initiation of insolvency proceedings,
	  ○ making **mandatory the signing of an inter-creditor agreement,** providing for majority decision-making by all lenders.

Utkarsh 2022	• RBI launched **'Utkarsh 2022', the Reserve Bank of India's Medium-term Strategy Framework** to achieve excellence in the performance of RBI's mandates and strengthening the trust of citizens and other institutions. • It is a **three-year road map for medium term objective** which is in line with the global central banks' plan to **strengthen the regulatory and supervisory mechanism.**
eBक्रय (eBkray)	• It is an **e-auction platform** which provides **single-window access to information** on properties up for e-auction as well as facility for **comparison of similar properties** on all PSB e-auction sites. • It was **recently launched by Ministry of Finance.**
Operation Twist	• It was **US Federal Reserve Bank's monetary policy** which involved buying and selling of government bonds **to provide monetary easing** for the economy. • On **similar lines, RBI** also announced a simultaneous sale and purchase of government bonds under the **Open Market Operations** mechanism.

3. FINANCIAL MARKETS

3.1. CREDIT RATING AGENCIES

Why in news?

Recently, SEBI came up with set of **wider disclosure norms** for the Credit Rating Agencies (CRA).

More on news

- It introduced **a "probability of default" mechanism** under which rating agencies have to disclose the probability of default for the issuers they rate by December 2019.
- It also provides for **formulation of Uniform Standard Operating Procedure** for tracking and timely recognition of default.

Credit Rating Agencies in India
- **The Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999** empowers SEBI to regulate CRAs operating in India.
- As per the Regulations, **CRA is defined as** "a body corporate which is engaged in, or proposes to be engaged in, the business of rating of securities offered by way of public or rights issue".
- **SEBI (Credit Rating Agencies) Regulations, 1999** provide for a **disclosure-based regulatory regime,** where the agencies are required to disclose their rating criteria, methodology, default recognition policy, and guidelines on dealing with conflict of interest.
- There are **seven Credit Rating Agencies** registered with SEBI, viz. CRISIL, ICRA, CARE, India Ratings and Research, SMERA, Infomerics and Brickworks.

3.2. CORPORATE BOND MARKET

Why in news?

RBI has setup a task force under **TR Manoharan** to examine the possibilities of a secondary market for corporate loans in India.

More on news

- It suggested creating a self-regulatory body (SRB) to manage the secondary market.
- This would develop appropriate benchmark rates for secondary market purchase and sale of corporate loans

About Corporate Bonds

- Corporate bonds are debt securities issued by private and public corporations. Companies issue corporate bonds to raise money for a variety of purposes, such as building a new plant, purchasing equipment, or growing the business.
- Earlier, the **H.R. Khan Committee** had given recommendations on development of corporate bond market.
- The government announced some measures in the **Budget 2019-2020** for developing the corporate bond market in India, such as-
    - Deepening markets for corporate bond repos, credit default swaps etc, with a specific focus on the infrastructure sector
    - FPIs will also be allowed to invest in debt securities issued by Infrastructure Debt Funds.
    - **Credit Guarantee Enhancement Corporation**, for which regulations have been notified by the RBI, will be set up. It provides guarantee to bonds issued by completed projects.
    - Establishment of a platform for listing social enterprises and voluntary organisations to raise capital as equity, debt or units like mutual funds.
- RBI raised investment limit for foreign portfolio investors (FPI) in government & corporate bonds. **Under current norms**, short-term investments by a FPI should not exceed 20% of the total investment of that FPI in either central government securities (including treasury bills) or state development loans.
    - The same norms are applicable on investments in corporate bonds.
- RBI has also made **relaxation in the voluntary retention route (VRR) for FPI investments** in debt.
    - VRR is a **separate channel which enables FPIs to invest in debt markets** in India.
    - **Under VRR route**, investments are free of the regulatory norms applicable to FPI investments in debt markets, provided FPIs voluntarily commit to retain a required minimum percentage of their investments in India for a period.
    - The minimum retention period is three years, or as decided by RBI for each allotment by tap or auction.
    - The investment cap through VRR has been doubled to Rs 1.5 lakh crore.

Additional Information

Bond Yield	• In India, government bond yields fell sharply in the wake of the Union Budget. • A bond is a debt **instrument issued by a country's government or by a**

	company to raise funds and having a maturity period of more than one year. • Every bond has a price fixed by the issuer known as **face value** and an annual interest known as **coupon payment.** • Later when the bond is traded in the secondary market, its price fluctuates in response to changes in interest rates in the economy, demand for the instrument, time to maturity, and credit quality of that particular bond. • The effective rate of return or the profit that the bond earns is called as **Bond Yield** and is calculated by dividing the bond's coupon rate by its face value. Bond Yield has an **inverse relationship with the bond price.** • Government bonds (referred to as G-secs in India, Treasury in the US, and Gilts in the UK) come with the sovereign's guarantee and are considered one of the safest investments compare to other investment options like shares, corporate bonds etc. • Thus, when an economy slows, investors prefers to invest in government bonds, leading to rise in their demand and prices and thus fall in their yields. • On the other hand, when an economy grows, there will be rise in inflation leading to increase in repo rate. This may increase rate of interest in other investment options thus decreasing the demand for government bonds and their prices leading to rise in their yield. • Bond yields can therefore be a **useful parameter in assessing economic health.**
Yield Curve	• It is a **graphical representation of yields for bonds** (with an equal credit rating) over different time horizons. • The term is normally used for government bonds which come with the same sovereign guarantee. • If bond investors expect the economy to grow normally, yield curve is **upward sloping**. • When the economy is expected to grow only marginally, the yield curve is **flat.** • And the yield curve is **inverted** when the economy is expected to slow down.
Bond Yield Inversion	• Yield inversion happens when the yield on a longer tenure bond becomes less than the yield for a shorter tenure bond. • A yield inversion typically **signals a recession.** • An inverted yield curve shows that investors expect the future growth to fall sharply; in other words, the demand for money would be much lower than what it is today and hence the yields are also lower
National Credit Guarantee Trustee Company Ltd	• It is a common trustee company to manage and operate various credit guarantee trust funds. • It has been set up by the Department of Financial Services, Ministry of Finance.

3.3. MASALA BONDS

Why in news?

Asian Development Bank (ADB) has listed its 10-year Masala bonds worth ₹850 crore on the Global Securities Market of India International Exchange (India INX).

More about news

- ADB's masala bonds are dual listed on both Luxembourg exchange and India INX.
- This is the first time a foreign issuer and a supranational is doing a primary listing with India INX.
- It will promote the GIFT IFSC as a global hub for fund raising by Indian and Foreign issuers.

About Masala bonds

- They are **rupee-denominated bonds** i.e. the funds would be raised from overseas market in Indian rupees.
- Any corporate, body corporate and Indian bank is eligible to issue Rupee denominated bonds overseas.
- The first Masala bond was issued in 2014 by **International Finance Corporation** (IFC) for the infrastructure projects in India.
- Money raised through such bonds **cannot be used for real estate activities** other than for development of integrated township or affordable housing projects.
    - It also **can't be used for investing in capital markets**, purchase of land and on-lending to other entities for such activities as stated above.
- These bonds can only be issued in a country and can only be subscribed by a resident of **Financial Action Task Force** (FATF) member countries only and whose securities market regulator is a signatory to the **International Organization of Securities Commission's** (IOSCO's).

- Masala bonds are regulated under the **External Commercial Borrowings (ECB) Policy** of **RBI**.
- Other countries also have similar local-currency denominated bonds such as **Dim sum bonds** (denominated in Chinese Renminbi), **Samurai bonds** (denominated in Japanese Yen) and **Komodo bonds** (denominated in Indonesian Rupiah) etc.

About India International Exchange (IFSC) Limited (India INX)

- It is the country's **first international exchange**, located at **International Financial Services Centre, GIFT City** in Gujarat.
- It is a subsidiary of **Bombay Stock Exchange (BSE) Limited**.
- It is the fastest in the world with a turn-around time of 4 micro seconds, operating on an advanced technology platform of **EUREX T7**.
- It launched **Global Securities Market**, India's first international primary market platform that connects global investors with Indian and foreign issuers.

3.4. COMMODITY INDICES

Why in news?

SEBI recently permitted stock exchanges with commodity derivative segment to **introduce futures** on indices.

More on news

- The regulator had earlier **permitted commodity options** in **commodity derivative markets**.
- **A derivative** is a contract between two or more parties whose value is based on an agreed- upon underlying financial asset (like a security) or set of assets (like an index).
  - **Common underlying instruments** include bonds, commodities, currencies, market indexes, stocks etc.
  - **Derivatives** include futures, options, swaps etc.
- Ownership of a derivative does not mean ownership of the asset.
- **Futures**: It is a legally binding agreement to buy or sell the underlying security on a future date. When the underlying asset is a commodity it is called a commodity future. Typical underlying assets include crude oil, wheat, corn, gold, silver and natural Gas.
- **Options**: It is a type of Derivatives Contract which gives the buyer/holder of the contract the right (but not the obligation) to buy/sell the underlying asset at a predetermined price within or at end of a specified period. The buyer / holder of the option purchases the right from the seller/writer for a consideration which is called the premium.
- **Major commodity trading exchanges in India include:** Multi Commodity Exchange, National Commodity and Derivatives Exchange, National Multi Commodity Exchange etc.

3.5. PARTICIPATORY NOTES

Why in news?

Investments in the Indian capital market through participatory notes (P-notes) have hit a nearly 11-year low by the end of December 2019. The use of P-notes has been on a decline since 2017.

Reasons of such declining trend

- Tightening of rules on P-notes
- Liberalised norms for foreign portfolio investors (FPIs) based on recommendations of H.R. Khan committee
- Declining equity inflows
- Profitability of Indian corporates has worsened over the last decade.

About Participatory Notes

- **P-notes** are offshore derivative instruments of underlying Indian assets. These are issued by registered Foreign Portfolio investors (FPIs) to overseas investors or hedge funds who wish to be part of the Indian stock market without registering themselves with SEBI directly. E.g. Citigroup and Deutsche Bank
- **Benefits:** They provide access to quick money to the Indian capital market. Moreover, it enables the investors to avoid the cumbersome regulatory approval process. Investors save time, money and scrutiny associated with direct registration.
- **Concerns:** Often P-notes have been seen as an instrument that is being misused to launder money or fund illegal activities because of the anonymity involved. Moreover, hedge funds acting through P-notes may cause economic volatility in India's exchanges.

3.6. BILATERAL NETTING

Why in news?

The Budget 2020 has proposed **bilateral netting.**

More on news

- A bilateral netting agreement enables two counterparties in a financial contract to offset claims against each other to **determine a single net payment obligation** that is due from one counterparty to the other.
  - This means that the **payables and receivables are netted off.**

- Indian financial contract laws **do not permit bilateral netting**, however, they do allow multi-lateral netting where parties can offset claims against each other through a central counterparty.
- Without bilateral netting, Indian banks have **had to set aside higher capital against** their trades in the over-the-counter (OTC) market, which impacts their ability to participate in the market. Moreover, it also **increases the systemic risk** during defaults.
- Bilateral netting would **help reduce hedging costs and liquidity needs** for banks, primary dealers and other market-makers, thereby encouraging participation in OTC derivatives market.
- It would also **help develop the corporate default swaps market**.
- Global regulatory bodies such as Financial Stability Board and Basel Committee on Banking Supervision have supported use of such netting. At present, U.S., U.K., Australia, Canada, etc. have such netting agreements.

3.7. ALTERNATE INVESTMENT FUND (AIF)

Why in news?

The government has announced the creation of an **Alternate Investment Fund (AIF)** with a targeted corpus of Rs 25,000 crore for the completion of stalled housing projects.

More on news

- **AIF** means any fund established or incorporated in India which is **privately pooled investment vehicle** which collects funds from sophisticated investors, whether Indian or foreign for investing it in accordance with a defined investment policy for the benefit or its investors.
- **AIF are categorized under SEBI Regulations as**- Category I (venture capital funds, SME funds, social venture funds etc.); Category II (real estate funds, private equity funds, funds for distressed assets, etc.) and Category III (hedge funds, PIPE Funds, etc.)
- **NIIF of India and Canada Pension Plan Investment Board (CPPIB)** have agreed for CPPIB to invest up to $600 million through the NIIF Master Fund.
    - The NIIF Master Fund invests equity capital in core infrastructure sectors in India, with a focus on transportation, energy and urban infrastructure.
    - NIIF is being considered as an Alternative Investment Fund (AIF) under SEBI regulation.
    - The NIIF is a trust that raises debt to invest in the equity of infrastructure finance companies.
    - It acts like a bankers' bank in infrastructure financing. Government owns 49% of NIIF.

Additional Information

Securities Appellate Tribunal (SAT)	• **It is a statutory body established under** the provisions of Section 15K of Securities and Exchange Board of India (SEBI) Act, 1992. • It **hears and disposes of appeals against orders passed by** SEBI, Pension Fund Regulatory and Development Authority and Insurance Regulatory Development Authority of India.
Data Lake project	• **SEBI** is planning to set up a data lake project for improving surveillance to monitor and analyse social media posts **to keep a tab on possible market manipulations.** • A data lake is a centralized **repository** that **allows anyone to store all structured and unstructured data at any scale.**
Insider Trading	• It is the buying or selling of a security by someone who has access to material non-public information about the security. • In India, **SEBI (Insider Trading) Regulation, 1992** framed under SEBI Act, 1992 intends to curb and prevent the menace of insider trading in securities. **Companies Act 2013** also prohibits insider trading
Purchasing Managers' Index (PMI) by Japenese firm Nikkei	• It is an **indicator of business activity** – both in the manufacturing and services sectors. • **The purpose of the PMI is to** provide information about current business conditions to company decision makers, analysts and purchasing managers. • It is a **survey-based measures** that asks the respondents about changes in their perception of some key business variables from the month before. • A figure **above 50 denotes expansion** in business activity. Anything **below 50 denotes contraction.**

Bharat- 22 ETF	• Recently, fourth tranche also known as Further Fund Offer-2 (FFO-2) of Bharat 22 Exchange Traded Fund (ETF) was launched. • An ETF is a **security that tracks an index**, a **commodity or a basket of assets** like an index fund, **but trades like a stock on an exchange.** • The Bharat 22 ETF invests in **22 stocks of Central Public Sector Enterprises (CPSE), Public Sector Banks and private companies** which are Strategic Holding of Specified Undertaking of Unit Trust of India (SUUTI). • It is the **second ETF from Govt. of India** after CPSE ETF which comprises only state-run companies as its constituents. • Proceeds from the ETF will help the government meet its disinvestment target of Rs 1.05 lakh crore for the current financial year.
FDI Policy in Insurance Sector	• The **Department for Promotion of Industry and Internal Trade (DPIIT)** recently allowed **100% FDI in insurance intermediaries** through the automatic route. • **Insurance intermediaries** are brokers or agents who liaise between insurance companies and customers. They include insurance brokers, reinsurance brokers, insurance consultants, corporate agents, third-party administrators, and surveyors and loss assessors. • This step will **bring in global practices in the country**, which will include new insurance products and selling strategy. • The **FDI policy earlier allowed 49% foreign investment** in the insurance sector, which includes insurance intermediaries
Competition Commission of India (CCI)	• It is a statutory body **established under the Competition Act, 2002** for administration, implementation and enforcement of the Act. • **Duty of CCI** is to eliminate practices having adverse effect on competition, promote and sustain competition, protect the interests of consumers and ensure freedom of trade in the markets of India. • CCI consists of **a Chairperson and 6 Members** appointed by Central Government.

3.8. UNREGULATED DEPOSIT SCHEMES

Why in news?

President gave assent to the **Banning of Unregulated Deposit Schemes Act, 2019,** to put in place a mechanism to **secure poor depositors/ investors from Ponzi schemes.**

More on news

- Ponzi schemes, over the years have been a menace in the country. **Rose Valley, Saradha, IMA Jewels scam in Bengaluru**—are among the major scams in the recent past.
- The Act **covers existing gaps in legislation** that had been exploited by various parties to siphon large amounts of money away from small investors.
- In particular, it amends three laws, i.e.,
  - **The Reserve Bank of India Act, 1934**
  - **The Securities and Exchange Board of India Act, 1992** and
  - **The Multi-State Co-operative Societies Act, 2002.**

About Ponzi scheme

- A Ponzi scheme is a **fraudulent investing scam** promising high rates of return with little risk to investors. It generates returns for early investors by **acquiring new investors.**
- They rely on a constant flow of new investments to continue to provide returns to older investors. When this flow runs out, the scheme falls apart.
- **Reasons for the popularity of Ponzi Schemes:**
  - **Higher rate of return**: A major reason for their popularity is that they offer a **higher rate of return** than conventional forms of investing such as **post office schemes and fixed deposits.**
- **Ease of investment:** It is very convenient to invest in these schemes with agents providing **door-to-door service.** Sometimes, **brand ambassadors** associated with these schemes provide them legitimacy.

3.9. CHIT FUND

Why in news?

- The Union Cabinet has approved the introduction of the **Chit Funds (Amendment) Bill, 2019** in the Lok Sabha.

Key Provisions of Chit Funds (Amendment) Bill, 2019

- The Bill seeks to amend the Chit Funds Act, 1982. The 1982 Act regulates chit funds and prohibits a fund from being created without the prior sanction of the state government
- The bill increases the limit of chit funds to ₹3 lakh for those run by up to four individuals and ₹18 lakh for those operated by more than four partners.

- The **maximum commission for foreman** is proposed to be raised from 5% to 7%. A foreman is person responsible for managing the chit.
- The **Bill also introduces words** such as "fraternity fund", "rotating savings" and "credit institution" for chit funds.

About Chit fund

- Under a chit fund, people agree to pay a certain amount from time to time into a fund. Periodically, one of the subscribers is chosen by drawing a chit to receive the prize amount from the fund.
- **Regulation of chit funds:** being part of the Concurrent List of the Indian Constitution; both the centre and state can frame legislation regarding chit funds.
    - **Neither RBI nor SEBI regulates** the chit fund business.
    - Under the Chit funds Act, 1982 all chit fund companies **need to be registered with respective state government.**

3.10. E-COMMERCE IN INDIA

Why in news?

Recently, the Competition Commission of India released the market study on e-commerce in India.

More on news

- India's e-commerce sector is growing at an annual rate of 51%, the **highest in the world**.
- **Reasons for growth:** Smartphone penetration and access to internet, cash on delivery, heavy discounts, faster deliveries including one-day delivery, large product range etc.
- **Challenges to competitive potential of e-commerce:** Lack of platform neutrality, unfair platform-to-business contract terms, platform price parity restrictions and deep discounts etc.

About e-commerce

- **E-commerce** means buying and selling of goods and services including digital products over digital & electronic network.
- **Types of e-commerce business models:**
    - **Inventory based model**- an e-commerce activity where inventory of goods and services is owned by e-commerce entity and is sold to the consumers directly. E.g.- Grofers
    - **Marketplace based model** - means providing of an information technology platform by an e-commerce entity on a digital & electronic network to act as a facilitator between buyer and seller. E.g.- Amazon, Flipkart etc.
- **FDI Provisions:**
    - 100% FDI under automatic route is permitted in marketplace model of e-commerce.
    - FDI is not permitted in inventory based model of e-commerce.

Steps taken by the Government to regulate E-Commerce

- **Draft e-Commerce policy** was released by the Government proposing to set up a legal and technological framework for issues like data ownership, cross-border data flow, anti-counterfeiting measures, digital economy, taxation etc.
- Government laid down **FDI rules for e-commerce** to regulate the operations of online marketplaces:
    - E-commerce firms were prohibited from selling products through companies, and of companies, in which they hold equity stake.
    - They were barred from entering into exclusive deals for selling products on their platforms.
    - Not more than 25% of the inventory on an e-commerce platform can be from a single vendor.
    - E-commerce FDI comes under the ambit of Section 15 of the Foreign Exchange Management Act (FEMA).
- It also disallows deep discounts offered by e-commerce marketplaces. Government seeks to appoint a dedicated regulator to oversee the same and settle disputes related to e-commerce.
- E-commerce companies shall have to obtain and maintain a FDI policy compliance report by statutory auditor every year.

Related news

- Competition Commission of India (CCI) ordered probe against Flipkart and Amazon for alleged deep discounting.
    - Deep discounts are **larger or greater than a usual price reduction**, especially compared to the product's retail value. It distorts the level playing field against brick-mortar shops.
- To tackle deep discounts, CCI has not only organized self-regulation but also offered up its **anti-trust services for investigation** on a case-by-case basis.

About CCI

- It is a statutory body **established under the Competition Act, 2002** for administration, implementation and enforcement of the Act.
- **Duty of CCI** is to eliminate practices having adverse effect on competition, promote and sustain competition, protect the interests of consumers and ensure freedom of trade in the markets of India.
- CCI consists of **a Chairperson and 6 Members** appointed by Central Government.

3.10.1. GOVERNMENT E-MARKETPLACE

- The **Government e Marketplace (GeM)**, launched in 2016, is an **online market platform** to facilitate procurement of goods and services by various Ministries and agencies of the Government.

- The portal was developed by the **Directorate General of Supplies and Disposals** (DGS&D) with technical support of National e-Governance Division (MeitY).
- It has been envisaged by Government of India as the **National Procurement Portal** of India and is directly monitored by the **PMO office.** It is offering end to end solutions for all procurement needs of Central and State Government Departments, PSUs, autonomous institutions and local bodies.
- The purchases through GeM by Government users have been **made mandatory** by Ministry of Finance.
- 24 States and UTs have signed a formal MoU with GeM to formalize this arrangement.

- **GeM 3.0:** The GeM 2.0 was launched as a pilot in 2016 and its success led to this massive transformation program - GeM 3.0 which would offer standardised and enriched catalogue management, powerful search engine, real time price comparison, demand aggregation, advanced MIS and analytics and more.

3.11. CORPORATE GOVERNANCE

Why in news?

An RBI Panel has proposed stringent **Corporate Governance Guidelines** for Core Investment Companies (CICs).

More on news

- At present, corporate governance guidelines are not explicitly made applicable to **core investment companies** (CICs**).**
- The Panel has recommended **constitution of board-level committees**- Audit Committee, Nomination and Remuneration Committee and Group Risk Management Committee.
- **A CIC is a non-banking financial company** that carries on the business of acquisition of shares and securities and holds not less than 90% of its net assets in the form of investment in equity shares, preference shares, bonds, debentures, debt or loans in group companies.
- Further, investments in equity shares in group companies constitute not below 60% of its net assets.

About Corporate Governance

- It is the **system of rules, practices and processes** by which a firm is directed and controlled. It deals with the ways in which suppliers of capital to corporations, especially faceless, powerless small investors, can assure themselves of getting fair treatment as stakeholders.
- At the **core of corporate governance** practice is the **Board of Directors** which oversees how the management serves and protects long-term interests of all stakeholders of the Company.
  - They are **governed by the Companies Act 2013.**
- To further strengthen the corporate governance practices, the **Companies Act also provides for the Independent Directors** within the Board of Directors.
- **Other Committees made for reforms in Corporate Governance:** Kumar Mangalam Birla Committee, Naresh Chandra Committee, Narayana Murthy Committee and JJ Irani Committee.

Related News

Indep-endent Directors	• Recently, Corporate Affairs Ministry has launched **Independent Director's Databank.** ○ It will provide an **easy to access & navigate platform for the registration** of existing Independent Directors as well as individuals aspiring to become independent directors. • It would be maintained by the **Indian Institute of Corporate Affairs (IICA). Independent Director** is someone who does not have any material or financial relationship with the company or its directors. An independent director cannot be a managing director, a whole-time director or a promoter of the firm or its executive directors. • Companies Act requires every listed company to have **at least one-third of total number of directors as IDs.** • In line with **Kotak Committee recommendations,** SEBI (Listing Obligations and Disclosure Requirement (LODR)) (Amendment) Regulations, 2018 impose stricter obligations that require **at least half of the total directors** of the board of a listed entity to be IDs if the Chairperson is executive/related to the promoter, and in other cases, at least one-third IDs. ○ Moreover, it has mandated top 500 listed companies to have **at least one women independent director.** Same will be applicable for top 1000 listed companies by April 1, 2020. • The Act also requires the **Corporate Social Responsibility Committee** of the Company to consist of at least three directors, including **at least one independent director.**

Additional Information

Corporate Social Responsibility	• **CSR** is a concept that suggests that it is the **responsibility of the corporations** operating within society to contribute towards economic, social and environmental development that creates positive impact on society at large.
	• **Section 135 of the Act** lays down **rules for CSR activity** in India.
	  o It mandates that every company, private limited or public limited, which either has **a net worth of Rs 500 crore or a turnover of Rs 1,000 crore or net profit of Rs 5 crore, needs to spend at least 2%** of its average net profit for the immediately preceding **three financial years** on CSR activities.
	  o The CSR activities in India should not be undertaken in the normal course of business and must be with respect to any of the 17 activities of CSR mentioned in **Schedule VII of the act.**
	• Recently, the report of **a High-Level Committee (HLC) on Corporate Social Responsibility**, set up under **Injeti Srinivas** in 2018 to review the existing framework submitted its report.

Serious Fraud Investigation Office (SFIO)	• It is a fraud investigating agency. It is under the jurisdiction of the Ministry of Corporate Affairs, Government of India. • It is involved in major fraud probes and is the co-ordinating agency with the Income Tax and CBI. • **Composition**: It is a multi-disciplinary organization having experts from financial sector, capital market, accountancy, forensic audit, taxation, law, information technology, company law, customs and investigation.
Predatory Pricing	• It is the act of a **market leader lowering its prices below its costs** to gain an unfair advantage. • Later, with fewer competitors, the predator can **raise prices to recoup losses.** The market's **entry barriers should be high** enough to deter new entrants when the predator tries to recoup its losses. Such behaviour is considered **anti-competitive**. • However, a firm which reduces the costs below that of its competitors (price war) would not be considered as predatory. E.g. Walmart.

4. INCLUSIVE DEVELOPMENT

4.1. MULTI-DIMENSIONAL POVERTY INDEX

Why in news?

The United Nation Develop Program (UNDP) released the Global Multidimensional Poverty Index - 2019 (MPI)

More on news

- It was developed in 2010 by the **Oxford Poverty and Human Development Initiative (OPHI) and the United Nations Development Programme (UNDP).**
- The global Multidimensional Poverty Index (MPI) is an **international measure of acute multidimensional poverty** covering over 100 developing countries.
- It captures **both the incidence and intensity of poverty**. It assesses **poverty at the individual level.**
    - If someone is deprived in three or more of ten (weighted) indicators, the global index identifies them as 'MPI poor', and the extent – or intensity – of their poverty is measured by the percentage of deprivations they are experiencing.

Dimensions of Poverty	Indicator	Deprived if living in the household where...	Weight
Health	Nutrition	An adult under 70 years of age or a child is undernourished.	1/6
	Child mortality	Any child under the age of 18 years has died in the five years preceding the survey.	1/6
Education	Years of Schooling	No household member aged 10 years or older has completed six years of schooling.	1/6
	School Attendance	Any school-aged child is not attending school up to the age at which he/she would complete class 8.	1/6
Standard of living	Cooking Fuel	The household cooks with dung, wood, charcoal or coal.	1/18
	Sanitation	The household's sanitation facility is not improved (according to SDG guidelines) or it is improved but shared with other households.	1/18
	Drinking Water	The household does not have access to improved drinking water (according to SDG guidelines) or safe drinking water is at least a 30-minute walk form home, round trip.	1/18
	Electricity	The household has no electricity.	1/18
	Housing	Housing materials for at least one of roof, walls and floor are inadequate: the floor is of natural materials and/or the roof and/or walls are of natural or rudimentary materials.	1/18
	Assets	The household does not own more than one of these assets: radio, TV, telephone, computer, animal cart, bicycle, motorbike or refrigerator, and does not own a car or truck.	1/18

- The global MPI can be used to create a **comprehensive picture of people living in poverty, and permits comparisons both across countries and world regions,** and within countries by ethnic group, urban/rural area, subnational region, and age group, as well as other key household and community characteristics.
- The **2019 update of the global MPI** covers 101 countries—31 low income, 68 middle income and 2 high income.
    - **India's MPI value reduced from 0.283 in 2005-06 to 0.123 in 2015-16.**
    - Among the four Indian states with the most acute MPI — Bihar, Jharkhand, Uttar Pradesh and Madhya Pradesh — **Jharkhand has made the most progress.**
- Overall, India was among three countries where **poverty reduction in rural areas outpaced that in urban areas** which is an indicator of pro-poor development.

4.2. OTHER REPORTS AND INDEXES

Global Livability Index	• Released by- **Economist Intelligence Unit** • **It assesses 140 cities** and ranks them according to their performance in over 30 qualitative and quantitative factors across **five broad categories - Stability, Healthcare, Culture and Environment, Education, and Infrastructure.** • **Top Ranker-** Vienna. New Delhi and Mumbai ranked 118th and 119th in 2019 index.
Ease of Living Index (EoLI)	• Released by- **Ministry of Housing and Urban Affairs** • It is aimed at **providing a holistic view of Indian cities** -services provided by local bodies, effectiveness of administration, outcomes generated through these services in terms of liveability within cities and citizen perception of these outcomes. • It will facilitate the assessment of **ease of living of citizens across three pillars**: Quality of Life, Economic Ability and Sustainability **which are further divided into 14 categories** such as Education, Health, Housing & Shelter, WASH & SWM, Mobility, Safety & Security across 50 indicators. • For the first time, as part of the Ease of Living Index Assessment, **a**

	Citizen Perception Survey is being conducted (which carries 30% of the marks of the EoLI).
Municipal Performance Index (MPI)	• Released by- **Ministry of Housing and Urban Affairs** • It will assess performance of municipalities on **five enablers- Service, Finance, Planning, Technology and Governance** which include **20 indicators** such as Education, Health, Water & Wastewater, SWM & Sanitation, Registration & Permits, Infrastructure, Revenue Management etc. • This will help Municipalities **in better planning and management, filling gaps in city administration** and improving liveability of cities.

4.3. SOCIAL SECURITY SCHEME FOR GIG ECONOMY

Why in news?

The draft Code on Social Security has proposed that the Centre may formulate social security schemes for gig workers.

More on news

- In a gig economy, temporary, flexible jobs are commonplace and companies tend toward hiring independent contractors and freelancers instead of full-time employees.
- As per the draft social security code, the Central Government may formulate and notify, from time to time, suitable social security schemes **for gig workers and platform workers**.
    - Such schemes would encompass issues like **"life and disability cover", "health and maternity benefits", "old age protection" and "any other benefit as may be determined by the Central Government".**
    - For the first time, 'gig workers' and 'platform workers' are part of the draft law.
    - **The draft law has defined a gig worker as a** "person who performs work or participates in a work arrangement and earns from such activities outside of traditional employer-employee relationship". E.g. freelancers, independent contractors, project-based workers and temporary or part-time hires.
    - **A platform worker** is a person who is part of an organisation that "uses an online platform to access other organisations or individuals to solve specific problems or to provide specific services in exchange for payment". E.g. Uber driver.

Additional Information

Code on Industrial Relations	• It **aims to consolidate and amend the laws** relating to trade unions, conditions of employment in industrial establishment or undertaking, investigation and settlement of industrial disputes. • The code has been drafted after amalgamating, simplifying and rationalizing the relevant provisions of following **three Central Labour Acts**: The Trade Unions Act, 1926, The Industrial Employment (Standing Orders) Act, 1946 and The Industrial Disputes Act, 1947.
Code on Social Security	• It would **subsume nine central labour Acts**. • It provides for **Universalization of social security benefits**, and reduction of employees' provident fund monthly contribution by workers in select sectors. • Establish a **social security fund** and **tap the corporate social responsibility fund** to offer unorganized sector workers certain benefits via the employee's state insurance corporation.
Code on Occupational Safety	• The Code **replaces 13 labour laws** and seeks to regulate **health and safety conditions** of workers in establishments with 10 or more workers, and in all mines and docks. • Welfare facilities, working conditions and work hours for different types of establishments and workers will be prescribed by the central or state governments through rules. • The Code sets up **occupational safety boards** at the national and state level to advise the central and state governments on the standards, rules, and regulations to be framed under the Code.
Code on Wages	• **Coverage**: The Code will apply to all employees. The central government will make wage-related decisions for employments such as railways, mines, and oil fields, among others. State governments will make decisions for all other employments. ○ Wages include salary, allowance, or any other

	component expressed in monetary terms. This does not include bonus payable to employees or any travelling allowance, among others. • **Fixing the minimum wage:** The Code prohibits employers from paying wages less than the minimum wages. Minimum wages will be notified by the central or state governments. • **Gender discrimination:** The Code prohibits gender discrimination in matters related to wages and recruitment of employees for the same work or work of similar nature.

4.4. CONTRACTUAL EMPLOYEES

Why in news?

The Supreme court held that the **contractual employees** will be entitled to provident fund benefits.

Highlights of verdict

- Under EPF Act, **definition of an employee is an inclusive definition**, and is widely worded to include "any person" engaged either directly or indirectly in connection with the work of an establishment and is paid wages.
- Contractual employees engaged by a Company, who **draw their wages/salary directly or indirectly** from Company, are entitled to benefit of PF under EPF Act.
- An establishment must pass **twin conditions to be exempted under the Act.**
  - Establishment must either **belong to** or be **under the control of the government**,
  - Employees of such an establishment should be entitled to benefit of contributory PF or old-age pension in accordance to any scheme or rule framed by central or state governments.

4.5. SOCIAL STOCK EXCHANGE

Why in news?

In budget session, Finance Minister proposed a **social stock exchange (SSE) under the regulatory ambit of the Securities Exchange Board of India (SEBI)** to support social enterprises and non-profits in raising funds.

More on news

- It is an electronic fundraising platform that **allows investors to buy shares in a social enterprise that has been vetted by the exchange.**
  - **Social enterprise** is a revenue-generating business whose primary objective is to achieve a social objective, for example, providing healthcare or clean energy.
- It will act as **crowd-sourcing platforms for fund-raising by non-profit entities** aimed at **impact investment** and transparency.
- **Globally, at least ten SSEs have been set up.**

4.6. IMPACT INVESTMENT IN INDIA

Why in news?

Impact investments are growing in India.

About Impact Investment

- Impact Investment is the **investments made into businesses with the aim to make a measurable social, economic and environmental impact** while also generating a range of returns, from profit to publicity.
- **India** is considered a **breeding ground for (social) impact investing** due to the enormous size of its demography and the unfulfilled demands for social and economic services.

4.7. NOBEL PRIZE IN ECONOMICS

Why in news?

Indian-American economist **Abhijit Banerjee** has won the **2019 Nobel Prize in Economics**, along with **Esther Duflo** of the Massachusetts Institute of Technology and **Michael Kremer** of Harvard University **"for their experimental approach to alleviating global poverty."**

More on news

- Their new experiment-based approach- called **Randomised Control Trials (RCTs)** has transformed development economics.
- RCTs break larger questions about policy interventions into smaller, easier to test studies.
  - For example, the big questions like 'poverty' are broken down into its various dimensions like--poor health, inadequate education, etc.
  - Within poor health, they look at nutrition, provisioning of medicines, and vaccination, etc. Within vaccinations, they try to conduct various experiments and, based on such "evidence", decide what needs to be done.

5. EXTERNAL SECTOR

5.1. GLOBAL TRADE

5.1.1. TRADE WAR

Why in news?

Recently, China pledged to boost US imports by $200bn above 2017 levels and strengthen intellectual property rules.

More on news

- A **trade war** happens when one country retaliates against another by raising import tariffs or placing other restrictions on the opposing country's imports.
- China and the US have been locked in a longstanding trade war that has threatened the global economy.
- To solve this deadlock, US and China had decided to try to get into an agreement in phases.
  - **Phase one** has focused on the trade balance and tariffs. **Phase two** is expected to deal more deeply with intellectual property enforcement and economic reform in China.
- China and the US have agreed on **phase one economic and trade agreement.**
- The **agreement is a deal in principle**, which means if China breaks any part of the agreement, the US can re-implement tariffs.
- The ongoing US-China trade war has **resulted in a sharp decline in bilateral trade, higher prices for consumers and trade diversion effects-** which increased imports from countries not directly involved in the trade war to US.
  - India gained in additional exports, **mainly of chemicals, metals and ore,** to the US due to the trade diversion effects.

Additional Information

Non-tariff measures	• **Non-tariff measures (NTMs)** are policy measures other than ordinary customs tariffs that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both. • NTMs are broadly distinguished into **technical measures** (SPS measures, TBTs etc.) and **non-technical measures.** These are further distinguished in **hard measures** (e.g. price & quantity control measures), **threat measures** (e.g. anti-dumping duties) and other measures such as trade-related finance and investment measures. **Types of NTMs** • **Sanitary and Phytosanitary Measures:** Measures that are applied to protect human or animal life from risks arising from contaminants or disease-causing organisms in food. • **Technical Barriers to Trade:** Measures referring to technical regulations and procedures, related to environmental and sustainable standards E.g. Labeling requirements as in case of refrigerators need to carry a label indicating their size, weight & electricity consumption level • **Licensing, quotas, prohibitions & quantity-control**: Measures to restrain the quantity of goods that can be imported • **Price Control Measures:** Measures intending to control or affect the prices of imported goods. E.g. Minimum import prices imposed on precious metals like gold to cut down non-essential imports. • **Export Related Measures:** Measures applied by the government of the exporting country on exported goods E.g. Exports of cultural heritage objects are prohibited. • **Geographical restrictions on eligibility: eg** - Restrictions on imports of dairy products from countries • **Contingent Trade Protective Measures:** Measures implemented to counteract particular adverse effects of imports in the market**.** E.g. Anti-Dumping Duty, Countervailing Duty etc.
CVD	• **Countervailing duty** is an **additional import duty** imposed on imported products (by the importing country) when such products enjoy benefits like export subsidies and tax concessions in the country of their origin (i.e., where it is produced and exported). • It is an attempt to ensure fair and market-oriented pricing of imported products and thereby protecting domestic industries and firms.
Anti-dumping	• It is a protectionist tariff that a domestic government imposes on foreign imports that it believes **are priced below fair market value.** • Dumping is a process where a company exports a product at a price

	lower than the price it normally charges in its own home market. For protection, many countries impose stiff duties on products they believe are being dumped in their national market, undercutting local businesses and markets. • While the Ministry of Commerce and Industry recommends the Anti-dumping duty, it is the Ministry of Finance, which levies such duty.

5.1.2. BASE EROSION AND PROFIT SHIFTING (BEPS)

Why in news?

India has recently ratified **the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI).**

About MLI

- The Multilateral Convention/MLI is an outcome of the **OECD / G20 Project** to tackle **Base Erosion and Profit Shifting (the "BEPS Project")** i.e. tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations where there is little or no economic activity, resulting in little or no overall corporate tax being paid.
- India was part of the Ad Hoc Group of more than 100 countries and jurisdictions from G20, OECD, BEPS associates and other interested countries, which worked on an equal footing on the finalization of the text of the Multilateral Convention.
- The MLI will modify India's tax treaties to curb revenue loss through treaty abuse and base erosion and profit shifting strategies by ensuring that profits are taxed where substantive economic activities generating the profits are carried out.
- The MLI will be applied alongside existing tax treaties, modifying their application in order to implement the BEPS measures.

About Organisation for Economic Co-operation and Development (OECD)

- It is an intergovernmental economic organization founded in 1961 to stimulate economic progress and world trade.
- It has 36 members, the latest member being Lithuania which joined it in 2018.
- India is a not a member, but is among its key partners.

Additional Information

Equalisation Levy and Significant Economic Presence

- Recently, at G20 summit countries raised concerns regarding aggressive **"tax optimisation"** strategies by digital majors. These companies move profits to tax havens such as Ireland and Cayman Islands and pay abysmal amount in taxes.
    - OECD under its Base Erosion and Profit Shifting initiative has calculated that global digital majors (like Google, Amazon and Facebook) need to pay additional annual tax of $100b annually.
- Subsequently 'Equalisation Levy' was introduced in India in the Finance Act, 2016.
- The levy is charged @ 6% of the amount of consideration for specified services received or receivable by a non-resident not having **permanent establishment** ('PE') in India, from a resident in India who carries out business or profession, or from a non-resident having permanent establishment in India, where the aggregate amount of such consideration exceeds one lakh rupees in a previous year.
- Also section 9(1)(i) of the Income-tax Act, 1961 was amended to bring in the concept of **"Significant Economic Presence"** for establishing "business connection" in the case of non-resident in India. Accordingly, significant economic presence shall mean–
    - Any transaction in respect of any goods, services or property carried out by a non-resident in India including provision of download of data or software in India if the aggregate of payments arising from such transaction or transactions during the previous year exceeds the amount as may be prescribed; or
    - Systematic and continuous soliciting of its business activities or engaging in interaction with such number of users as may be prescribed, in India through digital means.

Place of Effective Management (POEM)

- The concept of POEM for deciding the **Residential Status of a company** was introduced by the Finance Act, 2015 with intent to target shell companies and companies which are created for retaining income outside India although real control and management of affairs is located in India.
- It has been defined to mean **'a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made'.**

5.1.3. DEVELOPING COUNTRY STATUS

Why in news?

- India rallied 51 countries at the World Trade Organization (WTO) to reject a US presidential memorandum, which had **sought to deny special and differential treatment (S&DT)** to developing countries in current and future trade agreements.

More on news

- **South Korea will no longer seek special treatment** reserved for developing countries by the World Trade Organization in future negotiations given its enhanced global economic status.
- **Criteria for determining developing country status**
    - The WTO has **not specified any criteria or process** for **determining developing country status,** allowing members **to self-declare their status** without meeting any analytical requirements.
    - However, o**ther members can challenge the decision** of a member to make use of provisions available to developing countries.
    - That a WTO member announces itself as a developing country **does not automatically mean** that it will benefit from the **unilateral preference schemes** of some of the developed country members such as the Generalized System of Preferences (GSP). In practice, it is the preference giving country which decides the list of developing countries that will benefit from the preferences.
- In the WTO, **developing countries are entitled to 'special and differential treatment'** set out in its rules.

Related Information

Special and differential treatment (S&DT)	• These are provisions which give developing countries special rights and which give developed countries the possibility to treat developing countries more favourably than other WTO Members. These special provisions include, for example, longer time periods for implementing Agreements and commitments or measures to increase trading opportunities for developing countries. • S&DT is given to all developing members **due to the uneven level of development between developed and developing Members.** • In the **Doha Declaration,** member governments agreed that all special and differential treatment provisions are **an integral part of the WTO agreements,** and that these provisions should be reviewed with a view to strengthening them and making them more effective and operational. ○ The **Bali Ministerial Conference in December 2013** established a mechanism to review and analyse the implementation of special and differential treatment provisions. • **Relevance of S&DT** - It safeguards them from harsh policies and treaties with better off nations which might favor the rich countries who dominate world trade and its governing organizations and are able to heavily influence policy decisions at international forums. • **Problem** - As a result of the self-selection process, there is a **competition among member to get the developing country status.** It is visible that several advanced countries have also taken developing country status. For example, Qatar which enjoys the sixth largest per capita income in the world is a developing country.

Dispute Settlement System	• DSS is a mechanism to resolve trade disputes between member states. It utilises both political negotiation and adjudication for dispute resolution.
	• The Uruguay Round negotiations (1986- 1994) culminated in the creation of the DSS and the adoption of the **Dispute Settlement Understanding** (DSU) to govern trade disputes between member states.
	• The DSU embodies important principles for the functioning of the DSS:
	  ○ to provide stability and predictability to the multilateral trading system
	  ○ to establish a fast, efficient, dependable and rule-oriented system to resolve disputes
	• **Dispute Settlement Body**: The General Council is WTO's highest decision-making body and it also meets as the DSB.
	  ○ It is essentially a political body and it administers rules and procedure of the DSU.
	  ○ Decisions are taken here by the reverse consensus method. That is, the decision

	is adopted unless there is consensus against it. • **Appellate Body (AB)**: AB is a seven-member permanent organ that adjudicates appeals within the DSS. o Members are appointed by the DSB for four-year terms. o It follows the positive consensus mechanism.
Multi-party interim appeal arrangement at WTO	• European Union, China, Australia, and 14 other Members of World Trade Organization (WTO) agreed to develop a **multi-party interim appeal arrangement to settle disputes among them**. o This arrangement will allow the participating WTO members to **preserve a functioning and two-step Dispute Settlement System (DSS)** at the WTO in disputes among them. o 2-step DSS include **adjudication by usually 3 member panels** & by **WTO Appellate Body (AB)** in case of appeals. o **AB became ineffective** due to blockage of any new appointments by USA since 2017. o AB is **seven-member permanent organ** which require **at least 3 members to function**. Tenure of two of the body's three members ended in December'19, leaving it unable to issue rulings. o AB's reports once adopted by the Dispute Settlement Body (DSB) are binding upon the parties. The General Council is WTO's highest decision-making body and it also meets as the DSB. • It is a **contingency measure** and it will only apply until the AB becomes operational again. • This arrangement will be **open to any WTO Member** willing to join it.
WTO extends ban on tariffs for digital trade	• WTO agreed to renew a **20-year moratorium on placing tariffs on digital trade for six months until WTO 12th Ministerial Conference meeting in Kazakhstan,** allaying fears that people would have to pay duties on e-books and software for the first time. • The moratorium on digital trade worth an estimated $225 billion a year has been in place since 1998, but was due to expire in December and required unanimity at the WTO for renewal. • Several countries, including **India and South Africa, have expressed interest in lifting the moratorium** as they develop their digital economies and seek to recuperate lost customs revenue as more trade becomes digital.

5.1.4. MISCELLANEOUS

Tax Information Exchange Agreement (TIEA)	• India has notified a tax information exchange agreement (TIEA) with the Marshall Islands. • The agreement enables **exchange of information, including banking and ownership information, between the two countries for tax purposes.** • It was developed by the OECD Global Forum Working Group on Effective Exchange of Information. • The agreement also provides for representatives of one country to **undertake tax examinations in the other country** and will help **curb tax evasion and tax avoidance.** • TIEAs are **not binding instruments** and can be terminated as stipulated in the agreements
Bilateral Investment Treaty (BIT)	• An International Arbitration Tribunal has dismissed all claims brought against India by companies based in Russia and Cyprus under the BIT. • BITs are **agreements between two countries for reciprocal protection of investments** in each other's territories by individuals and companies in either country. • India has formulated a Model BIT in 2015
RBI revises Framework on Currency Swap Arrangement for SAARC countries for 2019-2022	• A currency swap between countries is an **agreement to exchange** currencies with predetermined terms and conditions. • The SAARC currency swap facility came into operation on November 15, 2012 to provide a backstop (last-resort support) line of **funding for short term foreign exchange liquidity requirement** or balance of payment crisis till longer term arrangements are made. • Under the Framework for 2019-22, RBI will continue to offer swap arrangement within the overall corpus of US $ 2 billion.

	○ The withdrawals can be made in US Dollar, Euro or Indian Rupee. ○ The Framework provides certain concessions for swap withdrawals in Indian Rupee.
INSTEX barter mechanism	• Recently, 6 new European countries, **Belgium, Denmark, Finland, the Netherlands, Norway and Sweden** have decided to join the **Instrument in Support of Trade Exchanges (INSTEX)** mechanism. • INSTEX is a Paris based special purpose vehicle setup by Germany, France and the UK that **allows European businesses to trade with Iran, despite strict US sanctions.** • This payment channel functions as a **euro- dominated clearing house** which circumvents the US sanctions on Iran as it operates outside of the US dominated global financial system. ○ It runs a **barter arrangement** which allows Iran to continue trade and import products or services from member European countries in exchange for exports.
Track and Trace Platform for Businesses	• Recently, The World Economic Forum (WEF) launched the **first neutral and public traceability platform** that is capable of tracking supply chain data from multiple organisations and sources. • The platform is **based on the blockchain technology** and has been developed to assist businesses across industries address the consumer demands for ethical and environmentally friendly products.
301 trade probe	• It is a trade tool under **Section 301 of the U.S. Trade Act of 1974.** • It is one of the principal statutory means by which the United States enforces U.S. rights under trade agreements and addresses "unfair" foreign barriers to U.S. exports
World Cotton Day	• It was observed from 7th October to 11th October 2019 in Geneva. • It was organised by the WTO in collaboration with the Secretariats of the United Nations Food and Agriculture Organization (FAO), the United Nations Conference on Trade and Development (UNCTAD), the International Trade Centre (ITC) and the International Cotton Advisory Committee (ICAC). • WTO hosted the event at the request of the Cotton – 4 countries, Benin, Burkina Faso, Chad and Mali.

5.2. INDIA'S TRADE PERFORMANCE

- Over a period of 2003-2017, in all the sectors- Agriculture, Manufacturing goods, Goods (Merchandise), Services and All trade-**India's ranking in global exports is lower now** (between 2012 and 2017) than before.
  - However, **Indian share in world trade is increasing (albeit slowly)** because our growth is faster than the world average.
- There is the **divergence in performance** of the overall economy in India (GDP growth among the fastest in the world) and export growth (post 2011, somewhat on the lower side). One important reason for this divergence is that **international trade still receives inadequate attention** both in the government and outside.
- **Protectionist policies:** Protectionism is not witnessed in the rise of tariffs alone but is also evident in other measures, e.g., promotion and adoption of technical regulations, frequent imposition of quantitative restrictions, adoption of nontariff barriers, acute reservation on opening up economy through trade agreements, discriminatory sectoral domestic policies, etc.
- **Unrealistic Export Targets:** According to WTO data, **India's share in global merchandise exports was 1.7%** in 2017, and the **services share 3.4%.** Aggregate export share in world exports has been on a marginal upward trend and has plateaued in the 2 to 2.1% range since 2010.
  - In this backdrop, the **government's target of doubling of India's exports by 2025** seems unrealistic.
- **India's FOREX Reserves-**
  - It has crossed $450 billion for the first time ever.
  - Forex reserves consists of foreign currency assets, Gold, SDRs, and Reserve position in IMF.

5.2.1. EXPORTS

5.2.1.1. SPECIAL ECONOMIC ZONES

Why in news?

Amid volatile global economy, SEZs have shown resilience and have achieved 100-billion-dollar worth of exports in FY 2019-20.

More on news

- **Services segment,** constituting majorly of IT & ITeS services was **driver of export growth at 23.69%.** There was almost **4% growth in manufacturing** segment.
- SEZ is a **specifically delineated duty-free enclave** and deemed to be foreign territory for purposes of trade operations and duties and tariffs.
- **Objectives of SEZ Scheme** include: generation of additional economic activity, promotion of exports, promotion of investment from domestic and foreign sources, creation of employment opportunities along with development of infrastructure facilities.
    - All laws of India are applicable in SEZs unless specifically exempted as per **SEZ Act/ Rules**.
- **SEZ Rules provide** for**,** simplified procedures for conducting business, single window clearances, simplified compliance procedures and emphasis on self-certification.
- **Exports from SEZs are growing at a faster rate than overall exports from the country**
- Earlier **Baba Kalyani committee** had given recommendations on **making SEZ policy WTO compatible, maximizing utilization of vacant land in SEZs etc. Some recommendations are:**
    - **Reincarnation of SEZs as employment and Economic Enclaves (3Es)** to shift focus from export to economic and employment growth.
    - **Align policy framework to avoid competition** among similar schemes of industrial parks, export-oriented units, SEZ, NIMZ etc.
    - provide ease of doing business to developers and tenants
- **Govt reforms special economic zones (SEZ) framework**
    - Under the present reforms, provisions for minimum land area and sector-specific and multi-product SEZs have been amended.
    - Henceforth, **all existing and new SEZs would become multi-sector SEZs thereby enabling coexistence of an SEZ unit from any sector along with any other SEZ unit.**
        - ✓ The **minimum land area** required for setting up a multi-product SEZ has been revised from 500 hectares to 50 hectares.
        - ✓ Similarly, the **minimum built-up area requirements for services** have also been significantly reduced.
        - ✓ Multi-sector SEZs are areas where units may be set up for the manufacturing, trading and warehousing of products within two or more sectors
        - ✓ Sector-specific SEZs are set up exclusively for products or services within a particular sector.

Additional Information

DPIIT Clarifies Local Sourcing Norms	• Department for Promotion of Industry and Internal Trade (DPIIT) clarified that sourcing of goods from units located in SEZs by single-brand retailers would qualify as sourcing from India for the purpose of 30% mandatory sourcing from India for proposals involving FDI beyond 51%. o As per FDI rules, 100% overseas investment is allowed in the single brand but sourcing of **30% of the value of goods procured is mandatory from India for such companies having FDI beyond 51%.** • SEZs, developed as export hubs, are treated as foreign territory in terms of customs laws. Procurement of goods and services from units in these zones are treated as imports. • It added that compliance with all the conditions enumerated in the FDI policy and as notified under Foreign Exchange Management Act (FEMA) would continue to be the responsibility of manufacturing entity.
Nirvik Scheme	• It is a new Export Credit Insurance Scheme (ECIS) introduced by Ministry of Commerce and Industry through Export Credit Guarantee Corporation (ECGC). • Under the scheme, ECGC will provide 90% credit insurance cover and any additional outgo would be supported by the government.
Global Exhibition on Services	• The 5th Global Exhibition on Services (GES) was organised by the Ministry of Commerce & Industry in New Delhi. • It is organised in partnership with Services Export Promotion Council

	and the Confederation of Indian Industry. • The objective is to give focused attention to the following **12 identified Champion Services Sectors** for promoting their development and realizing their potential. o Information Technology & Information Technology enabled Services (IT & ITeS); Tourism and Hospitality Services; Medical Value Travel; Transport and Logistics Services; Accounting and Finance Services; Audio Visual Services; Legal Services; Communication Services; Construction and Related Engineering Services; Environmental Services; Financial Services; and Education Services. • The **"India Services"** brand was created by the Ministry of Commerce and Industry to represent the services sector of India.

5.2.2. IMPORTS

5.2.2.1. SOLAR IMPORTS INCREASING

- Value of solar photovoltaic (PV) cells and modules imported since FY'14 adds up to $12.93 billion, or Rs 90,000 crore.
  - An estimated 85% of this equipment has been imported from three countries – **primarily China, alongside Vietnam and Malaysia**.
- **Reasons for increase in import**
  - **Lack of a manufacturing base for upstream stages** such as **wafers, ingots and polysilicon** due to energy and capital-intensive nature of the process.
  - **The lack of an integrated set-up and the economies of scale** translates into higher cost of domestic production.
  - **Poor Quality of material** used in solar projects is another fallout of excessive import dependency by project developers.
- **Government measures to support PV cell**
  - The government recently announced removal of 20 per cent import duty on solar cells and panels in the Budget, with immediate effect.
  - **Modified Special Incentive Package Scheme (M-SIPS)** offering 20-25% subsidy for investments in capital expenditure for **setting up a manufacturing facility**.
  - 100% FDI in renewable energy sector through automatic route.

Additional Information

ARTIS	• Launched by **Directorate General of Trade Remedies**, ARTIS (Application for Remedies in Trade for Indian industry and other Stakeholders) is an **online system for filing of anti-dumping applications** by domestic industry. • It aims to enhance transparency, efficiency and provide expedited relief to the domestic producers for different trade remedies like anti-dumping duty, safeguard duty and countervailing duty.
Duty Free Import Authorisation (DFIA) scheme	• DFIA is issued to allow duty free import of inputs, fuel, oil, energy sources, catalyst which are required for production of export product. • The DFIA scheme is valid only for those export products where a valid Standard Input Output Norms (SION) is in place. o SION is standard norms which characterize the measure of input or inputs sources required to make unit of output for export purpose
LEADS Index	• The index is developed by the **Commerce and Industry Ministry** along with **Deloitte.** • The **indicators covered in the index are:** Quality of Transport & Logistics Infrastructure; Quality of services offered by Logistics Service Providers; Efficiency of regulatory processes; Favourability of operating environment; Ease of arranging logistics at competitive rates; Timeliness of cargo delivery; Safety/Security of cargo movement; Ease of Track & Trace • LEADS index makes a **perception-based assessment** of international trade logistics across Indian states and UTs – focusing on users and stakeholders. • The 2019 edition has expanded its focus to look at both domestic and international trade.

5.2.3. EASE OF DOING BUSINESS

5.2.3.1 EASE OF DOING BUSINESS (EODB)

Why in News?

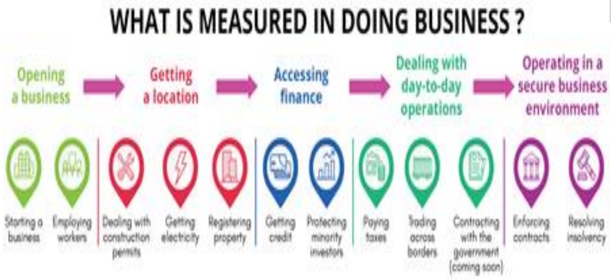
India had managed to improve its rank for EoDB from 77th position in 2019 to 63rd (among 190 countries) in 2020 as mentioned in World Bank's Doing Business 2020 report. However, India ranking in 2019 on ease of registration of property parameter was low at 154.

About Ease of Doing Business (EoDB)

- EoDB index is a ranking system established by the World Bank Group.
- In the EODB index, 'higher rankings' (a lower numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.

More on News

- Department for Promotion of Industry and Internal Trade (DPIIT) plans to improve the business climate of registering property, in Kolkata, Bengaluru, Delhi and Mumbai.
    - Kolkata and Bengaluru are included by the World Bank this year besides Delhi and Mumbai for preparing the EoDB report.
- **Reforms Suggested**
    - To **digitise and integrate all records relating to titles or encumbrances** and make data available on a single portal.
    - To **register and map all privately held land plots** and define timelines for changes in cadastral maps and obtain record of rights under Public Service Delivery Guarantee Act to make it easier to register property
    - An **integrated portal for verification of title and encumbrances** and a simultaneous action plan to enact Land Titling Bills for all the four cities.



Other Steps taken to improve Registration of Property Sub-index

- All **sub-registrar offices have been digitized** and its records have been integrated with the Land Records Department, in both Delhi and Mumbai.
- In **Mumbai, all property tax records have been digitized.**
- **Online service for charges search** at Registrar of Companies.
- **Statistics** regarding the number of **land disputes at Revenue Courts** are available online in both Delhi and Mumbai.

Additional Information

SPICe+ web form	• It is new web form by Ministry of Corporate Affairs for incorporation of companies. • It is an integrated web form by three Central Government Ministries and Departments (Ministry of Corporate Affairs, Ministry of Labour and Department of Revenue in the Finance Ministry) and one State Government (Maharashtra). • It integrates 10 services from various ministries and departments into one form. • It is collaboration of **Ministries of Corporate affairs** and **Labour & Employment; Department of Revenue and Maharashtra government.** • It also provides for Employees' Provident Fund Organisation (EPFO) and Employees' State Insurance Corporation (ESIC) registration.
Documentation Identification Number (DIN) System of CBIC to come into force	• From now onwards any **Central Board of Indirect Tax and Customs (CBIC)** communication must have a DIN. • Any communication from GST or Custom or Central Excise department **without a computer-generated DIN, would be treated as invalid.** • DIN would be **used for search authorization, summons, arrest memo, inspection notices and letters** issued in the course of any enquiry. • Objective is the **bring transparency and accountability** in the indirect tax administration through use of information technology. • Government has **already executed the DIN system in the direct tax administration.**
ICEDASH AND ATITHI	• ICEDASH is **Ease of Doing Business monitoring dashboard** of the Indian Customs helping public see the daily Customs clearance times of import cargo. o This dashboard has been developed by the **Central Board of Indirect Taxes and Customs (CBIC)** in collaboration with National Informatics Centre. • ATITHI is **Easy to use mobile app, developed by CBIC** for

	international travelers to file the Customs declaration in advance. ○ This will **facilitate hassle-free and faster clearance** by Customs at the airports and enhance the experience of international tourists and other visitors at the airports with.
CBDT Inks 300th Advance Pricing Agreement	• The Advance Pricing Agreement was introduced in 2012 by the CBDT. • Advance pricing can be understood as **an agreement between a taxpayer and a tax authority fixing the transfer pricing methodology** to decide the pricing of future international transactions of the taxpayer. • The APA scheme provides tax certainty to multi-national enterprises and is in line with government's commitment towards fostering a **non-adversarial tax regime.**

Faceless e-assessment of IT Returns	• Central Government recently launched **Faceless e-Assessment scheme** and **National e-Assessment Centre** (NeAC) to **facilitate faceless assessment of income tax returns** through completely electronic communication between tax officials and tax payers. • **NeAC** is an **independent office** created to oversee implementation of the scheme. It will be located in Delhi. There will be **8 Regional e-Assessment Centres** (ReAC) set up at Delhi, Mumbai, Chennai, Kolkata Ahmedabad, Pune, Bengaluru and Hyderabad.

6. EMPLOYMENT AND SKILL DEVELOPMENT

6.1. SKILL DEVELOPMENT

6.1.1. INDIAN SKILLS REPORT 2020

- Recently, the 7th edition of India Skills Report 2020 was released.
- It is a joint initiative of Wheebox (a global talent-assessment company), People Strong and Confederation of Indian Industry (CII) in collaboration with UNDP, AICTE and Association of Indian Universities.
- India Skills Report 2020 aims to provide an overview of the supply of talent and the demand from industry.
- The report brings together the readiness of our present talent pool for new-age jobs or job types and the skills that employers are today seeking in prospective employees.
- **Employability of India's youth has remained stagnant** for the past three years, lingering at 46.21% of participants who are job-ready.
- **Female employability witnessed an upward trend** at 47% while that of male workforce declined from 47.39% in 2019 to 46% this year. This reflects the opportunity for the industries to leverage female resource pool.

6.1.2. INDIAN INSTITUTE OF SKILLS

- Recently the foundation stone for Indian Institute of Skills (IIS) was laid down at **Mumbai**.
- Cabinet has given its nod to set up IIS in two other cities namely Ahmedabad and Kanpur.
- These institutes, set up as **the state-of-the-art training** institution, will be constructed and operated on a **PPP (Public-Private Partnership) model** and on a not-for-profit basis.
- Tata Education Development Trust (TEDT) was selected as the private partner for setting up the first IIS in Mumbai through a **competitive bidding process**.
- It will act as a **tertiary care institute** in the skills ecosystem and offer best of required courses in **emerging and high demand areas** such as deep technology, aerospace, automation, Artificial Intelligence and machine learning, cyber technology, energy conservation etc.

6.1.3. FIRST BATCH OF ISDC CADRE

- The fresh batch of the newest central government services, the **Indian Skill Development Services recently,** commenced their training program in Mysuru.
- The first batch is joining the ISDS cadre from the **Indian Engineering Service Examination conducted by UPSC.**
- This service is a **Group 'A' service** and has been specially created for the **Training Directorate of the Ministry of Skill Development and Entrepreneurship** with an aim to attract young and talented administrators towards institutionalizing the Skill Development environment in the country.

6.1.4. RESKILLING REVOLUTION

- India recently joined the **World Economic Forum's Reskilling Revolution as a founding government member**.
    - Founding governments include Brazil, France, India, Pakistan, the Russian Federation, UAE and the US.
- **Reskilling Revolution aims** to provide **one billion** people with better education, skills and jobs by 2030.
- It is aimed to address the need of reskilling which has risen due to –
    - jobs getting transformed by the technologies of the **Fourth Industrial Revolution,**
    - **changes in core skills** required to perform existing jobs,
    - **high demand** of high-tech and specialized interpersonal skills, including skills related to sales, human resources, care and education.
- WEF also released a report titled **'Jobs of Tomorrow: Mapping Opportunity in the New Economy'** to identify jobs that require reskilling.

6.1.5. YUWAAH YOUTH SKILLING INITIATIVE

- The **Generation Unlimited partnership** brings together actors from various fields for preparing young people to become productive citizens, connecting secondary-age education and training to employment and entrepreneurship.

- In India, this initiative is called YuWaah. (**In India, this initiative is called YuWaah.**)
- It brought together key stakeholders from central and state governments, private sector, UN agencies (such as UNICEF) etc.

- The target age group of YuWaah includes adolescent girls and boys

Additional Information

India Skills 2020	• It is an event by Ministry of Skill Development and Entrepreneurship that provides a platform for skilled and talented Indian youngsters to showcase their abilities at regional and national level competitions in over 50 skills.
RPL certificates to 500 candidates	• **Recognition of Prior Learning** (RPL) is a platform to provide **recognition to the informal learning** or learning through work to get equal acceptance as the formal levels of education. • Under PMKVY, special focus is given to RPL by recognizing prior competencies of the assessed candidates and provides a certificate and monetary reward on successful completion of assessments.
Future Skills PRIME	**Salient Features of Future Skills PRIME (Program for Reskilling/Upskilling of IT Manpower for Employability)** • Jointly rolled out by **Ministry of Electronics and IT along with NASSCOM, it will-** ○ offer **diagnostics for learner preference** and **skill gaps** leading to identification of relevant courses. ○ help in **building digital fluencies** in emerging technologies. ○ offer **online upskilling** in identified skill competencies. ○ **offer blended programmes** with online and classroom trainings. ○ enable **assessment and certification of learners** in line with industry needs and Government standards. • This digital platform is being developed in strong partnership with the IT Industry, academia and government. Apart from industry, the existing infrastructure of CDAC and NIELIT centers will also be leveraged as **resource centers in hub and spoke model**.
Skills Build Platform (MSDE in Collaboration with IBM)	• As part of the programme, a **two-year advanced diploma in IT, networking and cloud computing,** co-created and designed by IBM, will be offered at the Industrial Training Institutes & National Skill Training Institutes (NSTIs) • The platform will be extending to **train ITI and NSTI faculty on building skills in Artificial Intelligence (AI).**
National Entrepreneurship Awards 2019	• They have been **instituted by the Ministry of Skill Development and Entrepreneurship** in 2016. • The awards aim to **recognize and honor** the outstanding young First-Generation entrepreneurs, and Ecosystem builders for their outstanding contribution in entrepreneurship development and providing support to the entrepreneurs.

6.2. EMPLOYMENT

Why in news?

As per the data released by the **Centre for Monitoring Indian Economy (CMIE),** India's unemployment rate in October rose to 8.5%, the highest since August 2016.

Conceptual Framework of Key Employment and Unemployment Indicators

- **Labour Force Participation Rate (LFPR):** It is defined as the percentage of persons in labour force (i.e. working or seeking or available for work) in the population.
- **Worker Population Ratio (WPR):** It is defined as the percentage of employed persons in the population.
- **Proportion Unemployed (PU):** It is defined as the percentage of persons unemployed in the population.
- **Unemployment Rate (UR):** It is defined as the percentage of persons unemployed among the persons in the labour force.
- **Activity Status**- The activity status of a person is determined on the basis of the activities pursued by the person during the specified reference period. It can be determined in two ways-

- Usual Status: When the activity status is determined on the basis of the reference period of **last 365 days preceding the date of survey**.
- **Current Weekly Status (CWS):** When the activity status is determined on the basis of a reference period of **last 7 days preceding the date of survey**

Periodic Labour Force Survey

- It was launched in April 2017 by the Ministry of Statistics & Programme Implementation
- It was launched as a **new regular employment-unemployment survey with certain changes** in survey methodology, data collection mechanism and sampling design vis-à-vis the earlier quinquennial (once in every five years) Employment and Unemployment surveys of NSSO.
- It has been launched with an objective of measuring quarterly changes of various labour market statistical indicators in urban areas as well as generating annual estimates of these indicators both for rural and urban areas, which can be used for policy making.

6.2.1. SELF-EMPLOYMENT

- **Definition:**
  - As per ILO, Self-employed workers are those workers who, working on their own account or with one or a few partners or in cooperative, hold the type of jobs defined as a "self-employment jobs." And, in this capacity, have engaged, on a continuous basis, one or more persons to work for them as employee(s).
  - Self-employment jobs are the jobs where **the remuneration is directly dependent upon the profits** derived from the goods and services produced.
- As per latest Periodic Labour Force Survey (PLFS) report, self-employment between 2009-10 to 2017-18 among, **Rural men increased** to 57.8% from 53.5%; **Rural women increased** to 57.7% from 55.7 %; **Urban men decreased** to 39.2% from 41.1%; **Urban women decreased** to 34.7% from 41.1%

6.2.2. NATIONAL STARTUP ADVISORY COUNCIL

Why in news?

- Recently Central Government has notified the structure of the National Startup Advisory Council.

More on news

- NSAC aims to build a **strong ecosystem for nurturing innovation and startups in the country**
- **Composition of the NSAC**
  - **Chairperson:** Minster for Commerce & Industry.
  - **Ex-officio members**: Nominated by the concerned Ministries/Departments/Organisations, not below the rank of Joint Secretary to the Government of India.
  - **Non-official members:** Nominated by Central Government (for a term of 2 years), from various categories like founder of successful startups
  - **Convener** of the Council: Joint Secretary, Department for Promotion of Industry and Internal Trade.

7. AGRICULTURE

7.1. AGRICULTURAL INPUT

7.1.1. AGRICULTURAL CREDIT

- **Mechanisms of Agriculture Credit in India-** Priority Sector Lending; Interest Subvention Scheme (ISS); Kisan Credit Card (KCC) Scheme; Self Help Group – Bank Linkage Programme (SHG-BLP); Joint Liability Groups (JLG) Scheme.
- **Characteristics of Agricultural Credit**
  - **Sources of Credit:** Institutional Sources accounted for 72% of agricultural credit whereas non-institutional sources such as money-lenders and relatives constituted 28%.
  - **Among institutional credits –** Scheduled Commercial Banks (79%), Cooperatives (15%), Regional Rural Banks (5%) and MFIs (1%)
  - **Loan waivers:** Loan waivers worth Rs. 2.4 lakh crore (Almost 1.4% of GDP) were given since 2014-15.
  - **Increased share of Short-term loans:** Share of short-term loans in agricultural credit increased from 51% in 2000 to 75% in 2018.

Agricultural Finance in India – A brief history

- **Phase 1 (1951-69):**
  - Thrust on developing primary sector since 1st FYP in 1951.
  - National Credit Council in 1968 emphasized that commercial banks must increase financing to small scale industries and agriculture
  - Nationalization of banks in 1969 put thrust on opening of rural/semi-urban bank branches
- **Phase 2 (1970-1990)**
  - The decade of 1970s marked the entry of commercial banks into agricultural credit with Lead Bank Scheme and regulatory prescription of Priority Sector Lending (PSL).
  - Regional Rural Bank Act, 1976 enacted to specifically provide banking and credit facility for agriculture and other rural sectors
  - National Bank for Agriculture and Rural Development (NABARD) established in 1982 to promote agricultural and rural development, particularly by financing SHGs and MFIs
  - RBI introduced in 1989 service area approach (SAA) & Annual Credit Plan (ACP) system to increase outreach to rural areas
- **Phase 3 (1991-onwards)**
  - Implementation of Narasimham Committee Report of 1991 to increase operational efficiency of banks
  - 1st major nationwide farm loan waiver in 1990
  - Establishment of Rural Infrastructure Development Fund (RIDF) with NABARD mainly meant for funding rural infrastructure projects
- NABARD started a pilot project SHG-Bank Linkage Programme in 1992

7.1.1.1. PRIORITY SECTOR LENDING

- Priority Sector includes the following categories: **(i) Agriculture (ii) Micro, Small and Medium Enterprises (iii) Export Credit (iv) Education (v) Housing (vi) Social Infrastructure (vii) Renewable Energy (viii) Others.**
- **Priority sector loans to the following borrowers are eligible to be considered under Weaker Sections category:-**
  - Small and Marginal Farmers
  - Persons with disabilities
  - Scheduled Castes and Scheduled Tribes
  - Distressed farmers indebted to non-institutional lenders
  - Self Help Groups
  - Artisans, village and cottage industries where individual credit limits do not exceed ₹ 0.1 million
  - Beneficiaries under Government Sponsored Schemes such as National Rural Livelihoods Mission (NRLM), National Urban Livelihood Mission (NULM) and Self Employment Scheme for Rehabilitation of Manual Scavengers (SRMS)
  - Beneficiaries of Differential Rate of Interest (DRI) scheme
  - Distressed persons other than farmers, with loan amount not exceeding ₹ 0.1 million per borrower to prepay their debt to non-institutional lenders
  - Individual women beneficiaries up to ₹ 0.1 million per borrower
  - Overdraft limit to PMJDY account holder upto ₹ 10,000/- with age limit of 18-65 years.
  - Minority communities as may be notified by Government of India from time to time
- The activities covered under Agriculture are classified under three sub-categories **viz. Farm credit, Agriculture infrastructure and Ancillary activities.**
- **Priority Sector Lending Certificates (PSLCs)** are a mechanism to enable banks to achieve the priority sector lending target and sub-

targets by purchase of these instruments in the event of shortfall.

7.1.1.2. ODISHA'S 'KALIA' SCHEME TO BE MERGED WITH CENTRE'S PM-KISAN

- Merger of Krushak Assistance for Livelihood and Income Augmentation (KALIA) scheme is being done **due to financial constraint.**
- **In 'Kalia' scheme**, farmers, mostly small and marginal cultivators, are entitled to get **Rs 10,000 in two instalments for two crops in a year.**
    - **Landless agricultural farmers are also eligible to get Rs 12,000 per annum for three years.**
- **While under PM-Kisan scheme**, central government is **providing annually Rs 6,000 in three equal instalments to about 14 crore farmers.**
    - **Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)** is a Central Sector scheme with 100% funding from Government of India.
    - The entire responsibility of **identification of beneficiary** farmer families rests with the State / UT Governments.
- **According to the new guidelines**, the farmers will get Rs 10,000 per annum as provided under the 'Kalia' scheme. (Earlier they used to get Rs 16000 from both schemes).
    - The state government will give Rs 4,000 to farmers while the rest will be provided from PM-KISAN.
    - Landless farmers will continue to get Rs 12,000 per year under the 'Kalia' scheme since **PM-KISAN has no provision for the landless farmers.**

7.1.2. FERTILIZER IN INDIA

Background

- Fertilizer was critical to India's Green Revolution so the government passed the **Fertilizer Control Order in 1957** to **regulate the sale, pricing, and quality of fertilizer.**
- **Movement Control Order was added in 1973** to regulate the distribution of fertilizer as well.
- **No subsidy was paid on fertilizer before 1977.** The oil crisis in 1973 increased the price of fertilizer leading to a decline in consumption and an increase in food prices.
    - In 1977, the **government intervened by subsidizing manufacturers.**
- Aftermath of the economic crisis of 1991 Government decontrolled the import of complex fertilizers such as di-ammonium phosphate (DAP) and muriate of potash (MOP) in 1992. But, **urea imports continue to be restricted and canalized.**

Fertilizers in India- an overview

- 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 **one of the eight core industries.**
- Fertilizers can be classified in three categories namely- **Primary, Secondary and Micronutrients**
    - **Primary fertilizers** are further classified on the type of nutrients they supply to soil such as **nitrogenous (urea),** phosphatic (di-ammonium phosphate (DAP)) and potassic (muriate of potash (MOP)) fertilizers.
    - **Secondary fertilizer** includes calcium, magnesium and sulphur while **micronutrients** include iron, zinc, boron, chloride etc.
- Fertiliser subsidy is estimated to be Rs 79,996 crore (Rs 53,629 crore for urea and Rs 26,367 crore for **nutrient-based subsidy**) for FY20.
- **Nutrient Based Subsidy scheme**
    - Under this, government announces a **fixed rate of subsidy (in Rs. Per Kg basis), on each nutrient of subsidized P&K fertilizers,** namely Nitrogen (N), Phosphate (P), Potash (K) and Sulphur (S),
    - It is **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.

7.1.2.1. UREA SUBSIDY

Why in news?

The government plans to make the **release of the ever-rising subsidy on urea far more targeted** than now.

More on news

- Now, government is choosing **for direct transfer (DBT) of urea subsidy to the beneficiary farmers' bank accounts** instead of DBT to firms based on point of sale.
    - The farmer will pay the market price at the time of purchase of urea and

promptly receive the subsidy **amount in his/her Aadhaar-linked bank account.**
- This move will **reduce the leakage of organized subsidy and black marketing.**
- Ceiling might be put on the Urea Subsidy so that the **alleged overuse of the nitrogenous fertilizer could be curbed.**
- The fertilizer subsidy will be directly **transferred by the government to the farmer's e-wallet** and an e-wallet will be made available with the **Rupay Kisan Card.**

Urea production and pricing mechanism
- Urea is made available to farmers at **statutorily controlled price**.
- The difference between the delivered cost of fertilizers at farm gate and MRP payable by the farmer is given as **subsidy to the fertilizer manufacturer/importer** by the Government of India.
- At present, there are **31 urea manufacturing units**, out of which 28 urea units use Natural Gas (using domestic gas/LNG/CBM) as feedstock/ fuel and remaining 3 urea units use Naphtha as feedstock/ fuel.

Urea policy India
- Urea is the source of nitrogenous fertilizer and it is heavily subsidized by the Central Government. Today urea is the only fertilizer which remains controlled.
- Urea Subsidy is a part of **Central Sector Scheme of Department of Fertilizers** and is wholly financed by the Government of India through Budgetary Support.
- Urea subsidy also includes **freight subsidy for movement of urea** across the country.
- The **New Urea Policy-2015 (NUP-2015)** has been notified by Department of Fertilizers in 2015, extended till 2019-2020, with **the objective of maximizing indigenous urea production, promoting energy efficiency in urea production and rationalizing subsidy burden on the government.**
  - The continuation of Urea Subsidy Scheme till 2020 will **ensure the timely payment of subsidy to the urea manufacturers resulting in timely availability of urea to farmers.**
  - Subsidy on **production costs is provided when their production is beyond a certain production capacity** as notified.

7.2. FOOD GRAIN MANAGEMENT

7.2.1. FOOD CORPORATION OF INDIA (FCI)

Why in news?

Cabinet Enhanced Authorized Capital FCI from Rs.3,500 crore to Rs.10,000 crore.

Details

- **Food Corporation of India (FCI)** is the nodal agency under **Ministry of Consumer Affairs, Food and Public Distribution** responsible for the procurement, storage and movement of food grains, public distribution and maintenance of buffer stocks.
- FCI **procures food grains** at minimum support price (MSP) from farmers on an **open ended basis** (i.e., accepting all the grains that are sold to it by farmers), provided the food grains meet Govt. of India's uniform quality specifications. The procurement is also done by State Government Agencies (SGAs) and private rice millers on behalf of the FCI.
- All the procured food grains form the Central Pool. The grains are moved from the surplus states to the **consuming states for distribution** and **for creation of buffer stocks** and stored in FCI godowns.
- The food grains are also disposed by FCI and State Governments through sale under **Open Market Sales Scheme (OMSS)** i.e., selling food grains at predetermined prices in the open market from time to time to enhance the supply of grains especially during the lean season and thereby to moderate the open market prices especially in the deficit regions.
- In India, food grains are stored using traditional structures by small farmers. The surplus grains are stored with government agencies like: **Food Corporation of India (FCI), Central and State warehousing Corporations**
- The **economic cost to FCI** includes **acquisition cost of food grains at MSP**, **procurement incidentals** (e.g. labour & transport charges, godown rentals) and **distribution cost** (freight, handling, storage & interest charges, losses during storage etc).
  - **Difference between Economic Cost and Central Issue Price (CIP)** of food grains under various schemes (including National Food Security Act, 2013) is the operational loss to FCI and is **reimbursed by Government of India as food subsidy**.

About Negotiable Warehouse Receipts (NWR)
- NWR are issued by registered warehouses **enables farmers to seek loans from banks against NWRs**
- It enables them to extend the sales period of modestly perishable products beyond the harvesting season.
- Consequently, NWRs can avoid distress sale of agricultural produce by the farmers in the peak marketing season.

Types of Storage in India

- **Underground Storage Structures**: These are dugout structures similar to a well with sides plastered with cowdung. These are safer from threats from various external sources of damage, such as theft, rain or wind.
- **Surface storage structures**: Bag storage and Bulk or loose storage.
- **For large scale storage**:
  - **CAP Storage (Cover and Plinth)**: It is commonly used storage method which is economical but loss of grains is inevitable (vulnerable to wind damage). It is temporary storage method of storing crops in outdoor stacks of bagged grain, covered with a waterproof material.
  - **Silos**: In these structures, the grains in bulk are unloaded on the conveyor belts and, through mechanical operations, are carried to the storage structure. The storage capacity of each of these silos is around 25,000 tonnes.
- **Warehousing**: These are scientific storage structures especially constructed for the protection of the quantity and quality of stored products. Ex: Central warehousing corporation (CWC), State Warehousing Corporations (SWCs), Food corporation of India (FCI).

7.2.2. PDS REFORMS

Why in news?

- To bring automation in Public Distribution System (PDS), electronic point of sale(ePOS) was initiated in Punjab.
  - Under ePOS, beneficiaries can get their ration just by getting their fingerprints matched at **Aadhar enabled ePOS machines** instead of having to show their ration card.

More on news

- Andhra Pradesh was first state to adopt automation of PDS following which directives were issued nationwide to all states to carry out automation.

About PDS

- PDS facilitates supply of food grains and distribution of essential commodities to poor through network of Fair Price Shops (FPS) at subsidized price.
- **Operational responsibility** including allocation within State, identification of beneficiaries, issue of ration cards, distribution and supervision of foodgrains through FPS rests with States.
- To further focus on poor, **Targeted Public Distribution System (TPDS)** was launched in 1997.
- **Plan Scheme on 'End-to-End Computerisation of TPDS Operations'** is being run in collaboration with all States/UTs under 12th Five Year Plan (2012-17). Validity of scheme has been extended upto March 2020.
  - It includes Digitization of ration cards/beneficiaries' data, Automation of FPS (Aadhar seeding and ePOS) etc.

One nation, one ration card initiative	• The Centre has **designed a standard format for ration cards** and has asked state governments to follow the pattern while issuing fresh ration cards. • In a **step towards the launch of 'One Nation, One Ration Card'** by June 2020, Ministry of Consumer Affairs, Food and Public Distribution is working to **integrate 12 states on a single portability platform – Public Distribution System Network (PDSN)**. • It will enable beneficiaries of National Food Security Act (NFSA) **to purchase subsidized food grains from any fair price shop in these states.** • 'One nation, one ration card' scheme will let **ration card holders buy food grains anywhere in the country**. • **Ration cards are usually issued by states** and beneficiaries now has access to ration shop in issuing states alone.
Integrated Management of Public Distribution System	• The main objective of the scheme is to introduce **nation-wide portability of ration card holders** under National Food Security Act, 2013 (NFSA), through **'One Nation One Ration Card'** system. • It enables the migratory ration card beneficiaries to lift their entitled foodgrains from any Fair Price Shop (FPS) of their choice in the country by using their existing ration card issued in their home State/UT after biometric authentication on electronic Point of Sale (ePoS) devices installed at the FPSs.
Excess Buffer Stocks	• With food grain stocks held by Food Corporation of India (FCI) in the central pool has hit 6 year high, the Government plans to increase allocations to below-poverty-line (BPL) families. • The **major reasons** behind it are oversupply of food grains, lack of coordination between

	stakeholders, open ended procurement and no automatic liquidation rule.
Price Deficiency Payment Sytem	• Recently, Haryana decided to **bring more crops under Bhavantar Bharpayee Yojna (BBY)** scheme to ensure farmers of fair prices for their produce and emphasising on diversification of crops. o It is **Price Deficiency Payment scheme of Haryana** which aims to reduce farmer's risk of getting the low prices of these vegetables in the market by providing them a protected price. • Under **Price Deficiency Payment**, farmers are proposed to be **compensated for the difference between the government-announced Minimum Support Price (MSP) for select crops and their actual market prices.** • **Central Scheme 'Pradhan Mantri Annadata Aay SanraksHan Abhiyan' (PM-AASHA)** also has one of the component as **Price Deficiency Payment scheme** while other components include Price Support Scheme (PSS) and Pilot of Private Procurement and Stockiest Scheme (PPSS). • Other states having similar schemes include the **Bhavantar Bhugtan Yojana (BBY)** by **Madhya Pradesh** and the incentive given to **milk farmers** by **Karnataka.**

7.2.3. MARKET INTELLIGENCE AND EARLY WARNING SYSTEM PORTAL

Why in news?

Recently, **Ministry of Food Processing Industries (MoFPI)** launched **Market Intelligence and Early Warning System (MIEWS)** portal.

Reasons for price fluctuations

- Monsoon dependency, changing pattern of climate, cobweb phenomenon, distorted price support system (MSP), inadequate infrastructure etc.
    - **Cobweb phenomenon:** Agricultural products show "cobweb" phenomenon, wherein production responds to prices with a lag, causing a recurring cycle of rise and fall in output and prices. This reflects the behavior of farmers who base their sowing decisions on the prices observed in the previous period, and accordingly over- or under-produce crops, triggering price cyclicality.

Details

- It will provide **'real time monitoring'** of prices of **tomato, onion and potato** (TOP) and for simultaneously **generating alerts** for intervention under the terms of the **Operation Greens** (OG) scheme.
- It will **enable the government** to monitor the supply situation for timely market interventions and price stabilisation in case of a price crash during a glut.
- Portal will disseminate information related to TOP crops such as prices and arrivals, area, yield and production, crop calendars and crop agronomy, in an easy-to-use visual format.
- **Operation Greens** launched by MoFPI**,** with an outlay of Rs 500 crores, aims to **stabilize the supply of TOP crops** and to ensure availability of TOP crops throughout the country round the year **without price volatility.**

7.3. AGRICULTURAL MARKETING

7.3.1. AGRICULTURAL PRODUCE MARKET COMMITTEES (APMCS)

- Central government is impressing upon states to dismantle the Agricultural Produce Market Committees (APMCs) and move towards a better platform by adopting electronic National Agriculture Market (e-NAM) as **digital agriculture market** at national level will ensure that farmers get better price for their produce.
- **APMC** are established by the state governments in order to eliminate the incidences exploitation of the farmers by the intermediaries, where they are forced to sell their produce at extremely low prices.
    - All the food produce must be brought to the market and sales are made through auction.
- **e-NAM** is pan-India electronic trading portal for farm produce which aims to create unified national market for agricultural commodities by integrating existing APMC markets.
    - It was launched in 2016.

Additional Information

Agriculture Ministry to link eNAM with FPOs, warehouses	• With integration of **National Agriculture Market (eNAM)** with warehouse receipt, **trading can happen from the warehouse itself,** without the need to take goods to mandis.

	• Integration of FPOs with eNAM **enhances small farmers competitiveness and increase their advantage in emerging marketing system.**

7.3.2. FARMER PRODUCER ORGANISATIONS

- Recently, Cabinet Committee on Economic Affairs, approved scheme titled **"Formation and Promotion of Farmer Produce Organizations (FPOs)".**
- The **report of 'Doubling of Farmer's Income** (DFI)' has recommended formation of **7,000 FPOs by 2022** towards convergence of efforts for doubling the farmers' income.
- In **Union Budget 2019-20**, creation of 10,000 new FPOs over the next five years was announced.

What are Farmer Producer Organizations?

- The **concept of FPO begun during 2011-12** when a pilot project was launched where in 2.5 lakh farmers were roped into 250 FPOs. Based on its encouraging results it was extended to other areas.
- A **Producer Organisation** (PO) is a legal entity (company, a cooperative society etc.) formed by primary producers, viz. farmers, milk producers, fishermen, weavers, rural artisans, craftsmen.
- FPO is one type of PO where the **members are farmers**.
- Through formation of FPOs, the farmers will have better collective strength for **better access to quality input, technology, credit and better marketing access through economies of scale for better realization of income.**
    - Currently, there are over 5,000 FPOs in the country. 20% of these are struggling to be viable and 50% are in mobilisation stage only.
    - Only 45% of the small and marginal farmers are covered under institutional credit out of the 85% of S&M farmers.
- Some **challenges faced by FPOs** include difficulty in mobilising farmers, proper management, problems every incubation project faces, limited membership, policies, autonomy and credit restrictions without offering collateral etc.

7.3.3. CONTRACT FARMING

Why in news?

Tamil Nadu has become the **first State to enact a law on contract farming based on the lines of Model Contract Farming Act, 2018 of the Central Government.**

Details

- Contract farming is based on a **pre-harvest agreement** (or forward contracts) between the **buyers** (such as food processing units and exporters) and **producers** (farmers or farmer organisations).
- It is **under the Concurrent List**; however, Agriculture is under State list.
- Government has also exempted firms engaged in contract farming from the existing licensing and restrictions on stock limit and movement of foodstuff under the Essential Commodities Act, 1955,
- **Legislation related to Contract Farming in India**
    - In order to protect the interests of producers and sponsors of Contract Farming, the Ministry of Agriculture drafted **Model APMC Act, 2003**, which provided provisions for registration of sponsors, recording of agreement, dispute settlement mechanism.
        - ✓ Consequently, **some states had amended their APMC Acts** to provide for it but Punjab had a separate law on contract farming.
- Central government has put in place a **Model Contract Farming Act 2018**, which encourages state governments to enact clear contract farming laws in line with the model act.
    - It has been drafted as a **promotional and facilitative act** and is not regulatory in its structure.
        - Supreme court in its recent verdict has said farmers who carry out farming under a contract that obliges them to buy the seeds from a firm and sell the produce back to the same company is a consumer.
    - This status of a "consumer" now invokes all protections under the Consumer Protection Act, 1986 for the farmers practising contract farming.

Model Contract Farming Act, 2018
• The act lays special emphasis on **protecting the interests of the farmers**, considering them as weaker of the two parties entering into a contract.
• It **ensures buying of entire pre-agreed quantity**

from producer at fixed pre-agreed price and quality standards as per the contract.

- It includes **all categories of agronomic and horticulture crops, livestock, dairy, poultry and fishery**.
- **All services in the agriculture value chain**, including pre-production, production (including extension services) and post-production services, **are under its ambit.**
- It seeks to setup a **Contract Farming (Development and Promotion) Authority** at **state level** to ensure implementation and popularize contract farming among stakeholders.
- It provides for **Contract Farming Facilitation Group (CFFG)** at **village/Panchayat level** to take quick and need based decisions relating to production and postproduction activities.
- It provides for a **Registering and Agreement Recording Committee** at **local level** to register contracts.
- It provides for a **dispute settlement mechanism** at the lowest level possible for quick disposal of disputes arising out of the breach of contract or any provision of the Act.
- It promotes **Farmer Producer Organization (FPOs) / Farmer Producer Companies (FPCs)** to mobilize small and marginal farmers to benefit from scales of economy in production and post-production activities.
- It **bars the transfer of ownership of the farmer's land** to sponsor companies under all circumstances. It prohibits sponsors from raising permanent structures on farmer's land.
- It provides **farmers an alternative in cases where the procurement mechanism is ineffective**.
- Contract farming will remain **outside the ambit of respective Agricultural Produce Marketing Act** of the states/UTs. Buyers are also exempted from market fee and commission charges.
- **Limits of stockholding of agricultural produce will not be applicable** on produce purchased under contract farming.

7.4. AGRICULTURAL EXTENSION

7.4.1. PERFORMANCE OF SOIL HEALTH CARD SCHEME

- Soil Health Card scheme recently completed five successful years of implementation.
- Soil health and fertility is the basis for sustainable profitability of the farmers. **Using optimal doses of fertilizers and cropping pattern as per the scientific recommendation** is the first step towards sustainable farming.
- In India, the current consumption of Nitrogen, Phosphorus, and Potassium (NPK) ratio is 6.7:2.4:1, which is **highly skewed towards nitrogen** (urea) as against ideal ratio of 4:2:1.

About the scheme

- Under this, SHC is a printed report that a farmer will be handed over for each of his holdings.
- It is **provided to all farmers in the country at an interval of 2 years** to enable the farmers to apply recommended doses of nutrients based on soil test values to realize improved and sustainable soil health and fertility, low costs and higher profits.
- The scheme is being promoted by **Department of Agriculture, Cooperation and Farmers** welfare under Ministry of Agriculture and Farmers Welfare and implemented by respective Department of Agriculture in States & UTs.
- The cost of sampling, testing and reporting is borne by Central Government. It provides the sum to the state governments.
- Soil samples are tested with respect to **12 parameters:**
  - **Macro nutrients**: Nitrogen (N), Phosphorus (P), Potassium (K);
  - **Secondary nutrient**: Sulphur (S);
  - **Micro nutrients**: Zinc (Zn), Iron (Fe), Copper (Cu), Manganese (Mn), Boron (B);
  - **Physical parameters**: pH, EC (electrical conductivity), OC (organic carbon).
- Based on this, SHC provides two sets of fertilizer recommendations for six crops including recommendations of organic manures.
  - Farmers can also get recommendations for additional crops on demand.
- Under the scheme village youth and farmers up to 40 years of age are eligible to set up Soil Health Laboratories and undertake testing.
- Recent addition is the pilot project of **'Development of Model Villages'** which encourages sampling and testing of cultivable soil in partnership with the farmers.
  - Under the pilot, one village per block is adopted to collect soil samples at the level of individual farm holdings rather than at grid level.

Performance of the scheme

- **Coverage**: Around 22.5 crore SHCs have been distributed.
- **Increased yield:** As per the data from National Productivity Council (NPC), the scheme has facilitated decrease of use of chemical fertilisers by 8-10% while **enhancing the crop yield by 5-6%.**
- **Cost of cultivation**: Cost of cultivation decreased by 16-25% in **rice**, 10-15% in **oilseeds & Pulses**.
- **Savings in fertilizers**: In **rice**, savings of nitrogen was found to be around 20kg/acre; in **pulses**, it was 10kg/acre.

- **Soil analyzing capacity:** It has increased from 1.78 to 3.33 crore soil samples per annum in short period of 5 years.
    - Existing Soil testing labs (STLs) are being strengthened and new static and mobile STLs have been established, along with the Village level soil testing facilities (VLSTLs).

7.4.2. NEW WHEAT FROM IARI

- **Indian Agricultural Research Institute (IARI)** has released a new variety- **HD-3226 or Pusa Yashasvi**, for planting in the upcoming **rabi crop season.**
- Its yield is comparable to or higher than other wheat varieties.
- It also has **higher content of protein and gluten** (which contributes to strength and elasticity of the dough), apart from **more zinc.**
- The variety has also **high levels of resistance** against all major rust fungi — yellow/stripe, brown/leaf and black/stem.
- The new variety is also known for its **amenability to "conservation agriculture".**
    - Conservation Agriculture (CA) is a farming system that can prevent losses of arable land while regenerating degraded lands. It promotes maintenance of a permanent soil cover, minimum soil disturbance, and diversification of plant species.

Recent Crop/Horticulture Varieties From IARI
- **Pusa Basmati 1718:** Rice variety resistant to bacterial leaf scorch.
- **Pusa Sambha 1850:** A high yielding, non-basmati, medium slender grain, blast resistant rice variety.
- **Pusa Aditi:** Grape hybrid released for its commercial cultivation in NCR region
- **Pusa Sona:** Onion variety has been released apart from various other horticulture crops such as melons, cucumber, cauliflower etc.

7.5. LAND REFORMS

7.5.1. LAND ACQUISITION

Why in news?

Supreme Court clarified in a case related to Section 24(2) of **Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act 2013.**

More on news

- Section 24(2) of the Act provides for **lapse of proceedings** i.e. if land is acquired and compensation of the land is not paid within five years, acquisition process would lapse.
- **Court held that**
    - land acquisition proceedings will lapse only if there is a failure to take possession and failure to pay compensation.
    - Proceedings would not lapse if the government has deposited compensation in the government treasury.
    - landowners who refuse to accept compensation cannot press for cancellation of land acquisition.

About Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement act, 2013

- It provided for land acquisition as well as rehabilitation and resettlement by **replacing Land Acquisition Act, 1894.**
- The process for land acquisition involves a **Social Impact Assessment** survey, preliminary notification stating the intent for acquisition, a declaration of acquisition, and compensation to be given by a certain time.
- **Compensation** has to be up to **4 times the market value in rural areas** and 2 times the market value in urban areas.
- **Share in appreciated land value**: Where acquired land is sold to a third party for a higher price then, **40 % of the appreciated land value** (or profit) will be shared with the original owners.
- **Monitoring Committees** at the National and State Level to ensure that R&R obligations are met have also been established.
- **Caps on Acquisition of Multi-Crop and Agricultural Land**: To safeguard **food security** and to prevent arbitrary acquisition, the act directs States to impose limits on the area under agricultural cultivation that can be acquired.
- **Mandatory consent** of at least 70 % for acquiring land for public-private partnership (PPP) projects and 80 % for acquiring land for private companies.
- **Exemption**: The provisions of this act **shall not apply to acquisitions** under 16 existing legislations including the Special Economic Zones Act, 2005, the Atomic Energy Act, 1962, the Railways Act, 1989, etc.
- **Retrospective Operation**: To address historical injustice the, it applies retrospectively to cases where no land acquisition award has been made and in cases where the land was acquired five years ago but no compensation has been paid or no possession has taken place.

- **Return of Unutilised Land:** In case land remains unutilised after acquisition, the new Bill empowers states to return the land either to the owner or to the State Land Bank.
- **Special Safeguards for Tribal Communities and other disadvantaged groups:** No land can be acquired in Scheduled Areas without the consent of the Gram Sabhas. All rights guaranteed under such legislations as the PESA, 1996 and the Forest Rights Act 2006 are taken care of.

7.5.2. LAND POOLING

Why in news?

Recently, the Central Government notified the Delhi Development Authority's **Policy on Land Polling** to enhance economic opportunities and housing development in the city under Master Plan-21.

More on news

- **Land Pooling** is a land **acquisition strategy** where ownership rights of privately held land parcels are transferred to an appointed agency, with these land parcels being pooled as a result.
  - The agency uses some of the pooled land for infrastructure development and sale, while the rights to new parcels in the pooled land are transferred back to the original landowners in some proportion to their original property.
- It has been done in **Gujarat** under the mechanism of Town Planning Schemes (TPS) for developing the **Dholera Special Investment Region.**
- In **Andhra Pradesh**, land pooling has been done on a large scale for the development of its new capital city of Amaravati.

7.5.3. LAND LEASING

- **Land leasing** means a **contract between the landowner and cultivator**, who uses the landowner's land for agriculture and allied activities for a mutually agreed specified period.
- In India, land leasing was allowed only in some states and there too, the market is poorly developed. It leads to the following issues-
  - Landowners do not lease out land for **fear of losing possession** and thus keep changing the tenants.
  - Tenant farmers cannot avail the benefits of government schemes like credit and insurance.
- To review the existing agricultural tenancy laws of various states, the NITI Aayog had set up an **Expert Committee on Land Leasing** headed by **T Haque**.
  - It drafted a **Model Land Leasing law** which seeks to create security among landowners to lease-out agricultural land.
- However, land being a **state subject** many states are yet to adopt the model law. Also, some central departments had some reservations on it.
- **Potential of Land Leasing Framework in India** include productive use of land, social security to tenants, improve agricultural efficiency, promote occupational diversification and inclusive development.

Key provisions of the Model Land Leasing Act, 2016

- **Legalise land leasing** in all areas to ensure complete security of land ownership right for landowners and security of tenure for tenants for the agreed lease period.
- **Remove the clause of adverse possession of land** in various states' land laws as it interferes with free functioning of land lease market.
- **Automatic resumption of ownership** to the landowner, after the agreed lease period without requiring any minimum area of land to be left with the tenant even after termination of tenancy, as laws of some states require.
- **Terms of land lease** determined mutually by the landowner and the tenant without any fear on the part of the landowner of losing land right or undue expectation on the part of the tenant of acquiring occupancy right.
- **Access to institutional support** to all tenants including sharecroppers to access insurance bank credit and bank credit against pledging of expected output.
- **Promote investment in land improvement** by incentivizing tenants and entitling them to get back the unused value of investment at the time of termination of tenancy.
- **Resolution of Conflicts**- The cultivator and the owner can settle disputes between them using third party mediation or local governments.
  - The State governments would also constitute a **special Land Tribunal**, which shall be the final authority to adjudicate disputes under the model Act.

7.5.4. DIGITISATION OF LAND RECORDS

Why in news?

Recently, Ministry of Rural Development informed that about 90 per cent of villages in India have computerized the Records of Right (RoR) and about 53 per cent of survey maps showing boundaries and ownership of land have been digitized.

More on news

- **Telangana and Maharashtra top the list of states with 99% organization** of land records data followed by Andhra Pradesh at 98%.
- Along with **some States in the North East, Kerala at 43.24%** and **Jammu and Kashmir at 9.32%** are lagging behind in the organization of land records.
- **Maharashtra first state** to integrate its land records with the web portal of PM Fasal Bima Yojana (PMFBY)
  - PMFBY mandates **compulsory verification of land records** by ground-level agriculture officers or bank officers.
  - With this integration **farmers can access their land details online** at the enrollment centres and **physical verification** by these officers will be no longer needed.
  - It will **ensure better verification** and reducing instances of people insuring the same land parcel multiple times, hence **solving issue of over insurance.** It will also prevent insurance of ineligible people.

Land ownership in India

- **Land title** is a document that determines the ownership of land or an immovable property. Having a clear land title protects the rights of the title holder against other claims made by anyone else to the property.
- In India, **land ownership is determined through various records** such as sale deeds that are registered, property tax documents, government survey records, etc.
- However, **land titles in India are unclear** due to **various reasons** such as **legacy issues of the zamindari system, lack of unified legal framework** to implement policies between centre and state (land is a state subject) and **poor administration of land records.**
- This **has led to several legal disputes related to land ownership**, and affected the agriculture and real estate sectors and have highlighted the importance of having clear land titles, and a well organized digital land records system.

Government initiatives

- **Digital India Land Records Modernization Programme (DILRMP):** The main aims of DILRMP are to usher in a system of updated land records, automated and automatic mutation, integration between textual and spatial records, inter-connectivity between revenue and registration, to replace the present deeds registration.
  - The respective States/Uts would undertake the implementation of the programme with the financial and technical aid of the Department of Land Resources, under Ministry of Rural Development.
  - The unit of implementation will be the districts where all activities under the programme will converge.
- **Some state governments initiative to digitalise land records**
  - **Bhoomi project:** It was undertaken and developed by the State Government of Karnataka. It was done so in order to computerize all the records of the land in Karnataka.
  - **Bhudhaar:** This is an initiative of **by Andhra Pradesh.** Under this each land parcel will be given an 11-digit Bhudhaar number. It will help in easy identification of the details of the land parcel.
  - **Mahabhulekh:** It is initiative of Maharashtra government to issue digitally signed 7/12 and land record.

7.6. ALLIED AGRICULTURE

7.6.1. FISHERIES

Why in news?

The Memorandum of Agreement (MoA) was signed between the Department of Fisheries, Government of India, NABARD and the Government of Tamil Nadu for the implementation of **Fisheries and Aquaculture Infrastructure Development Fund (FIDF).**

Details

FIDF envisages creation of fisheries infrastructure facilities both in marine and inland fisheries sectors and augment the fish production to achieve the target of 15 million tonnes by 2020 set under the Blue Revolution.

- It provides **concessional finance** to the eligible entities, cooperatives, individuals and entrepreneurs for development of identified fisheries infrastructure.
- The National Bank for Agriculture and Rural Development (NABARD), National Cooperatives Development Corporation (NCDC) and all scheduled banks are **Nodal Loaning entities (NLEs)** to provide concessional finance under the FIDF.
- The Department of Fisheries, Ministry of Fisheries, Animal Husbandry and Dairying under the FIDF provides **interest subvention up to 3% per annum** for providing the concessional finance by the NLEs at the interest rate not lower than 5% per annum.

Additional Information

- Indian fisheries and aquaculture is an important sector of food production providing nutritional security, besides livelihood support and gainful employment to more than 14 million people.

- India is the second largest fish producer in the world with a total production of 13.7 million metric tonnes in 2018-19, of which nearly 65% is from inland sector (E.g. Caltas, Rohus, Mrigals etc.) and 35% is from the marine sector. (E.g. Oil sardines, tunas, crabs, marine algae etc.)
- Almost 50% of the total production is from culture fisheries and India's production constitutes about 6.3% of the global fish production.
- The sector accounts for around 10% of the total exports and nearly 20% of the agricultural exports of the country.

7.6.2. DAIRY SECTOR

Why in news?

Central government has made some changes in **Dairy Processing and Infrastructure Development Fund (DIDF) scheme**.

Details

- Government **increased the interest subvention** or subsidy on loans given to the dairy sector from 2 per cent to 2.5 per cent.
- The funding period of the scheme is revised (earlier 2017-18 to 2019-20: now 2018-19 to 2022-23) and the repayment period has been extended up to 2030-31.
- It also proposed to intensify the **Quality Milk Programme** for both cooperative and private sector with fund sharing basis to improve quality of milk.

Additional Information

- India ranks first in milk production since 1998 accounting for 20 per cent of world production and with milk production of 176.3 million tonne in 2017-18. India also has the largest bovine population in the world.
- A government initiative known as **Operation Flood (1970–1996)** helped India to boost its milk production. India's milk production has grown by over 10 times since 1950.
- According to **National Sample Survey Office's (NSSO) 70th round survey**, more than one-fifth (23 per cent) of agricultural households with very small parcels of land (less than 0.01 hectare) reported livestock as their principal source of income.
- As per **2018-19 Economic Survey**, of the total milk produced in rural areas around 52% is the marketable surplus.
    - Of this surplus, about 36% of the milk sold is handled by the **organized sector** (evenly shared by Co-operative & Private Dairies) and the rest by the **unorganized sector**.
- **Budget 2020** aims to double the country's milk processing capacity by 2025. (from 53.5 million tonne **to** 108 million tonne)
- In India milk production is growing by 6.4% during the last 5 years and has increased from 146.3 million tonnes (mt) in 2014-15 to 187.7 mt in 2018-19.

7.6.3. LIVESTOCK

Why in news?

Department of Animal Husbandry & Dairying, Ministry of Fisheries, Animal Husbandry and Dairying has released the 20th Livestock Census report.

Details

- It has been **conducted periodically since 1919-20** which covers **all domesticated animals** and its headcounts both **in rural and urban areas.**
- **20th Livestock Census** was conducted in **participation with all States and Union Territories.**
    - This census is a unique attempt as for the **first time** a major initiative has been take to **household level data through online transmission from the field.**
    - **National Informatics Centre (NIC)** has developed a **mobile Application software and was used for data collection** as well as online transmission of data from the field to the NIC server.
    - Census has been **designed to capture Breed-wise number of animals and poultry birds.**
- State-wise **Uttar Pradesh (UP)** has recorded **highest livestock population** in 2019 followed by Rajasthan, MP, West Bengal, Bihar, Andhra Pradesh, Maharashtra, Telangana, Karnataka and Gujarat.
- In terms of **cattle population**, **West Bengal** figured at the top followed by UP, MP, Bihar and Maharashtra.
- The Census is being conducted every **5 years.**
- **Trends in the Census**
    - The total Livestock population is 535.78 million in the country showing an **increase of 4.6%** over Previous Census.
    - Total Bovine population (Cattle, Buffalo, Mithun and Yak) is 302.79 Million in 2019 which shows an increase of 1.0% over the previous census.
    - The total number of cattle in the country is 192.49 million in 2019 showing an increase of 0.8 % over previous Census.

7.6.4. BEEKEEPING

Why in news?

Recently, **Beekeeping Development Committee** setup under the Chairmanship of **Bibek Debroy recommended to** recognize honeybees as inputs to agriculture and considering **landless beekeepers as farmers**.

Details

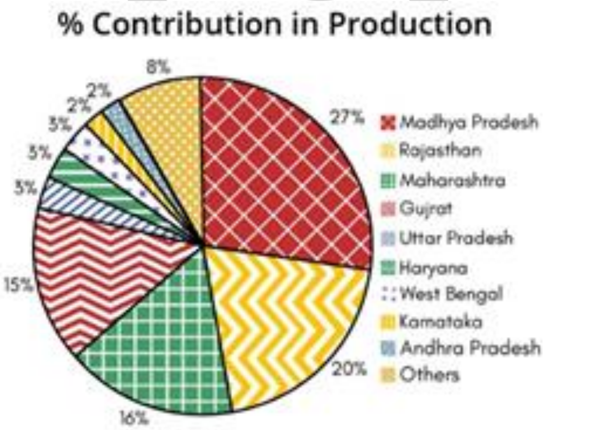
- India has **four major honey bee species**; two domesticated species Indian or Asian honey bee and European honey bee (introduced in India in 20th century) and two wild species- rock honey bee and dwarf honey bee.
- The primary products of beekeeping are **honey and wax, but pollen, propolis, royal jelly and bee venom** are also marketable primary bee products.
- In 2017-18, China ranked first in honey production with 551 thousand tonnes while India ranked eighth among the world countries with 64.9 thousand tonnes.
- In 2005, beekeeping has been included as a supplemental activity under **National Horticulture Mission (NHM).**
- There are multiple agencies like **ICAR, Khadi and Village Industries Commission (KVIC), National Bee Board (under Ministry of Agriculture)** etc. dealing with beekeeping.

7.6.5. EDIBLE OIL DEFICIENCY

- The Commerce ministry has asked the Agriculture ministry to prepare a **road map for India to attain self-sufficiency in edible oil production.**
- India imports most of its edible oils from **Indonesia and Malaysia.** Moreover, Malaysia has a duty advantage over Indonesia under the India-Malaysia Free Trade Agreement.
- Under the government's plan to **double farmers' incomes**, achieving **self-sufficiency in oilseeds production by 2030** is a major target.
- Also, the need for a **"zero edible oil import"** plan was discussed at an inter-ministerial meeting.

Status of edible oil in India

- Total **edible oil production** is just 7.31 million tonnes (mt). Estimated **demand** of edible oils in India is 24.5 mt.
- So, total edible oil **import** account for 65-70% of the domestic requirements. In early 1990s, it was less than 5%.
- India is third largest consumer of edible oil.
- Total edible oil **requirement by 2022** is estimated at 33.2 mt, assuming **per capita consumption** of about 22 kg per person a year, from 19 kg during 2015-16.
- **Palm oil forms a major share** of the edible oil imported as well as consumed by Indians. Other major oils are- Soybean Oil and Mustard oil.
- India is the **fourth largest oil seed-producing** country in the world after USA, China and Brazil. Currently, annual **oilseed production** from primary sources in India is around 34 mt.
- The **oilseeds accounts for 13% of the gross cropped area, 3% of the Gross National Product and 10% value of all agricultural commodities.**
- Major Oilseed producing states in India:
  - **Groundnut:** Gujarat (leading), Andhra Pradesh, Karnataka, & Tamil Nadu
  - **Mustard:** U.P (leading) Haryana, West Bengal &
  - **Soybean:** M.P (leading) & Maharashtra



7.7. FOOD PROCESSING

7.7.1. MEGA FOOD PARKS

Why in news?

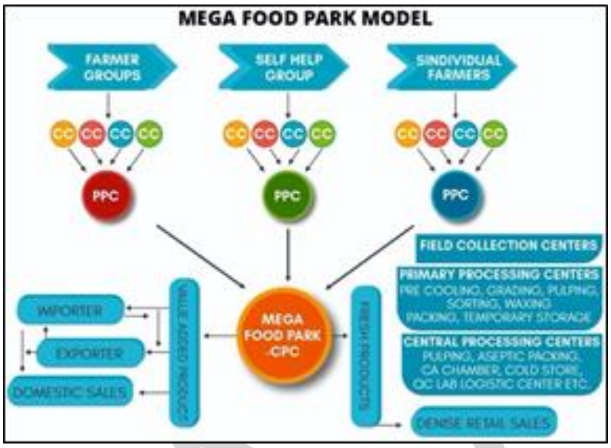
Recently, **Avantee mega Food Park** in Dewas (Madhya radish) was inaugurated. This is the **first food park** of central India.

- Introduced in 2008, the scheme aims at providing modern food processing infrastructure along the integrated value chain from farm to market with a **cluster-based approach.**

More on news

- It operates in **"hub and spoke model"** comprising Collection Centres (CCs) and Primary Processing Centres (PPCs) as spokes and a Central Processing Centre (CPC) as hub.
  - It includes creation of infrastructure for primary processing and storage near the farm in the form of PPCs and CCs and common facilities and enabling infrastructure like roads, electricity, water etc. at CPC.

- These PPCs and CCs act as **aggregation and storage points** to feed raw material to the processing units located in CPC.
- These are **demand-driven projects** and facilitate food processing units to meet environmental, safety and social standards.
- **MoFPI does not establish MFPs on its own** but assist Special Purpose Vehicle (SPV) registered under the Companies Act and State Government/State Government entities/Cooperatives to establish MFPs.
    - **Financial assistance** is provided as grant-in-aid @ 50% of eligible project cost in general areas and @ 75% in NE Region and difficult areas [Hilly States and Integrated Tribal Development Project (ITDP) areas] subject to a maximum of Rs. 50 crore per project
    - Government has so far approved 42 Mega Food Parks. However, only 18 MFPs have been operationalized.
    - Modern processing and preservation capacity of 23.02 Lakh MT & 63 PPCs with farm level infrastructure of 2.45 Lakh MT have been created so far in operational parks.



7.7.2. OTHER AGRICULTURAL NEWS

Agriculture Export Policy	• **Maharashtra, Uttar Pradesh, Kerala, Nagaland, Tamil Nadu, Assam, Punjab and Karnataka** have finalized the State Action Plan and **other States are at different stages of finalization** of the action plan for AEP. • State Action Plan includes all essential components like production clusters, capacity building, infrastructure and logistics and R & D and budget requirements for the implementation of AEP. • AEP aims to raise farmers income by **doubling agricultural exports** from present ~US$ 30+ Billion to ~US$ 60+ Billion by 2022. • **Agricultural and Processed Food Products Export Development Authority (APEDA)** is an apex statutory body under the Ministry of Commerce and Industry, responsible for the export promotion of agricultural products
Small Farmers' Agri-Business Consortium (SFAC)	• It is an Autonomous Society promoted by Department of Agriculture, Cooperation and Farmers Welfare, Ministry of Agriculture and Farmers Welfare, Govt. of India" • It's role is to aggressively promote agribusiness project development in their respective States. • **Management**: The Society is governed by Board of Management which is chaired, ex- officio, by Union Minister for Agriculture and Farmers Welfare as the President and the Secretary, Department of Agriculture, Cooperation and Farmers Welfare, Government of India, is the ex-officio Vice-President.
Information Network for Animal Productivity & Health (INAPH Project)	• It has been developed by the **National Dairy Development Board (NDDB).** o It is an IT application that **facilitates the capturing of real time reliable data on Breeding, Nutrition and Health Services** of all indigenous, nondescript, crossbred as well as exotic milch animals delivered at farmer's doorstep. • The objective is to **enable proper identification of animals and traceability of their products**.
International Conference on Agricultural Statistics	• It is a series of conferences that was started in 1998 based on comprehensive need for agricultural data all across the world. • It is conducted every three years based on overarching need for agricultural data worldwide. • The 2019 conference was held in New Delhi and was organized by the Ministry of Agriculture & Farmers Welfare. • Ministry of Statistics and Programme Implementation, FAO, Asian Development Bank, World Bank, Bill & Melinda Gates Foundation were partners of this conference. • The theme of the conference is **"Statistics for Transformation of Agriculture to Achieve the Sustainable Development Goals (SDGs)"**
1st ever National Agrochemical	• It is being organized by **Society of Pesticide Science India.** • It was formed as a National Society with its Headquarters at Indian Agricultural Research Institute, New Delhi.

s Congress	
Farmers Science Congress	• It was inaugurated for the first time in history of the Indian Science Congress. • Experts from the different agriculture sector discussed on **three themes**; Farmers innovation on integrated agriculture and entrepreneurship for doubling farmers income; Climate change, biodiversity, conservation, ecosystem services & farmers empowerment; and Agrarian distress and rural bio-entrepreneurship.
UN Decade of Family Farming	• Recently, the United Nations' Decade of Family Farming (2019-2028), was launched by the **Food and Agriculture Organization (FAO) and the International Fund for Agricultural Development (IFAD).** • As per the FAO, "Family farming is a means of organizing agricultural, forestry, fisheries, pastoral and aquaculture production which is **managed and operated by a family** and predominantly **reliant on family labour.**"
SUTRA PIC India Programme	• It stands for **Scientific Utilisation Through Research Augmentation-Prime Products from Indigenous Cows** • It is **inter-Ministerial funding program** to research on 'indigenous' cows. • It has been planned with the support of Ministry of Science & Technology along with Council of Scientific & Industrial Research, Ministry of Ayush, Ministry of New and Renewable Energy etc. • **It has various themes including:** uniqueness of Indigenous Cows, prime products from Indigenous Cows for: Medicine and Health, Agricultural Applications, Food and Nutrition, and prime products from indigenous cows-based utility items.
PM distributes Krishi Karman Awards	• Krishi Karman Awards were instituted by **Ministry of Agriculture** in year 2010-11 with an objective to **encourage and motivate the States to enhance production and productivity of crops**. ○ **3 for the states with highest foodgrains production** in 3 identified categories –large, medium and small producers; ○ **5 rewards one each for the highest production** under rice, wheat, pulses, coarse cereals and oilseeds. • **Oilseeds was added** under individual crops category since year 2013-14.

8. INDUSTRIAL POLICY AND ASSOCIATED ISSUES

8.1. MICRO, SMALL AND MEDIUM ENTERPRISES

Why in news?

The Government has approved changes to operational guidelines of the Interest Subvention Scheme to provide **a fillip to the sector.**

About Interest Subvention Scheme (ISS)

- It was launched in 2018 which **provides a 2% interest subvention on fresh or incremental loans** for all GST registered MSMEs having valid UAN.
- It aims at **encouraging both manufacturing and service enterprises** to increase productivity and provides incentives to MSMEs for onboarding on GST platform which helps in formalization of economy, while reducing the cost of credit.
- The Scheme will be in operation for a period **of two financial years FY 2019 and FY 2020.**
- **Small Industries Development Bank of India (SIDBI) is the national-level nodal implementation agency** for the scheme.

Background of MSME sector

- The sector contributes about 45% to **manufacturing output**, more than 40% of **exports** and over 28% of the **GDP**.
- MSMEs require low capital to start the business, but create **huge employment** opportunities for about 111 million people, which in terms of volume stands next to agricultural sector.

Definition of MSME		
Classification	Manufacturing Enterprise (Investment in Plant and Machinery)	Service Entreprise (Investment in Equipment)
Micro	Upto Rs. 25 lakh	Upto Rs. 10 lakh
Small	Above Rs. 25 lakh to 5 crore	Above Rs. 10 lakh to 2 crore
Medium	Above Rs. 5 crore to 10 crore	Above Rs. 2 crore to 5 crore

More related news

- Recently, the report of the **'Expert Committee on Micro, Small and Medium Enterprises'** under the chairmanship of **U.K. Sinha** was released by the Reserve Bank of India.
    - **Change in the definition of MSMEs**- from current investment based to **turnover-based definition,** as it would be more transparent, progressive, easier to implement. It will also remove the bias towards manufacturing enterprises in the existing definition.
- The new guideline **eases the settlement of claims and requirement of Udyog Aadhaar Number** (UAN).
    - Trading activities without UAN have been made eligible.

8.2. NATIONAL INVESTMENT AND MANUFACTURING ZONES (NIMZ)

Why in news?

Recently central government granted final approval to three NIMZs namely Prakasam (Andhra Pradesh), Sangareddy (Telangana), Kaliganganagar (Odisha).

About NIMZs

- The NIMZs are envisaged as **integrated industrial townships** with state of the art infrastructure, land use on the basis of zoning, clean and energy efficient technology, necessary social infrastructure, skill development facilities etc. to promote **world-class manufacturing activities.**
- At least **30% of the total land area** proposed for the NIMZ will be utilized for **location of manufacturing units.**
- The land for these zones will **preferably be waste infertile land not suitable for cultivation**, not in the vicinity of any ecologically fragile area and with reasonable access to basic resources.
- On receipt of final approval, the NIMZ will be declared by the State Government as an industrial township **under Article 243Q(1)** of the Constitution.
- **Central government provides external physical infrastructure linkages to the NIMZs** including rail, road, ports, airports and telecom, in a time-bound manner and also provides viability gap funding wherever required.
- The **State Government will constitute a Special Purpose Vehicle (SPV)** to discharge the functions specified in the policy.
- The SPV will prepare a strategy for the development of the zone and an action-plan for self-regulation to serve the purpose of the policy.
- The Department for Promotion of Industry and Internal Trade **(former DIPP) is the nodal agency** for NIMZ.

Difference between NIMZ and SEZ		
	NIMZ	SEZ
Origin	Under National Manufacturing Policy, 2011	Under SEZ Act, 2005
Minimum Area	5000 hectare	10-1000 hectare (depending on sector)
Maximum Area	Not specific	5000 hectare
Income tax exemption	To small and medium enterprises	100% for first 5 years, 50% for next five years
Environmental Impact Assessment	Provided by state government	By the project developer

8.3. STEEL SECTOR

8.3.1. INDIA BECOMES SECOND LARGEST STEEL PRODUCER OF CRUDE STEEL

- As per World Steel Association data, India became the **second largest steel producer** of crude steel **after China** in 2018 and 2019, by replacing Japan.
- India's crude steel production in 2018 was 109.3 MT (increase of 7.7% from 101.5 MT in 2017).
- Steel being a **deregulated sector**, the Government does not set any annual targets for steel production

8.3.2. MINISTRY OF STEEL ISSUES THE STEEL SCRAP RECYCLING POLICY

- It shall provide **standard guidelines** for collection, dismantling and shredding activities in an organized, safe and environmentally sound manner.
- The policy envisaged a **framework to facilitate and promote** establishment of metal scrapping centres in India.
- **Ferrous Scrap** is the primary raw material for Electric Arc Furnaces (EAF)/ Induction Furnaces (IF) based steel production.
    - This will ensure scientific processing and recycling of **ferrous scrap** generated from various sources and a variety of products.
- The Policy aims to support achieve the **target of 300 mn TPA Steel production capacity** of 2030 under the National Steel Policy, 2017 through contribution of **35-40$** from **EAF/ IF route.**

Steel Production Processes

- **Blast Furnace (BF)–Basic Oxygen Furnace (BOF):** Most of the major steel producers operate through the BF-BOF route. Blast furnaces **convert iron ore into hot metal (when further processed in liquid stage to steel) or pig iron (when solidified).**
- **Electric Arc Furnace:** The furnace can be operated with **100% scrap as input metal along with lime and dolomite, which are slag formers.** This greatly reduces the energy required to make steel when compared with primary steelmaking using iron ore.
- **Induction furnace (IF):** Initially IFs were **used for melting stainless steel scrap.** Since mid-eighties, these furnaces are used for mild steel production also. IF is one of the most cost-effective technique but the process lack in refining the steel.

Other Information

Steel Import Monitoring System	• **Ministry of Commerce and Industry** has developed this in consultation with **Ministry of Steel** on the pattern of US Steel Import Monitoring and Analysis (SIMA) system. • It will provide advance information about steel imports to govt. & stakeholders like steel industry & consumers for effective policy interventions. • It will be a single access point for all exporters, for all Free Trade Agreements (FTAs)/Preferential Trade Agreements (PTAs) and for all agencies concerned. • It will protect the domestic industry by clamping down the dumping of iron and steel imports, and also the over-and under-invoicing of these products.
Purvodaya Scheme	• **Ministry of Steel** in partnership with CII and JPC will launch this scheme. • The proposed Integrated Steel Hub, encompasses Odisha, Jharkhand, Chhattisgarh, West Bengal and Northern Andhra Pradesh. • It would enable swift capacity addition and improve overall competitiveness of steel producers both in terms of cost and quality. • **Joint Plant Committee (JPC)** is the only institution in the country, officially empowered by the Ministry of Steel to collect data on the Indian iron and steel industry. • As per the National Steel Policy 2017, government aims to develop a total steel production capacity of 300 million tonne by 2030-31, **where around 200 million tonne is envisaged from the five eastern states.**

8.4. TELECOM SECTOR

8.4.1. DISTRESS IN TELECOM SECTOR

Why in news?

Telecom sector in India is facing financial distress.

More on news

- India is currently the world's second-largest telecommunications market with a subscriber base of 1189.28 million (of which mobile telephone connections are 1168.32 million and landline telephone connections are 20.96 million).
- The overall tele density in the country is 90.23%. While the rural tele density is currently 57.01%, the urban tele density stands at 160.87%.
- However, despite these achievements, telecom sector is facing a severe financial distress and recent Supreme court's judgement has just aggravated the situation.
    - In a dispute between Department of Telecommunications and Telecom companies over the meaning of Adjusted Gross Revenue (AGR), the Supreme court has given a judgement in favour of government, according to which telecom operators will have to pay additional dues of over Rs 1.3 lakh crore.
- A committee headed by **Rajiv Gauba** has been setup to help the struggling telecom sector.
- **Challenges being faced by Indian Telecom sector include**- Tarrif war, low level of capital expenditure, large accumulated debts, limited spectrum availability, import dependence, high regulatory dues and high taxes.

Related Information

Adjusted Gross Revenue (AGR)	• Earlier, Supreme Court had upheld the definition of **Adjusted Gross Revenue (AGR)** as stipulated by the Department of Telecommunication (DoT).
	  ○ With this decision, telecom companies would have to pay over 1.47 lakh crore of AGR by 24th January.
	• Telecom sector was **liberalised under National Telecom Policy, 1994** after which licenses were issued to companies in return for a fixed license fee.
	  ○ To provide relief from steep fixed license fee, government in 1999 gave an option of **revenue sharing fee model.**
	• Under this, Telecom operators are required to pay licence fee and spectrum charges in the form of 'revenue share' to the Centre. The revenue amount used to calculate this revenue share is termed as the AGR.
	  ○ **According to the DoT**, the calculations should incorporate all revenues earned by a telecom company – **including from non-telecom sources** such as deposit interests and sale of assets.
	  ○ **Telecom companies** have been of the view that AGR should comprise the revenues generated from telecom services only and non-telecom revenues should be kept out of it.

National Broadband Mission	• The vision of the NBM is to **fast track growth of digital communications infrastructure, bridge the digital divide, facilitate digital empowerment and inclusion** and provide affordable and universal access of broadband for all.
	• The mission is part of the **National Digital Communications Policy, 2018.**
	• **Objectives of the Mission: It lays strong emphasis on the three principles of universality, affordability and quality and seeks to achieve the following objectives**
	  ○ Broadband **access to all villages by 2022.**
	  ○ Develop a **Broadband Readiness Index (BRI)** to measure the availability of digital communications infrastructure and conducive policy ecosystem within a State/UT.
	  ○ Creation of **a digital fiber map** of the Digital Communications network and infrastructure across the country.

K-Fon	• It is the Kerala government's project to provide free high speed Internet connection to over 20 lakh BPL families in the state. • The project envisages a State-wide optical fibre network to link houses and offices.

8.4.2. DCC APPROVES SPECTRUM AUCTION PLAN

Why in news?

Digital Communications Commission (DCC) has decided to accept the recommendations made by the Telecom Regulatory Authority of India (TRAI) on spectrum auctions.

More on news

- Auction of **8,300 megahertz of spectrum** will be done at a **reserve price of ₹5.23 trillion**.
  - Of the total spectrum available, **6,050 MHz will be available for 5G**, and the government has kept aside spectrum for BSNL and the Railways.
- However, most of the companies have expressed doubt on a healthy sale due to high reserve prices.
- **A spectrum auction** is a process whereby a government uses an auction system to sell the rights to transmit signals over specific bands of the electromagnetic spectrum and to assign scarce spectrum resources.
- **DCC is apex decision-making body of Department of Telecommunications (DoT)** which is responsible for:
  - Formulating the policy of DoT for approval of the Government;
  - Preparing the budget for the DoT for each financial year and getting it approved by the Government; &
  - Implementation of Government's policy in all matters concerning telecommunication.

8.5. TEXTILE INDUSTRY IN INDIA

8.5.1. HARMONIZED SYSTEM (HS CODE)

Why in news?

Khadi has been allocated a separate Harmonized System (HS) code by the Ministry of Commerce and Industry. The absence of a separate HS code hindered Khadi from achieving its full potential, as its exports were difficult to categorize and calculate.

About HS Code

- Harmonized System is **a six-digit identification code developed by the WCO (World Customs Organization)**.
  - It allows participating countries to classify traded goods on a common basis for customs purposes.
  - Customs organizations use this code to clear every commodity that enters or crosses any international border.
  - **India has 8-digit Indian Trade classification (HS) code** based on Harmonised System of Coding.
- WCO is an independent intergovernmental body whose mission is to enhance the effectiveness and efficiency of Customs administrations.

Related news

No Imports in 'Others' Category without HSN Code

- Every traded product is categorized **under a Harmonised System of Nomenclature code (HSN).** Imports termed 'others' do not have HSN codes and are often tagged along with parts and accessories of categorized goods.
- **Ministry of Commerce and Industry will impose high duty** on all products categorized as 'others' if they are not carrying the specific globally accepted HSN code.
- Now **importers will have to approach Ministry to seek HSN code within 30 days** from Directorate General of Foreign Trade
- **This measure will help government** to assess what is being imported country and ensure zero tolerance for substandard products and services.

8.5.2. TECHNICAL TEXTILES

- Cabinet Committee on Economic Affairs (CCEA) has recently approved the setting up of a **National Technical Textiles Mission** with a total outlay of ₹1,480 Crore.
- **Technical textiles (TT)** are textiles materials and products manufactured primarily for **technical performance and functional properties** rather than aesthetic or decorative characteristics.
  - **Other terms used for TTs** include industrial textiles, functional textiles, performance textiles, engineering textiles, invisible textiles and hi-tech textiles. They have been divided into **12 major segments** (see infographic).
  - **Advantages-** functional requirement, health & safety; cost effectiveness; durability; high strength; light weight; versatility; customization; user friendliness; eco friendliness; logistical convenience etc.
- They are used **individually or as a component/part of another** product to enhance its functional properties.
- They are not a single coherent industry and **market segment** is **diverse** and broad based.
  - Its usage is in diverse industries from aero space to railways to construction etc. and is developing in other industries also due to technological advances.
- Indian technical textiles segment constitutes around **6% of the $250 billion global technical** textiles market.

- The penetration level of technical textiles in India varies **between 5%-10% against** the level of 30% to 70% in developed countries.

Meditech	Mobiltech	Oekotech
Diapers, Sanitary Napkins, Disposables, Contact lens, Artificial Implants	Airbags, Helmets, Nylon Tyre Cords, Airline Disposables	Recycling, Waste Disposal, Environmental Protection
Packtech	**Protech**	**Sportech**
Wrapping Fabrics, Polyolefin, Women Sacks, Leno Bags, Jute Sacks	Bullet Proof Jackets, Fire Retardant Apparels, High Visibility Clothing	Sports Net, Artificial Turf, Parachute Fabrics, Tents, Swimwear
Agrotech	**Builtech**	**Clothtech**
Shadenets, Fishing Nets, Mulch Mats, Ant - hail Nets	Cotton Canvas Tarpaulins, Floor and Wall Coverings Canopies	Zip Fasteners, Garments, Umbrella Cloth, Shoe Laces
Geotech	**Hometech**	**Indutech**
Geogrids, Geonets, Geocomposites	Mattress and Pillow Fillings, Stuffed Toys, Blinds, Carpets	Conveyer Belts, Vehicle Seat Belts, Bolting Cloth

About the National Technical Textiles Mission

- The aim of the mission is to **position the country as a global leader in technical textiles** and increase domestic use as well.
- It envisages a domestic market size to **reach $40-50 billion by 2024**, which is valued at $16 billion presently.
- Mission Directorate will be operational in the **Ministry of Textiles.**

Additional Information

Project SU.RE	• It was launched by the Union Textile Minister, along with Clothing Manufacturers Association of India (CMAI), United Nations in India, and IMG Reliance. • Project SU.RE is **Indian apparel industry's largest commitment** to move towards **sustainable fashion.** SU.RE stands for **'Sustainable Resolution'** – that contributes to a clean environment. • It aims to **contribute to the UN Sustainable Development Goals 2030,** especially **SDG-12 for responsible consumption and production.** • It will address the needs of an **increasingly conscious consumer** who would prefer to buy from a brand that is environmentally conscious and **engages in environmental protection.**
Mandatory Packaging in Jute Materials	• The Cabinet Committee on Economic Affairs, has accorded its approval for mandatory packaging of **food grains and sugar** in jute material for the Jute Year 2019-20. • Government has retained the scope of mandatory packaging norms under the **Jute Packaging Material (JPM) Act, 1987** as per last year. • The JPM Act was enacted to protect the jute sector from the plastic packaging segment. • Under it, the government has mandated that **100% of the food grains** and **20% of the sugar** shall be mandatorily packed in **diversified jute bags.**
Pashmina Products receive BIS certification	• Recently, the Bureau of Indian Standards (BIS) has published an Indian Standard for identification, marking and labelling of **Pashmina products to certify its purity.** • The **Changthangi or Pashmina goat** is a special breed of goat indigenous to Ladakh. • They are raised for ultra-fine cashmere wool (which grows as a thick, warm undercoat on the goat), known as **Pashmina** once woven. • The textiles are handspun and were first woven in Kashmir. ○ The nomadic Pashmina herders (**called Changpa**) live in the hostile and tough terrain of Changthang and are solely dependent on Pashmina for their livelihood
Pahchan Card for Artisans	• It is an initiative of the Office of Development Commissioner (Handicrafts) under Ministry of Textiles to issue **Aadhar link identity card** to handicrafts artisans. • The **Pahchan card has an information of handicrafts artisans:** name & address, Aadhar Card number, mobile number and craft practiced

8.6. SUGAR INDUSTRY IN INDIA

Why in news?

The Union cabinet recently **approved the creation of a buffer stock of 4mt of sugar.**

More on news

- India is the **largest producer of sugar** including traditional cane sugar sweeteners, khandsari and Gur equivalent followed by Brazil.
- Broadly, there are two distinct agro-climatic regions of sugarcane cultivation in India, viz., tropical and subtropical.

  - **Tropical Sugarcane region**: It includes the states of Maharashtra, Andhra Pradesh, Tamil Nadu, Karnataka, Gujarat, Madhya Pradesh, Goa, Pondicherry and Kerala.
  - **Sub-tropical sugarcane region**: Around 55 per cent of total cane area in the country is in the sub-tropics. U.P, Bihar, Haryana and Punjab comes under this region.
- **Shifting trend of sugar industry to peninsular India-** Apart from Uttar Pradesh, in recent year **many peninsular states like Maharashtra, Karnataka, Tamil Nadu etc. have emerged as major producer of sugar** which has also caused sugar mill industries to shift to peninsular India.
- The **reason for this shift** is also due to better conditions available for cultivation in the peninsular part like- longer crushing period; adequate rainfall; higher recovery rates; higher sucrose content than northern India; easier transportation access due to port areas etc.

Sugarcane Pricing mechanism in India

- In India, the pricing of sugarcane is governed by the statutory provisions of the **Sugarcane (Control) Order, 1966** issued under the Essential Commodities Act (ECA), 1955
- There are mainly two prices for sugarcane
  - **Fair and Remunerative Price (FRP):** It is the cane price announced by the Central Government on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP) after consulting the State Governments and associations of sugar industry.
  - **State Advised Prices (SAP):** Citing differences in cost of production, productivity levels and also as a result of pressure from farmers' groups, some states declare state specific sugarcane prices called State Advised Prices (SAP), usually higher than the SMP/FRP
- This **dual sugarcane pricing** distorts sugarcane and sugar economy and leads to cane price arrears
- **High SAPs** without any linkage with the output price becomes unviable
- Industry association recommends to remove the system of SAP; in case states announce SAP, such price differential should be borne by the state governments.
- **Factors for fixation of FRP-** Cost of production of sugarcane ; Inter-crop price parity; Reasonable margins for the growers of sugarcane on account of risk and profits; Recovery of sugar from sugarcane price at which sugar is sold by sugar producers; Realization made from sale of by-products or their imputed value; Recovery of sugar from sugarcane; Price at which sugar is sold by sugar producers; Availability of sugar to consumers at a fair price

8.7. L2PRO INDIA

Why in news?

Department for Promotion of Industry and Internal Trade (DPIIT), launched the website and mobile application **L2Pro India (Learn to Protect, Secure and Maximize Your Innovation**) on Intellectual Property Rights (IPRs).

About L2Pro

- It has been developed by **Cell for IPR Promotion and Management (CIPAM)-DPIIT in collaboration with Qualcomm and National Law University (NLU), Delhi.**
- The modules of this e-learning platform will **aid and enable in understanding IPRs** for their ownership and protection, integrate IP into business models and obtain value for their R&D efforts.
- Learners will be provided **e-certificates by CIPAM-DPIIT and NLU Delhi and Qualcomm** on successful completion of the e-learning modules.

9. INFRASTRUCTURE

9.1. RAILWAYS

9.1.1. RAILWAY RESTRUCTURING

Why in news?

Recently, Union Cabinet approved organizational restructuring of the Indian Railways (IR).

Reforms include

- Unification of the existing 8 Group A services of the Railways into a Central Service called **Indian Railway Management Service (IRMS).**
- **Re-organisation of Railway Board** on functional lines headed by Chairman of Railway Board with four Members and some Independent Members.
    - Railway Board is the **apex decision-making body** of Indian Railways which reports to the Parliament via the ministry of railways.
    - It is organised into various departments like **mechanical, electrical, traffic and finance** that are vertically separated from the top to bottom.
    - A member of the board, usually a secretary rank officer, heads each department.
- The existing service of Indian Railway Medical Service (IRMS) to be consequently renamed as **Indian Railway Health Service (IRHS).**
- The **unification of services had earlier been mooted by various committees** for reforming Railways including – the Prakash Tandon Committee (1994), Rakesh Mohan Committee (2001), Sam Pitroda Committee (2012) and Bibek Debroy Committee (2015).

9.1.2. DEDICATED FREIGHT CORRIDORS (DFC)

Why in news?

Recently, the Dedicated Freight Corridor Corporation of India Ltd. (DFCCIL) opened the first section of WDFC, the Rewari- Madar section, for commercial trial runs.

Details

- DFC is a high-speed and high-capacity railway corridor **dedicated exclusively for freight (goods and commodity) movement.**
- The project was first proposed in April 2005 to **address the needs of the rapidly developing Indian economy.**
- Indian Railways' DFC project involves constructing **6 freight corridors across the country**. These are-
    - **Eastern Freight Corridor** (Ludhiana to Dankuni);
    - **Western Freight Corridor** (Dadri to Jawaharlal Nehru Port);
    - **East-West Corridor** (Kolkata-Mumbai);
    - **North-South Corridor** (Delhi-Chennai);
    - **East Coast Corridor** (Kharagpur-Vijaywada);
    - **Southern Corridor** (Chennai – Goa).
- **About DFCCIL**
    - It is a Special Purpose Vehicle set up under the administrative control of Ministry of Railways **to undertake planning & development, mobilization of financial resources and construction, maintenance and operation of the DFCs.**
    - It has been set up with 100% equity by Ministry of Railways and registered as a company under the Companies Act 1956.

Related news: World's second biggest Operation control centre for freight trains

- It is built at Prayagraj by DFCCIL.
- It will be the 'nerve-centre' of over 1,800 km-long **Eastern Dedicated Freight Corridor (EDFC).**

9.1.3. PRIVATE SECTOR IN RAILWAYS

Why in news?

Indian Railways has entered into **Procurement cum Maintenance Agreement** with Madhepura Electric Locomotive Pvt. Ltd. (MELPL), a joint venture of Indian Railways and M/s Alstom (France).

More on news

- A landmark agreement worth 3.5 bn Euro was signed to manufacture 800 electric locomotives for freight service and its associated maintenance.
- **Past attempts to attract private sector into IR-**
    - **Wagon Investment Scheme/Own Your Wagon Scheme** (1992) tapped private sector participation for augmenting wagon supply in IR. Private sector could procure wagons from approved builders, own them and lease them to IR
    - **Container Policy Liberalization Scheme** in 2006 allowed private players to run container trains on the IR network.

- **Special Freight Train Operator Scheme** (SFTO) Scheme in 2010 to provide an opportunity to logistic service providers to invest in specialized wagons.

- **Current status of FDI in IR-**
  - 100% FDI is allowed under automatic route in most of areas of railway like high speed trains, railway electrification, passenger terminal, mass rapid transport systems, railway infrastructure etc.
  - However, FDI are not allowed in train operations due to safety concerns

Other Related Information

- **Amitabh Kant Panel**- Ministry of Railways has constituted Amitabh Kant Panel to oversee the entry of private operators for 150 trains and development of 50 railway stations as per global standards.
  - Other members of the panel are- Railway board Chairman, Economic Affairs secretary, Housing and urban affairs secretary and Railways financial commissioner
- **Tejas Express**- These are India's first two private trains which will run on following routes- **Lucknow-Delhi-Lucknow corridor** and **Ahmedabad-Mumbai corridor**
  - Indian Railways' commercial tourism and catering arm, IRCTC has been given the task of operating two premium trains as a private entity

Additional Information

National Rail Transport Institute	• It is set up as a **deemed to be university** and has been operational since 2018. • **NRTI aims to develop interdisciplinary Centres of Excellence** which would be collaborative constructs to promote research and education to the transportation sector.
Railways' Operating Ratio	• As per CAG report, Railways' operating ratio of 98.44% in 2017-18 is worst in last 10 years. • A measure of expenditure against revenue, the ratio shows how efficiently the railway is operating and how healthy its finances are. • An operating ratio of 98.44% means that the railways spent Rs 98.44 to earn Rs 100
Cleanliness Assessment of Non-Suburban and Suburban Stations 2019	• Railway Minister released the **'Stations' Cleanliness Survey Report' (Cleanliness assessment of Non-suburban and Suburban Stations 2019).** • Railways have been conducting third party audit and cleanliness ranking of 407 major stations **annually since 2016**. • Top **three cleanest railways stations are from the western state of Rajasthan**- Jaipur, Jodhpur and Durgapura. • Top **three railway zones**- North Western Railway followed by South East Central Railway and East Central Railway.
Indian Railways starts procurement of power in Punjab under Open Access	• **Open access** allows large users of power typically having **connected load of 1 MW and above**- to buy cheaper power from the open market. • The idea is that the customers should be able to choose among many competing power companies-instead of being forced to buy electricity from their existing electric utility monopoly. • With the addition of Punjab in the portfolio of open access, Indian Railways is now taking about 1400 MW of power under open access in 11 states.
500 Passenger trains of the South-Central Railway (SCR) to get ISRO-enabled GPS	• The newly developed Real-time Train Information System (RTIS) help to monitor precise speeds and movements through the journey • It has been developed by the Centre for Railway Information System (CIRE). • The RTiS device uses GAGAN to transmit signal. • The Airports Authority of India (AAI) and Indian Space Research Organization (ISRO) have collaborated to develop the GAGAN as a regional Satellite Based Augmentation System (SBAS). • The GAGAN's goal is to provide a navigation system to assist aircraft in accurate landing over the Indian airspace and in the adjoining area and applicable to safety-to-life civil operations. • It is **inter-operable** with other international SBAS system

Indian Railways rationalizes Passenger Fares	• **Reasons to increase fare**
	  ○ To boost modernization of Indian Railways
	  ○ To expand passenger amenities and facilities at railway stations and trains
	  ○ To overcome the burden of 7th Pay Commission on

	Indian Railway • The last fare revision over Indian Railways was done in 2014-15. This was done to implement the **Fuel Adjustment Component (FAC)-linked tariff revision** introduced by the Railway Budget 2013-14
Indian Railways Institute of Financial Management	• It was inaugurated in **Hyderabad** to impart **professional training** in the management of **railway finances.**
Silver Line Project	• It is a proposal of the Kerala government that aims to connect major districts and towns with semi high-speed trains that will run on their own tracks. • Ministry of Railways have recently granted in-principle approval for the project.

9.2. SHIPPING

9.2.1. VADHAVAN PORT

Why in news

Cabinet gave in-principle approval for setting up a **Major Port at Vadhavan** in Maharashtra.

More on news

- A **Special Purpose Vehicle**, formed with **Jawaharlal Nehru Port Trust as lead partner**, will develop the port infrastructure. All business activities would be undertaken under **Public Private Partnership mode**.
- **Jawaharlal Nehru Port** is the **biggest container port in India** and the 28th largest in world.
- When ready, Vadhavan port is expected to be among the top 10 container ports in world.
- It has an **18m draft naturally available** and a **20m navigational channel also naturally available.**
- India has **12 major and 205 notified minor** and intermediate ports. Only two major ports, namely Jawahar Lal Nehru Port Trust (JNPT) (1989) and Ennore (Kamrajar) Port (1999), and 9 minor ports by state governments have been developed in the last 30 years.

9.2.2. MULTI-MODAL TERMINAL

Why in news?

Recently the second riverine multi modal terminal on River Ganga was inaugurated at **Sahibganj, Jharkhand**. The first has been built in **Varanasi** and was inaugurated in November, 2018.

More on the news

- **Inland Waterways Authority of India** is the **project Implementing Agency** for the project.
- Multimodal transport is the movement of good from point A to point B **using different modes of transport** by a single transport operator. It is an effective mode in a large and diverse country like India where an end to end delivery is a humongous task.
- The **Multimodal Transport Act** was passed by the Indian Parliament in 1993 to establish a standardized regime for the multimodal transport operators (MTOs).

India Ports Global Limited (IPGL)	• Government has approved exemption of IPGL from Department of Public Enterprises guidelines for smooth execution of Chabahar Port project. • IPGL was incorporated as a special purpose vehicle jointly promoted by Jawaharlal Nehru Port Trust and Deendayal Port Trust for development and management of Shahid Behesthi Port of Chabahar in Iran. • All the shares of JNPT & DPT were purchased by **"Sagarmala Development Company Ltd" (SDCL)** in December, 2018. o SDCL is a CPSE and therefore **IPGL being subsidiary of SDCL had also become a CPSE.** As a result, Guidelines of DPE were technically applicable on IPGL
Loktak Inalnd Waterways Project	• **Ministry of Shipping** has given approval for the development of **Loktak Inland Water Ways improvement project in Manipur** under the central sector scheme.

	• The project will develop the **Inland water transport connectivity** in North East States and give boost to the tourism sector also.
Draft	• The **draft** or draught of a ship's hull is the **vertical distance between the waterline and the bottom of the hull** (keel).
World's first CNG port terminal at Bhavnagar	• Bhavnagar port is located in the Gulf of Cambay on the West Coast of India. • **Bhavnagar port** is an all-weather direct berthing port for smaller vessels.
Port Management Models	• **Service Port model**- The port authority owns the land and all available assets—fixed and mobile—and performs all regulatory and port functions. Here, the **port trust is both the landlord and the cargo terminal operator**. • **Landlord port model**- The publicly governed port authority acts as a regulatory body and as landlord while **private companies carry out port operations**—mainly cargo-handling activities. E.g. Kamarajar Port. • Currently, most major port trusts in India carry out terminal operations as well, resulting in a **hybrid model** of port governance.

9.3. ROADWAYS

9.3.1. NHAI GETS CABINET NOD TO SET UP INFRASTRUCTURE INVESTMENT TRUST (INVIT)

- InvITs are **investment scheme similar to mutual funds** that allow investment from individuals and institutional investors in infrastructure projects to earn a portion of the income as return.
    - Such a model is more attractive for investors as it provides greater flexibility and they don't have to build an infrastructure project from scratch and is averse to construction risk.
- Under InvIT, highway projects will be bundled to form a **special purpose vehicle (SPV)** to be offered to investors. The SPV would then be traded on the stock exchanges, and returns will be linked to the InvIT's performance in the capital market.
- This will enable NHAI to monetize completed national highways that have a toll collection track record of at least one year and NHAI reserves the right to levy toll on the identified highway.
- NHAI's InvIT will be a **trust established under the Indian Trust Act, 1882** and Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014.

9.3.2. GOVERNMENT APPROVES HYBRID ANNUITY MODEL (HAM) FOR NATIONAL HIGHWAYS

- HAM is a hybrid- **a mix of EPC** (engineering, procurement and construction) and **BOT** (build, operate, transfer) Annuity models.
- The objective is the **maximize the quantum of implemented projects** within the available financial resources of the government and to **revive private sector participation** in the sector
- **Toll fee collection** from the highways projects developed under the hybrid annuity model is the responsibility of the Government/ Authority.

National Highways Authority of India	• It is an **autonomous agency** of Government of India set up by **NHAI Act, 1988**. • It is responsible for **the development, maintenance and management of national highways** and for matters connected to it. • NHAI is mandated to implement **National Highways Development Project** (NHDP) which is India's largest ever Highways Project in a phased manner.
Col Chewang Rinchen Setu	• India's highest altitude **all-weather permanent bridge**, was inaugurated in **eastern Ladakh.** • The 1400-ft -long bridge on **Shyok River**, situated at 14,650 ft. • The bridge's superstructure is called **'Extra Wide Bailey Bridge'**. • It is built by **Border Roads Organisation** in 15 months (started in 2017). It will reduce time of travel by nearly half. • For the first time in India, **micropiling technique** has been used for building this.
Common Mobility Card	• Delhi Govt's Common Mobility Card wins award for best intelligent Transport System Project • This card can be used by **people for travelling in metro trains, DTC and cluster buses.** • Similarly, **Ministry of Housing and Urban Affairs (MoHUA)** has

	launched the National Common Mobility Card (NCMC) in India, which can be used for all local travel in the country. • NCMC has 2 instruments on it- **a regular debit card** which can be used at an ATM, and a local wallet (**stored value account**), which can be used for contactless payments, without the need to go back to the server or additional authentication.
Nugen Mobility Summit	• Recently, the **NuGen Mobility Summit** was organized in Manesar, Gurugram by the **International Centre for Automotive Technology (ICAT)**. • The **objective** of the Summit was to **share new ideas, learnings, global experiences, innovations and future technologies** trends for the faster adoption, assimilation and development of advanced Automotive Technologies for a smarter and greener future. • **The ICAT**, located in Manesar, is an automotive testing, certification and R&D service provider under the aegis of NATRiP (National Automotive Testing and R&D Infrastructure Project), Government of India. • **NATRiP** is an initiative in Automotive sector, joining of hands between the Government of India, a number of State Governments and Indian Automotive Industry to create a state-of-the-art Testing, Validation and R&D infrastructure in the country.

9.3.3. ROAD SAFETY

Why in news?

3rd Global Ministerial Conference on Road Safety was hosted recently by Government of Sweden and WHO.

More on news

- The theme of the conference was **'Achieving Global Goals 2030'**. The outcome was **Stockholm declaration** which aims to drive progress towards **halving global road traffic deaths and injuries by 2030** under the UN Decade of Action 2011–2020.
- The objective of the conference is to bring **road safety on the global agenda** and renew the world community commitment to safer roads
- The Stockholm Declaration has been built on the **Moscow Declaration (of 2009)** and **Brasilia Declaration (of 2015)** and prior UN General Assembly and World Health Assembly resolutions.
    - India has **signed the Brasilia Declaration in 2015**, which committed the world community to reducing the number of deaths in road accidents.

Road Accidents in India	**It is an annual publication which reports on accidents, related deaths and injuries, calendar year-wise, based on information supplied by the Police Departments of States and UTs.** • The major findings of the Report are as follows- ○ **Road accidents** have increased marginally by 0.46% during 2018 as against 2017. ○ The number of people **killed on Indian roads** recorded a rise of 2.37% to 1.51 lakh in 2018. ○ **National highways** accounted for **30.2%** of the total road accidents and 35.7% of deaths in 2018. ○ **Over-speeding is a major killer,** accounting for 64.4% of the persons killed followed by driving on the wrong side of the road (5.8%), drunken driving (2.8%) and use of mobile phones (2.4%) India is the **most unsafe country** in the world for road users across 199 countries followed by **China and US**, as reported by the Geneva based World Road Federation's **World Road Statistics 2018**
3rd High Level Global Conference on Road Safety: Achieving Global Goals 2030	• Ministry of Road Transport and Highways represented India at a two-day Global Conference on Road Safety in Stockholm on February 19 and 20. • **The objective of the conference** is to bring road safety on the global agenda and renew the world community's commitment to safer roads Leaders from participating countries draw up a road map for reaching the goal of reducing road crashes by 2030 set under the **'UN Decade of Action 2011–2020'**.
Integrated Road Accident Database	• **IRAD is a central accident database management system.**

	• It will **help states and Centre to** ○ **comprehend information related to road accidents** ○ analyse causes of road crashes ○ devise safety interventions to reduce such accidents in the country. • IRAD will be a **comprehensive web-based IT solution** and will enable various agencies such as the police, PWDs, NHAI etc. to enter details on a road accident from different perspectives such as investigation, road engineering, vehicle condition etc. • It has been developed by **Indian Institute of Technology, Madras, and National Informatics Centre (NIC)** with the support of World Bank. It will be **initially launched in the six states** which have the highest number of road fatalities, such as Karnataka, Madhya Pradesh, Maharashtra, Rajasthan, Tamil Nadu and Uttar Pradesh
Motor Vehicle (Amendment) Act, 2019	• It provides for- ○ Compensation for road accident victims during golden hour. ○ Constitution of a **Motor Vehicle Accident Fund** to provide for compulsory insurance cover to all road users in India. ○ Sets up a **National Road Safety Board** that will advise the government on road design and motor vehicle safety. ○ Further it defines **good samaritans** and provides for **recall of vehicles**

9.4. ENERGY

9.4.1. EXPLORATION

9.4.1.1. MINERAL LAWS (AMENDMENT) ORDINANCE 2020

Why in news?

Cabinet approved promulgation of Mineral Laws (Amendment) Ordinance 2020.

More on news

- Ordinance will amend **Mines and Minerals (Development and Regulation) (MMDR) Act 1957** and **Coal Mines (Special Provisions) Act 2015** which provided for the captive mining with end-use restrictions for coal.
- Ordinance **lifted end-use restrictions** for coal mines to **end the captive mining** regime and opened the gates wider for private entry when the blocks are auctioned for commercial coal mining.
- The ordinance **allows any India-registered company** to bid and develop coal blocks. Earlier it was limited only to companies engaged in iron and steel, power and coal washing sectors. The **companies also needed prior experience** of mining to bid.
- The government had in February 2018 opened commercial coal mining to private sector. Further, it allowed captive coal miners to sell 25% of their output in the open market.
- While both these decisions technically ended state-run Coal India's monopoly on commercial coal mining, the situation on the ground did not reflect this as the private sector mostly stayed away from auctions.

Current situation of mining industry

- **Key to ensuring the country's energy and raw material security**: The mining industry serves as the base for the power sector, with around 72% of India's current power being generated through coal. Further, minerals are the basic building blocks of manufactured products and many agri-inputs.
- **Huge imports**: Despite having the world's fourth largest coal reserves, India imported 235 million tonnes (mt) of coal last year, of which 135mt valued at ₹171,000 crore could have been met from domestic reserves.
- **Declining contribution to GDP, foreign investment:**
  - The industry's share in India's GDP (in real terms) was a low 2.6% in 2018-19, down from 3.0% in 2011-12.
  - FDI inflow in the sector declined from 2.1% of India's total FDI inflow in 2014-15 to 0.5% in 2018-19.
- **Underdeveloped relative to its enormous potential**: Reduced demand for power from conventional sources, decreased growth in cement, iron and steel sectors; and approval processes resulted in a scenario, where, even if mines were allotted, the extraction of minerals would be limited thereby resulting in stagnation of development of mines.

Illegal Mining	• According to report by the Confederation of Indian Industry (CII): ○ **Lack of clarity on the definition of illegal mining** as well as **delays in obtaining environmental and forest**

	clearances (EC and FC) serve as major impediments to the development of the sector. ○ Also, **States have been holding back renewal of leases for mines** over unpaid penalties for illegal mining, and this is likely to cause disruption in mineral supply. • **Mines and Minerals (Development and Regulations) (MMDR) Act 1957** is the governing law for all mining activities. However, it does not deal with environmental and forest clearances (EC and FC). ○ There is lack of clarity on whether the Act should deal with violations in environment norms, which are dealt by separate laws. ○ In August 2017, the Supreme Court had ruled that a mining operation conducted in violation of environment and pollution laws would also count as illegal mining. • **The report suggests that** Illegal mining (which is defined in the Act) should include mining outside the lease area, whereas violations in EC and FC terms should only be dealt with the Environment Protection Act, 1986 and the Forest Conservation Act, 1980.
Mineral Policy 2019	The National Mineral Policy 2019 includes provisions which will give boost to mining sector such as • introduction of Right of First Refusal for RP/PL holders, • encouraging the private sector to take up exploration, • auctioning in virgin areas for composite RP cum PL cum ML on revenue share basis, • encouragement of merger and acquisition of mining entities and transfer of mining leases and creation of dedicated mineral corridors to boost private sector mining areas. • The 2019 Policy proposes to grant status of industry to mining activity to boost financing of mining for private sector and for acquisitions of mineral assets in other countries by private sector • It also mentions that Long-term import-export policy for mineral will help private sector in better planning and stability in business • The Policy also mentions rationalize reserved areas given to PSUs which

	have not been used and to put these areas to auction, which will give more opportunity to private sector for participation • The Policy also mentions to make efforts to harmonize taxes, levies & royalty with world benchmarks to help private sector
Compulsory re-grassing after mining	• Supreme Court ordered government to include re-grassing of mined areas as a mandatory condition in every mining lease, environmental clearance and mining plan. • It is observed that mining results in a complete elimination of grass in the area, which results in denial of fodder to herbivores.

9.5. COMMERCIAL COAL MINING

Why in news?

India will now offer coal mines to private companies '**only for commercial mining and sale purpose**', thereby moving away from the earlier regime of offering mines for captive use.

More on news

- Captive coal blocks produced **only 25.1 million tonne (MT) in 2018-19,** much lower than the peak output of 43.2 MT in 2014-15 when the Supreme Court had cancelled the licences of 204 such coal mines.
- **Captive mining could not achieve desired results** as it presumed that power producers, steel makers and others have the expertise and inclination for mining.
- Also, it prevented **economies of scale**.
- Now, the coal ministry will auction coal blocks for commercial mining on a **revenue sharing basis** and proposes to announce incentives for faster production. To incentivize bidders to begin early, the government proposes to offer up to 20% deduction in its revenue share.
- This will be the first auction **outside the reverse bidding model** since the mass cancellation of blocks by the Supreme Court. The revenue sharing model is based on recommendations of an expert committee headed by former Central Vigilance Commissioner **Pratyush Sinha**.
    - In a reverse auction, the buyer puts up a request for a required good or service. Sellers then place bids for the amount they are willing to be paid for the good or service, and at the end of the auction the seller with the lowest amount wins.

Coal Sector in India

- India is the third-largest producer of coal in the world, but also third-biggest importer of coal.
- Coal accounts for around **70% of the country's power generation**, and the move for energy security through assured coal supply is needed.
- To ensure this, coal mining was **nationalised in 1973** by Coal Mines (Nationalisation) Act, 1973.
- Following nationalisation, **only state-owned CIL was allowed to sell coal**. And even till recently, private sector firms were only allowed to mine coal for use in their cement, steel, power and aluminium plants i.e. for their **captive (own) use**. So, CIL, was so far the lone commercial miner in the country and accounts for 84% of India's coal output.
- **From 1993-2014, 204 coal mines/blocks were allocated** to the various government and private Companies under the provisions of Coal Mines (Nationalisation) Act, 1973. However, these allocations were often **tainted with corruption and large kickbacks.** So, in the backdrop of **C&AG report**, alleging loss of 1.85 lakh crore to exchequer, Supreme Court of India **cancelled these allocations in 2014**.
- Enabling provisions have been made in the **Coal Mines (Special Provisions) Act, 2015** for allocation of coal mines by way of **auction and allotment** for the sale of coal.
- **Prior to the enactment of Coal Mining (Special Provisions) Act in 2015**, coal mines were **never given out through bidding**. Companies in sectors like steel, cement, power, coal-to-gas and coal-to-liquid used to apply for coal blocks and rights were given to them after scrutiny by an inter-ministerial committee.
- Recently, the Government **allowed 100 per cent Foreign Direct Investment (FDI) under the automatic route in coal mining and associated infrastructure** to help attract international players to create an efficient and competitive coal market.
    - Presently, 100 per cent FDI under automatic route is allowed in coal and lignite mining for captive consumption in power projects, iron and steel and cement units.
    - Now, the same has been allowed for sale of coal and mining, including associated processing infrastructure such as coal washery, crushing, coal handling, and separation (magnetic and non-magnetic).

Related News: Prakash Portal

Recently, the Union Government launched PRAKASH (Power Rail Koyla Availability through Supply Harmony) portal.

- The Portal aims at **bringing better coordination for coal supplies among all stakeholders** - Ministry of Power, Ministry of Coal, Coal India, Railways and power utilities.
- The Portal is **developed by NTPC** and sources data from different stakeholders such as Central Electricity Authority (CEA), Centre for Railway Information System (CRIS) and coal companies.
- The Portal is designed to help in **mapping and monitoring** entire coal supply chain for power plants.

9.6. GAS ECONOMY

9.6.1. GOVERNMENT APPROVES VGF FOR NORTH-EAST GAS GRID PROJECT

- Cabinet Committee on Economic Affairs approved the **Viability Gap Funding (VGF)** of 60% of estimated cost for project to build 1,656 km **North East Gas Grid (NEGG) project.**
    - VGF provides financial support in form of **grants, one time or deferred, to infrastructure projects undertaken through PPPs** with a view to make them commercially viable.
- **NEGG project** is being implemented by **Indradhanush Gas Grid Limited (IGGL)**, a Joint Venture company of five CPSEs (GAIL, IOCL, ONGC, OIL and NRL).
    - It will **cover 8 states** of the North-Eastern region.
    - It will **enhance availability of natural gas in North East** and ensure uninterrupted supply of natural gas to industries, domestic consumers and for transport purposes to establish a clean fuel led economy.
- NEGG is part of government's larger **National Gas Grid Project** which aim to **remove regional imbalance** within country with regard to access of natural gas and provide clean and green fuel throughout country.
- It is a part of **"Hydrocarbon Vision 2030 for North-East India"** which outlines steps to leverage the hydrocarbon sector for social and economic development of the north-east region.

Additional Information

City Gas Distribution (CGD) Networks	• **CGD network** is interconnected network of pipelines to make supply of natural gas to domestic, industrial or commercial premises and CNG stations in specified Geographical Areas. • It is part of India's attempt to cut carbon footprint by raising share of gas in energy basket from 6% to 15% by 2023. • Draft Policy **suggests standardised charges and time-bound permission for setting up CGD networks,** conversion of public transport fleet to CNG, creation of green corridors for inter-city traffic and fiscal incentives for gas-driven mobility. • Under the Petroleum and Natural Gas Regulatory Board (PNGRB) Act 2006, PNGRB grants the authorization to the entities for developing a City Gas Distribution (CGD) network (including PNG network) in a specified Geographical Area (GA) of the country. • **CGD sector has four distinct segments** – Compressed Natural Gas (CNG) predominantly used as **auto-fuel** and Piped Natural Gas (PNG) used in **domestic**, **commercial** and **Industrial segments.**
Saksham	• It is an annual one-month long, **people-centric fuel conservation mega campaign** of Petroleum Conservation Research Association (PCRA). • PCRA is a registered society set up under the aegis of Ministry of Petroleum and Natural Gas. As a non-profit organization, it is a national government agency engaged in promoting energy efficiency in various sectors of economy.

9.6.2. METHANOL ECONOMY

Why in news?

Recently, the need for **methanol economy** was taken up in the Indo-US talks

About Methanol

- It is known as wood alcohol, it is colourless, obtained both naturally and artificially, biodegradable, flammable, poisonous, and renewable source of energy.
- It is a single carbon compound made from the destructive distillation of wood and also produced from coal, natural gas, biomass (i.e. products which are capable of producing syngas),
- **Use:** in organic synthesis, as a fuel, solvent, and antifreeze.
- Certified as fuel by Bureau of India Standards 2016.
- The gaseous version of Methanol – DME (Dimethyl ether) can be blended with LPG
- **Government Initiatives**
    - Efforts have been initiated towards Policy which calls for 15% blending of methanol in petrol.
    - Coal India Limited (CIL) has unveiled its plan to set up a coal based methanol plant in West Bengal.
    - India has successfully converted a two wheeler engine, a Genset, power weeder (agriculture equipment) and is in process of converting many internal combustion engines to Methanol, including railways and marine.
- **NITI Aayog Road Map for Methanol Economy**
    - **Methanol Economy Fund**- has been created with a corpus of 4,000-5,000 crore to promote production and use of the clean fuel.
    - **Waste-to-Energy:** Promoting use of \agricultural stubble, Stranded Gas & Municipal Solid Waste etc. for methanol production can give almost 40% of methanol production. It will also complement Swachh Bharat Mission.
    - **Increasing the use in Transportation:** Methanol economy concept can be capitalised by automobile companies under Make in India initiative. This will result in greater FDI flow and increase in Employment.

9.7. POWER CONSUMPTION IN INDIA

- **Highest per capita consumption** in 2018 is in **Dadra and Nagar Haveli** at 15,179 kWh, which is followed by the states of Gujarat, Haryana, and Punjab.
- **Lowest per capita consumption** is in **Bihar**, followed by Assam, Nagaland, Manipur and Tripura.

Fuel	MW	% of Total
Total Thermal	2,30,701	62.8%
Coal	1,98,495	54.2%
Lignite	6,760	1.7%
Gas	24,937	6.9%
Diesel	510	0.1%
Hydro (Renewable)	45,699	12.4%
Nuclear	6,780	1.9%
RES* (MNRE)	86,759	23.5%
Total	**369,428**	

9.7.1. SMART METERS

Why in news?

Ministry of Power has asked state electricity regulators to come up with **discounted tariffs for users subscribing to smart prepaid meters** and provided 6 months for implementing its directive.

Smart Meters

- They are part of **advanced metering infrastructure solution** that measures and records electricity use at different times of the day and send this information to energy supplier.
- They allow **two-way communication**, between energy providers and consumers of electricity.
- It reduces the operational costs of energy companies by improved billing.
- For consumers, it would **allow consumers to pay at their own convenience**, requirement and consumption.

Initiatives taken to promote smart meters

- Last year, **Ministry issued guidelines** to all States to convert all existing consumer meters into "smart meters in prepaid mode."
- **UDAY scheme** has provision for installing the smart prepaid meters.
- Also, **National Electricity Policy, in 2005**, had stated that state electricity regulators should encourage use of pre-paid meters.

9.7.2. MUST RUN STATUS

Why in news?

An expert group reviewing IEGC has asserted that **renewable energy power plants** (Wind, solar, wind-solar hybrid etc.) **shall be treated as "must run"** and electricity from these plants shall not be curtailed for any commercial reasons.

More on news

- A 'must run' status means that concerned power plant must supply electricity to grid under all conditions.
- Renewable sector was previously **accorded a 'must run' status in the 2010 IEGC**, despite which states like Tamil Nadu and Andhra Pradesh have curtailed electricity from such sources citing high cost.
- The group has **added new codes in the latest IEGC draft** –
  - **Protection and Commissioning code**, which entails a centralised database containing details of relay setting for grid elements, and
  - **Cyber Security code**, which provides for identification of critical information infrastructure.
- IEGC is a regulation **made by the Central Electricity Regulatory Commission (CERC)** under Electricity Act, 2003.
- The IEGC lays down the **mandatory rules, standards, guidelines** to be followed various persons and participants in power system **to plan, develop, maintain and operate the power system.**

9.8. RENEWABLE ENERGY

9.8.1. WIND ENERGY

- As of January 2020, the total installed wind **power capacity in India was 37.607 GW**.
- India has the **4th largest installed capacity in wind power** after China, U.S and Germany.
- India has high **wind energy potential — 302 GW at 100 metres hub height** and 695 GW at 120 metres according to National Institute of Wind Energy (NIWE).
- **Tamil Nadu has the highest wind energy capacity** followed by Gujarat, Maharashtra, Karnataka, Rajasthan and Andhra Pradesh.
- In 2015, India announced an ambitious goal of installing 60 GW of wind energy by December 2022.
- Wind energy sector in India is facing a grim future. Due to the stagnation in its very promising growth trajectory, the sector has virtually come to a standstill, with an **annual installation of less than 1,500 MW** in 2018.

Break up of Renewable Energy Installed Capacity as on 31.01.2020 (in MW)
- Small Hydro Project (≤ 25MW):4676.56MW
- Biomass Power: 9861.31 MW
- Waste to Energy: 139.80 MW
- Wind Power: 37607.70 MW

- Solar Power: 34035.66 MW
- **Total Capacity: 86321.03 MW**

9.8.2. ULTRA-MEGA RENEWABLE ENERGY PARKS

Why in news?

The Ministry of New and Renewable Energy (MNRE) aims to set up Ultra Mega Renewable Energy (RE) Parks of a total of 50 GW in Gujarat and Rajasthan.

More on news

- The initiative could be the **one of the largest renewable energy investment** programmes in the **world.**
- **Khavada in Gujarat and Jaisalmer in Rajasthan** have been identified for RE parks of 25,000 megawatt (25GW) each.
- **Land would be made available** for setting up **solar, wind and wind hybrid plants** and the proposed parks would have received **necessary clearances** of the respective state governments and the Ministry of Defence.
- MNRE has undertaken a scheme to develop **UMREPPs under the existing Solar Park Scheme.**
- The **objective of the UMREPP** is to provide land upfront to the project developer and facilitate transmission infrastructure for developing RE based UMPPs with solar/wind/hybrid and also with storage system, if required.
- The **implementing agency** of the UMREPPs may be a **Special Purpose Vehicle (SPV)** in form of a Joint Venture Company (JVC) to be set up between Central Public Sector Undertaking (CPSU) and any State Public Sector Undertakings (SPSU) or State Utility or Agency of the State Government or a SPV fully owned by any CPSU or a SPV fully owned by any State PSU / State Utility / Agency of the State Government.
- NTPC, SECI, NHPC, THDC, NEEPCO, SJVNL, DVC, NLC and PFC have proposed to set up UMREPPs of around 42,000 MW in various states.

Ultra Mega Solar Power Projects: The scheme envisages setting up at least 25 Solar Parks and Ultra Mega Solar Power Projects, **each with a capacity of 500 to 1000 MW,** targeting over 20,000 MW of solar power installed capacity within a span of 5 years starting from 2014-15.

9.8.3. 11TH RENEWABLE ENERGY MANAGEMENT CENTER (REMC) INAUGURATED

Why in news?

Northern Region Renewable Energy Management Centre (NR-REMC) was inaugurated taking total REMCs to eleven.

More in news

- REMCs were set up as part of the **Green Energy Corridor (GEC) project**, which was aimed to integrate renewable energy into the National Grid Network.
- This was introduced as accelerated RE penetration poses challenges to the grid management due to intermittent and variable nature of RE generation.
- REMCs are **equipped with Artificial Intelligence based RE forecasting** and scheduling tools and provide greater visualization and **enhanced situational awareness to the grid operators.**
- Presently, 55 GW of Solar and Wind energy is being monitored through the eleven REMCs.
- Government had approved implementation of REMCs as a **Central Scheme and had mandated POWERGRID, a Maharatna CPSE under Ministry of Power as Implementing Agency.**

9.8.4. RENEWABLE ENERGY INDUSTRY PROMOTION AND FACILITATION BOARD (REIPFB)

Why in news?

Ministry of New and Renewable Energy (MNRE) has decided to constitute **REIPFB.**

More on news

- **It will deal with challenges and issues** being faced by Renewable Energy (RE) sector due to:
  - Payment delays by state distribution companies,
  - Increasing curtailment of projects
  - Renegotiation of power purchase agreements (PPAs) by states
  - Difficulties in land procurement and transmission connectivity.
- **Terms of Reference of REIPFB:**
  - To provide **assistance to Industry** in project development and implementation;
  - To suggest for **enhancing ease of doing business,** increasing confidence of

investors and reducing risks and problems of RE sector;
    - To **liaise with various state governments** and authorities to ensure smooth implementation of RE projects;
    - To **liaise with various financial institutions** to enhance access to easy finance.
- REIPFB will be **chaired by Joint Secretary (solar)** and have two other joint secretaries of MNRE as members. It will also have representatives from Central Electricity Authority, Central Electricity Regulatory Commission, NTPC etc.
- A **portal** will be developed by MNRE to **receive all grievances** from sector

9.8.5. RENEWABLE HYBRID ENERGY SYSTEMS

Why in news?

India recently conducted two auctions for wind/ solar hybrid projects.

More on news

- Hybrid energy system usually comprises of **two or more renewable energy sources combined** in such a way to provide an efficient system with appropriate energy conversion technology connected together to feed power to local load or grid.
- **Various types of Hybrid Renewable Energy Systems include:** Biomass-wind-fuel cell, a photovoltaic cell array coupled with a wind turbine, hydro-wind energy system etc.
- Hybrid energy systems are inclined towards providing **customized power solutions** according to the **diverse needs of the customer.** They were devised to overcome the constraints of standalone systems and fulfil the need for a reliable power source.
- They are **beneficial in terms** of reduced line and transformer losses, reduced environmental impacts, increased system reliability, improved power quality and increased overall efficiency.
- Hybrid energy systems often yield **greater economic and environmental returns** than wind, solar or geothermal **stand-alone systems**.

9.8.6. RENEWABLE ENERGY CERTIFICATES SALES DOWN

Why in news?

Due to lower supply, sales of REC fell around 10% as compared to the same month a year ago.

Details

- REC mechanism is a **market- based instrument** to promote renewable energy (RE).
    - It was launched as a means for companies and states to purchase RE without physically setting up renewable power plants.
    - Project developer can sell the energy produced as REC. **One REC represents 1 MWh of power produced from a renewable energy source** and is **tradable at power exchanges** (Indian Energy Exchange and Power Exchange of India**).**
- **It also aims to address the mismatch** between availability of RE resources in state and the requirement of the obligated entities to meet the **Renewable Purchase Obligation (RPO)**.
    - Under **RPO-** notified under the **National Tariff Policy**,2006- it is obligatory for state-owned distribution companies, open-access consumers and captive power producers to meet part of their energy needs through green energy.

9.8.7. POWER PURCHASE AGREEMENTS

Why in news?

Recently, various states have been working to renegotiate the **Power Purchase Agreements (PPAs)** with the renewable energy companies.

Details

- A **Power Purchase Agreement** (PPA) is a contract between two parties, one who generates electricity and one who is looking to purchase electricity.
    - These define all of the commercial terms for the sale of electricity between the two parties, including when the project will begin commercial operation, schedule for delivery of electricity, penalties for under delivery, payment terms, and termination.
- In India, the state governments have entered into such agreements with private renewable energy companies to establish the power plant and sell the power back to the government.
    - With PPAs in place, India can boost renewable energy generation in the country and incentivise the global renewable energy companies to invest by giving them policy certainty about purchase of power.

9.8.8. BEE NOTIFIES NEW ENERGY PERFORMANCE STANDARDS FOR AIR CONDITIONERS

- The **24-degree Celsius default setting has been made mandatory** from Jan 1, 2020 for all room air conditioners (RAC) covered under the ambit of Bureau of Energy Efficiency (BEE) star-labelling program.
    - **Star-labelling program** seeks to provide consumer an informed choice about energy saving and thereby the cost saving potential of the marketed household and other equipment.
    - The scheme targets display of energy performance labels on high energy end use equipment & appliances and lays down **minimum energy performance standards**.
    - It is mandatory for all RACs along-with LED lamps, Color TV, Electric Geysers etc.
- Additionally, standards for **Indian Seasonal Energy Efficiency Ratio (ISEER)** have also been revised for RACs.
    - ISEER is the ratio of the total annual amount of heat that the equipment can remove from the indoor air when operated for cooling in active mode to the total annual amount of energy consumed by the equipment during the same period.
- BEE is a **statutory body** under the Ministry of Power to develop policies and strategies to reduce the energy intensity of the Indian economy.

9.9. REPORTS RELATED TO ENERGY SECTOR

State Rooftop Solar Attractiveness (SARAL) Index	• Released by- **Ministry of New and Renewable Energy** • It aims to objectively **assess** states based on several **parameters** critical for establishing strong solar rooftop markets. • These parameters belong to **five broad categories**: Robustness of policy framework; Effectiveness of policy support/implementation environment; Consumer experience; Investment climate for rooftop solar sector; Business ecosystem. • **Top Rankers-** Karnataka, Telangana, Gujarat, Andhra Pradesh
State Energy Efficiency Index	• Developed by- **Bureau of Energy Efficiency (BEE)** with Alliance for an Energy Efficient Economy. • It **tracks the progress of Energy Efficiency initiatives** in 36 states and union territories based on 97 indicators across all demand sectors – buildings, industry, municipalities, transport, agriculture, and DISCOMs. • SEEI categorises states as 'Front Runner', 'Achiever', 'Contender' and 'Aspirant' based on their efforts and achievements towards energy efficiency implementation. • **Top Rankers-** Haryana, Karnataka and Kerala.

9.10. INFRASTRUCTURE FINANCING

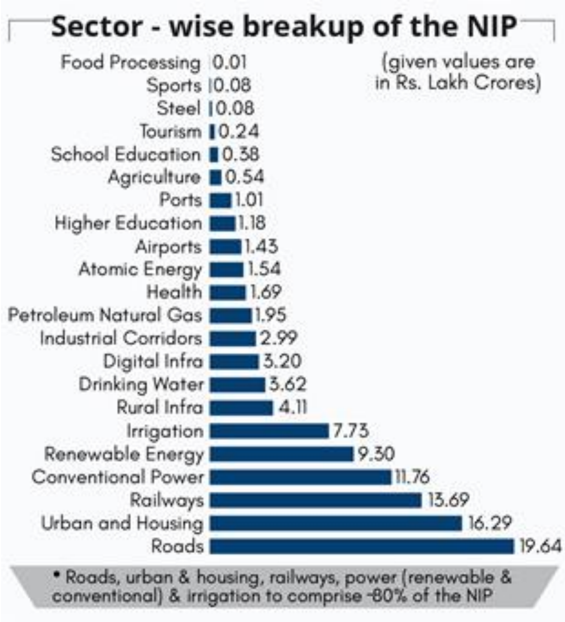
9.10.1. REPORT OF THE TASK FORCE ON NATIONAL INFRASTRUCTURE PIPELINE FOR 2019-2025

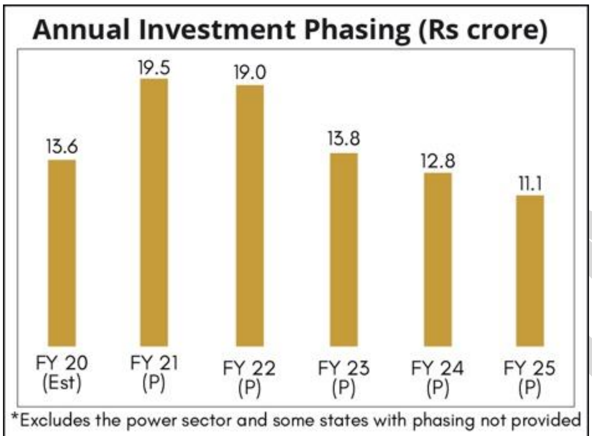
Why in news?

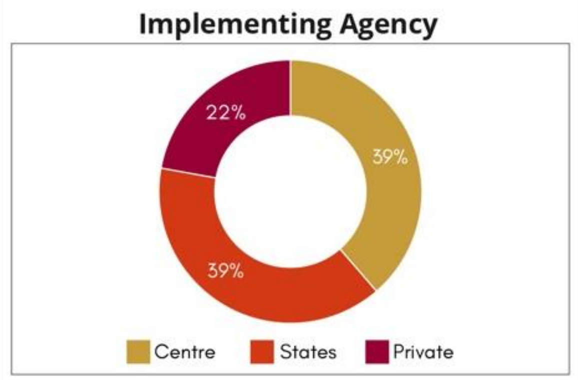
A Task Force under the chairmanship of Economic Affairs Secretary had been constituted to **draw up a NIP for each of the years from FY 2019-20 to FY 2024-25**. It will help to **achieve the target of $5 trillion economy by 2025**.

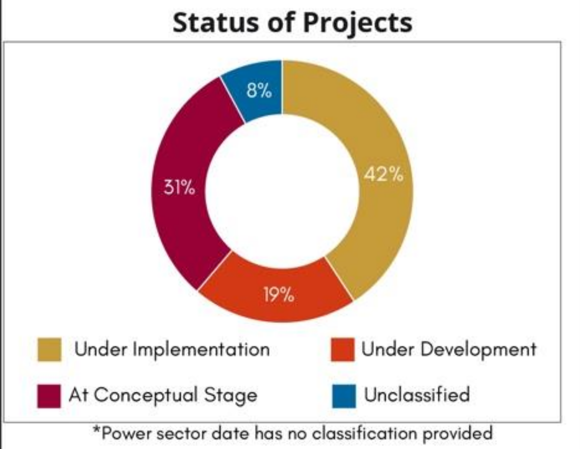
More on news

- NIP will enable a **forward outlook on economic and social infrastructure projects** which will create jobs, improve ease of living, and provide equitable access to infrastructure for all, thereby making growth more inclusive.
- **NIP has identified projects across 23 sectors and 18 states** which will be funded over the next five years.
- As on date, total project capital expenditure is **projected at over Rs 102 lakh crore.**
- **Funding**: Centre, States and the private sector to share the capital expenditure in a **39:39:22 formula.**
- Report has also highlighted the **major constraints** faced such as: availability of funds for financing large projects, lengthy processes in land acquisition, environmental concerns, time and cost overruns due to delays in project implementation etc.









9.10.2 INDIA INFRASTRUCTURE FINANCE COMPANY LIMITED (IIFCL)

Why in news?

Union Cabinet has approved the proposal for providing additional equity support to IIIFCL to the tune of Rs 5,300 crore in financial year 2019-20 and Rs 10,000 crore in financial year 2020-21.

More on news

- IIFCL, a wholly owned Government of India company set up in 2006 to **provides long term finance** to viable infrastructure projects across sectors.
- It is a Non-Banking Financial Company – Infrastructure Finance Company (NBFC-IFC) registered with RBI since September, 2013.

Other related Information

Credit Linked Subsidy Service Awas Portal	• **Minister for Housing and Urban Affairs** launched **Credit-linked Subsidy Services Awas Portal, (CLAP)**. • The portal provides a **transparent and robust real-time web-based monitoring system** for beneficiaries of credit-linked Subsidy Services (CLSS) under **Pradhan Mantri Awas Yojana-Housing for All (Urban).** • Using the portal, a beneficiary can **track his application status in real-time** and thus will help in **addressing the grievances of beneficiaries** in a more comprehensive and organized manner. • CLAP would also **benefit other stakeholders to work in synergy** to release subsidy to beneficiaries on time. • Pradhan Mantri Awas Yojana (Urban) aims **housing for all** in urban areas by 2022.
Transit-Oriented Development	• TOD is a **type of urban development** which aims to create integrated urban spaces with residential, working and leisure spaces within walking distance of each other and public transport.
Credit Enhancement Fund (CEF)	• Govt. plans to setup Credit Enhancement Fund (CEF) to boost Infrastructure Projects • A CEF provides **partial guarantee against loan losses to the lenders**, enabling the borrower to enhance its credit ratings. • The fund will provide **credit enhancement to lower rated projects**, enabling them to raise

	loans at better rates while improving their viability. ○ Right now, most of the infrastructure projects are rated below 'AA', which essentially means large institutions do not fund such projects. • Such a facility can be provided **to projects that have strong viability and visibility but the companies executing them presently have weak balance sheet or cash flows,** which is usually the case for infra projects where revenues start accruing in later years.
Elephant Bonds	• An advisory group to GOI has suggested issuance of **'Elephant Bonds'.** • The HLAG estimates that India could **recover up to $500 bn of black money** stashed overseas through Elephant bonds • **Elephant Bonds** would be **sovereign bonds** issued for a period of **25 years** in which people declaring undisclosed income will be bound to invest 50 per cent, similar to an amnesty scheme. • These funds will be utilized **only** for **infrastructure** projects.
Universal Service Obligation Fund (USOF)	• It aims to achieve **objective of Universal service to all uncovered areas**, including rural areas, and encourage development of telecommunication facilities in remote, hilly and tribal areas. • It derives its **funding from Universal Service Levy (USL) of 5% charged** from all the telecom operators on their Adjusted Gross Revenue (AGR).
TreDS	• It stands for **Trade Receivable Discounting System** • It is an online bill discounting platform that helps cash-starved micro, small and medium enterprises (MSMEs) raise funds by selling their trade receivables to corporates.

10. IMPORTANT INDICES AND REPORTS

Global Talent Competitiveness Index (GTCI)	• Released by- **INSEAD**, in collaboration with Addeco and Google. • This year's GTCI report focuses on **Global Talent in the Age of Artificial Intelligence**. • **Parameters** - enable, attract, grow, retain, vocational skills and global knowledge skills. **India climbed eight places to rank 72** among 132 countries. Switzerland ranked first.
UNCTAD Reports	
E-Commerce Index	• **Countries are scored on the** access to secure internet servers, the reliability of postal services and infrastructure, and the portion of their population that uses the internet and has an account with a financial institution or mobile-money-service provider. **European nations** hold **eight of the top 10 spots** on the index with Netherlands occupying the top spot. The **only non-European countries** on the top 10 list are **Singapore (3) and Australia (10).India** has **ranked 73rd out of 152**.
Commodities and Development Report 2019	• **Interactions between commodities and climate change**, and their implications for the development of Commodity dependent developing countries (CDDCs). • CDDCs are a group of 88 developing countries where the commodity sector accounted for at least 60 per cent of their total merchandise exports, on average and in value terms, over the period 2013–2017. • Most CDDCs depend on one or more commodities within the following major commodity groups: agriculture; forestry; minerals, ores and metals; and fossil fuel-based energy. Although India is not a CDDS, in 2018-2019, share of commodities accounted for about 46 percent of India's total export.
Trade and Development Report, 2019	• The report sets out a series of measures and reforms that would give the lead in financing a **Global Green New Deal** to the public sector and calls on the international community to find the political will to advance such an agenda. **Global Green New Deal (GGND)** • This report was **commissioned by UNEP in response to the multiple global crises of 2008** related to fuel, food and financial. • It **calls on governments to allocate a significant share of stimulus funding to green sectors** and sets out three objectives: economic recovery; poverty eradication; and reduced carbon emissions and ecosystem degradation;
Global Investment Trend Monitor Report	• **India was among top 10 recipients of Foreign Direct Investment (FDI)** in 2019, attracting $49 billion in inflows, a 16% increase from the previous year. • Majority went into services industries, including information technology. USA remained the largest recipient of FDI, followed by China and Singapore
World Economic Situation and Prospects Report 2020	• WESP is an **annual UN flagship publication on the state of the world economy**, viewed through the lens of the 2030 Agenda for sustainable development. • It is a joint product of the UN Department of Economic and Social Affairs, the UN Conference on Trade and Development (UNCTAD) and the five UN regional commissions. **Key finding for India** • It lowered India's **GDP growth estimate to 5.7 % in the current fiscal** (from 7.6 % forecast in WESP 2019) and lowered its forecast for the next fiscal to 6.6% (from 7.4 % earlier). • **India** is among few countries where the **per capita GDP growth rate could exceed 4%** level in 2020. **Other findings** • The global economy suffered its lowest growth in a decade, slipping to 2.3 % in 2019. • Global growth rate of 2.5 % is possible in 2020, but a flare up of trade tensions, financial turmoil, or an escalation of geopolitical tensions could derail a recovery. **East Asia remains the world's fastest-growing region** and the largest contributor to global growth
World Investment Report	• India's ranking as a source country for FDI – **10th**. India attracted over 77% of the total FDI that came to the South Asian region. **Bangladesh** got second largest FDI in the region.
Asia-Pacific Trade and Investment Report	• **Released by**- the United Nations Economic and Social Commission for Asia and the Pacific (**ESCAP**) and **UNDP.**
World Economic Forum	

World Economic Forum

- WEF is international Organization for Public-Private Cooperation. It engages the foremost political, business, cultural and other leaders of society to shape global, regional and industry agendas.
    - It was established in 1971 as a not-for-profit foundation and is headquartered in Geneva, Switzerland.

• **WEF annual Meeting** is scheduled from 21-24 January in Davos, Switzerland. • Theme of the 2020 meeting is **Stakeholders for a Cohesive and Sustainable World**.	
Travel and Tourism Competitive Report	• Title- **Travel and Tourism at a tipping point**. • It ranks 140 countries on four indicators: enabling environment; travel and tourism policy and enabling conditions; infrastructure; natural and cultural rankings The four broad indicators looked at 14 variables, which were further subdivided into 90 indicators such as property rights, efficiency of the legal framework, quality of electricity supply, female labour force participation, visa requirements and the number of World Heritage cultural sites, etc.
Global Competitiveness Report 2019	• It features the **Global Competitiveness Index 4.0** (GCI 4.0), which has been used since 2018. • It provides guidance **on what matters for long-term growth**. • The GCI 4.0 framework is organized into 12 main drivers of productivity, which are categorized as- o **Enabling Environment**- Institutions, Infrastructure, ICT adoption, Macro-economic stability o **Markets**- Product market, Labour market, Financial system, Market size o **Human Capital**- Health and Skills o **Innovation Ecosystem**- Business dynamism and Innovation capability **India's rank** in 2019 is **68.**
Global Gender Gap Report 2020	• It benchmarks countries on their progress **towards gender parity in four dimensions**: Economic Participation and Opportunity, Educational Attainment, Health and Survival and Political Empowerment**.** • The time it will take to close the **gender gap narrowed to 99.5 years in 2019** which is an improvement on 2018 when the gap was calculated to take 108 years to close. • **The largest gender disparity is in political empowerment**. Only 25% of the seats in parliaments around the world are occupied by women, and only 21% of the ministers are women. • **India slipped four places on the index to 112** out of 153 countries, being behind neighbours China, Sri Lanka, Nepal and Bangladesh. India is the **only country** among the 153 countries studied where the **economic gender gap is larger than the political.** **Iceland**- world's most gender-neutral country, while **Yemen**- the worst at 153th place.
Global Risks Report 2020	• It is part of the **Global Risks Initiative** which brings stakeholders together to develop sustainable, integrated solutions to the world's most pressing challenges. • A "**global risk**" is defined as an uncertain event or condition that, if it occurs, can cause significant negative impact for several countries or industries within the next 10 years. • **Top five global risks** in terms of likelihood are all environmental and includes: o **Extreme weather events** o **Failure of climate-change mitigation and adaptation** by governments and businesses. o **Human-made environmental damage and disasters** o **Major biodiversity loss and ecosystem collapse** (terrestrial or marine) • **Major natural disasters** such as earthquakes, tsunamis etc.
Nature Risk Rising Report, 2020	• It explains how nature-related risks matter to business, why they must be urgently mainstreamed into risk management strategies. • It also explains why it is vital to prioritize the protection of nature's assets and services within the broader global economic growth agenda. • **Key findings** o **About 25% of earth's assessed plant and animal species are threatened by human actions**, with a million species facing extinction. o **Over half the world's total GDP** is moderately or highly dependent on nature. o **China, EU and US** have the highest absolute economic value in nature-dependent industries. • **Construction, agriculture & food and beverages** are 3 largest industries that depend most on nature.
Global Social Mobility Index	• It is designed to provide policy-makers with a means to identify areas for improving social mobility and promoting equally shared opportunities in their economies, regardless of their development. o **Social mobility** is the moving of individuals, families, or groups up or down the social ladder in a society, such as moving from low-income to middle class. o In absolute terms, it is the ability of a child to experience a better life than their parents.

	• It measures **countries across five key dimensions distributed over 10 pillars** – health; education (access, quality and equity); technology; work (opportunities, wages, conditions); and protections and institutions (social protection and inclusive institutions). • **Denmark** ranks first while India ranks 76th out of 82 economies**. Five economies most to gain from boosting social mobility** are China, USA, India, Japan and Germany. • **New financing model for social mobility**: Improving tax progressivity on personal income, addressing wealth concentration and rebalancing sources of taxation.
United Nations Development Program (UNDP)	
Human Development Report 2019	• **Title**- "'Beyond Income, Beyond Averages, Beyond Today: Inequalities in Human Development in the 21st Century". • The Human Development Report releases five composite indices each year: **Human Development Index (HDI), Inequality-Adjusted Human Development Index (IHDI), Gender Development Index (GDI), Gender Inequality Index (GII), and the Multidimensional Poverty Index (MPI).** • The HDR 2019 is significant because it **focuses on inequalities in development**. It shows inequalities beyond income which exist in society. It also measures loss in the human development progress due to inequalities. • India ranks **129 out of 189 countries on the 2019 HDI compared to 130th position** last year.**Norway is at the first rank** while Burundi is at the bottom. • **In GII, India is at the 122nd** place out of 162 countries**. IHDI Ranking** of India is **130.**
World Bank	
World Development Report	• Title- **"Trading for Development in the Age of Global Value Chains".** **What is a Global value Chain (GVC)?** • A value chain refers to the "full range of activities that firms and workers do to bring a product from its conception to its end use and beyond". • It involves activities like production of a good or service and its supply, distribution, and post-sales activities etc. • When the value chain is distributed across different firms in different countries, it means that these activities are divided among different countries. This phenomenon where value chain is spread across the globe- it is called GVC. • For example, a bike assembled in Finland with parts from Italy, Japan, and Malaysia and exported to the Arab Republic of Egypt is a GVC. • The global value chains today account for nearly **50 per cent of trade worldwide.**

Semi-Annual Global Economic Prospects Report	• Titled: **''Heightened Tensions, Subdued Investment"**.
	• **Global growth** is set to rise by 2.5% this year, a small uptick from 2.4% in 2019, as trade and investment gradually recover.
	• Emerging market and developing economies will see growth accelerate to 4.1% from 3.5% last year. They face following challenges-
	  o **Rising Debt:** it climbed to about 170% of GDP in 2018 from 115% of GDP in 2010.
	  o **Productivity slowdown:** Average output per worker in emerging and developing economies is less than one-fifth that of a worker in an advanced economy.
	• **Findings on India**
	  o It lowered its projection for India's economic growth to 5% in 2019-20 fiscal year but said it would recover to 5.8% in the following year.
	• In its report, the World Bank said **tighter credit conditions in the non-banking sector (NBFCs)** in India were contributing to a substantial weakening of domestic demand

Other Reports	
World Employment and Social Outlook	• Released by- **International Labour Organisation (ILO).** ILO is a UN agency whose mandate is to advance social justice and promote decent work by setting international labour standards • It **analyses key labour market issues**, including unemployment, labour underutilisation, working poverty, income inequality, labour income share and factors that exclude people from decent work. **Key Highlights** • **Global unemployment** is projected to **increase** by around 2.5 million in 2020. • **Moderate or extreme working poverty** is expected to rise in 2020-21 in developing countries, increasing the obstacles to achieving SDG 1 on eradicating poverty everywhere by 2030. o **Working poverty** is defined as earning less than $3.20 per day in purchasing power parity terms. • **Income inequality is higher** than previously thought, especially in developing countries.

	• **Concerns:** o Rise in **trade restrictions** and **protectionism** could have a significant impact on employment. • Compared to other factors of production there is a signification **drop in share of wages in national income.**
World Economic Outlook	• Released by- **International Monetary Fund (IMF)** • **IMF revised estimate for India's growth this year to 6.1%** from 7% projected in July, calling on the country to use monetary policy and broad-based structural reforms to address cyclical weakness and strengthen confidence. • **Global growth is forecast at 3.0 percent for 2019,** its lowest level since 2008–09.
Global Wealth Report 2019	• Released by- The **Credit Suisse Group,** a Switzerland-based multinational investment bank. • The report typically **tracks both the growth and distribution of wealth** – o In terms of **the numbers of millionaires and billionaires** and o The **proportion of wealth that they hold** o **The status of inequality** around the world. • A key finding of the report is that **China has overtaken the United States this year to become the country with most people in the top 10% of global wealth distribution**.
OECD Economic Outlook 2019	• Released by- **Organisation for Economic Co-operation and Development (OECD)** • **Duration**-twice-yearly the with economic analysis and forecasts for future economic performance of OECD countries and selected non-member countries. **Key Findings of 2019 Economic Outlook** • It estimated global GDP growth for this year is 2.9% and 3% for 2020-21. This is the lowest rate since the 2008 global financial crisis. • **On India:** It marginally cut India's economic growth forecast for 2019 to 5.8%, but said it would pick up to 6.2% in 2020 and further to 6.4% in 2021.
World Resources Report	• Title- **Creating a Sustainable Food Future** • **Co-issued** by- the World Bank, UN Environment Programme and UN Development Programme. • The report offers solutions to ensure we can feed 10 billion people by 2050 without increasing emissions, fueling deforestation or exacerbating poverty.
India 2020 Report- First in Depth Review of India's Energy Policies	• **Released by-** International Energy Agency (IEA) in partnership with NITI Aayog. • It **highlights achievements of India's energy policies** and **provides recommendations** to support energy markets and boosting deployment of renewables. **Findings** • India is world's **third-largest consumer of oil**, **fourth-largest oil refiner** and net exporter of refined products. Growth rate of India's oil consumption is expected to surpass China in the mid-2020s. • India's **energy demand** is set to **double** by 2040, and **electricity demand** may **triple**. • **Renewables** account for almost 23% of total installed capacity. • India has made progress on **SDG 7 on delivering energy access**. Both energy and emission intensities of India's GDP have decreased by more than 20% over past decade. **Recommendations** • **An Overarching national energy policy framework** to support sustainable and affordable energy system. • Ensure **full non-discriminatory access to energy transport networks** to encourage investment. • Work with States for smooth integration of variable renewable energy and power system flexibility. • Move away from government allocation of energy supplies to allocation by market pricing. • **Reinforcing oil emergency response measures** with larger dedicated emergency stocks (strategic oil reserves).
Global Microscope on Financial Inclusion	• **Released by-** The Economist Intelligence Unit's 2019 • **It** has pointed that digital financial services in India have improved