

CIVIL SERVICES EXAMINATION  
**focus**  
RAU'S HOUSE JOURNAL

**SPECIAL  
EDITION**



**EXHAUSTIVE CURATION**  
using **C3** Approach

**TO THE POINT**

**LUCID**  
presentation for  
**SPEEDY REVISION**

**Practice  
MCQs**

# **PRELIMS** COMPASS **2019**

**C3 = CORE+CURRENT AFFAIRS+related CONCEPTS**

**Rau's IAS**  
Study Circle  
— Since 1953 —

**INDIAN ECONOMY &  
ECONOMIC DEVELOPMENT**

Consuming  
too much time?

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your mind?**

Confused about  
what to read,  
why & how??



**Worry not,**  
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# Daily NEWS Simplified | DNS

An answer to What, Why & How  
of Newspaper Reading

## FROM THE HINDU

- ☒ What to Read?
- ☒ Why? Prelims or Mains
- ☒ How? Key Facts & Takeaways



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# SECTION 1

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**B**ANKING

**M**ONETARY POLICY

**F**INANCIAL SECTOR

**T**AXATION

# CORE<sub>knowledge&related</sub> currentaffairs

## ► PERFORMANCE OF INDIAN ECONOMY AFTER ECONOMIC REFORMS IN 1991

- The economy was facing problems of declining foreign exchange, growing imports without matching rise in exports and high inflation.
- India changed its economic policies in 1991 due to a financial crisis and pressure from international organisations like the World Bank and IMF.
- The New Economic Policy was announced in 1991 which undertook a variety of stabilization and structural reform measures.
  - **Stabilisation measures are short-term measures** intended to correct some of the weaknesses that have developed in the balance of payments and to bring inflation under control.
  - **Structural reform measures are long-term measures** aimed at improving the efficiency of the economy and increasing its international competitiveness by removing the rigidities in various segments of the economy.

### → LPG

- The reforms were broadly categorized into 3 headings:
  - **Liberalization** - removing restrictions and licenses and open up various sectors of the economy,
  - **Privatization** - allowing more private sector participation by transferring the ownership of

enterprises from the government to the private sector, and

- **Globalization** - integration of the Indian economy with the world economy.
- In the domestic economy, major reforms were undertaken in the industrial and financial sectors.
- Major external sector reforms included foreign exchange deregulations and import liberalisation.
- With a view of improving the performance of the public sector, there was a consensus on reducing its role and opening it up to the private sector. This was done through disinvestment and liberalisation measures
- Globalisation is the outcome of the policies of liberalisation and privatisation.
- During the reforms, **growth of agriculture and industry has gone down** but the service sector has registered growth. Reforms have not benefited the agriculture sector. The Public investment in Indian agriculture in terms of absolute value has increased. The Public Investment in agriculture as % of agricultural GDP has remained constant. Industrial sector growth has slowed down due to availability of cheaper imports and lower investment.
- The opening up of the economy has led to rapid increase in foreign direct investment and foreign exchange reserves. The foreign investment into India has increased exponentially.
- Although, GDP growth rate has increased during the reform period, the reform-led growth has not generated sufficient employment opportunities in the country.

### → BASIC ECONOMIC TERMS MOST OFTEN IN NEWS

#### ► NATIONAL INCOME

National income or **Gross Domestic Product** (GDP) refers to the money value of all final goods and services produced in an economy in an accounting year.

#### ► CAPITAL CONSUMPTION

The capital that is consumed by an economy or a firm in the production process. Also known as **depreciation**.



## BANKING, MONETARY POLICY, FINANCIAL SECTOR, TAXATION

**► INCREMENTAL CAPITAL OUTPUT RATIO**

A measure of how much additional capital is needed to produce each extra unit of output. It reflects the **efficiency of new investment**.

**► CROWDING OUT EFFECT**

A concept of public finance which means an increase in the government expenditure which has an effect of reducing the private sector expenditure.

**► ECONOMIES OF SCALE**

The long run reduction in average/unit cost as the scale of firm's output increases.

**► FISCAL DRAG**

The negative effect of the progressive taxation that economies feel on their expansion – fall in the aggregate demand of the economy due to people moving from lower to higher tax brackets.

**► INVESTMENT**

Investment refers to the addition to the physical stock of capital. It is inversely related to the rate of interest in the economy. An increase/decrease in interest rate will result in decrease/increase in investment in the economy.

**► LIQUID ASSETS**

The monetary assets that can be used directly as payments.

**► LIQUIDITY TRAP**

A situation when interest rate is so low that people prefer to hold money rather than invest it.

**► NET WORTH**

Net worth for a company is total assets minus total liabilities.

**► PREDATORY PRICING**

The pricing policy of a firm with the purpose of harming rivals or exploiting the consumer.

**► PURCHASING POWER PARITY**

It is an economic theory that compares different countries currency through a market basket of goods approach. According to this concept, two currencies are in equilibrium or at par when a market basket of goods (taking into account the exchange rate) is priced the same in both countries.

**► SEIGNORAGE**

It is the profit made by the RBI by issuing currency especially the difference between the face value of currency and their production costs.

**► GROSS FIXED CAPITAL FORMATION**

- It is essentially **net investment**.
- It is a component of the **Expenditure method of calculating GDP**.

**WHAT IT INCLUDES?**

- Land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; the construction of roads, railways, private residential dwellings, and commercial and industrial buildings.
- Disposal of fixed assets is taken away from the total.

**WHAT IT EXCLUDES?**

- Land Purchases

- Effects of depreciation (referred to as consumption of capital)

**MACROECONOMIC IMPACT**

- In macro theory, a rise in investment should contribute towards higher aggregate demand and also increase productive capacity.
- Increasing investment should lead to higher economic growth in the long-term though it depends on how effective the investment is.
- **Opportunity cost of investment:** The opportunity cost of gross fixed capital investment is lower consumption – at least in the short-term. If more resources are spent on capital goods, it leads to decline in consumption of consumer goods.

## → IMPORTANT ECONOMIC CURVES

## ► BEVERIDGE CURVE

It is a graphical representation of the relationship between **unemployment** (on the horizontal axis) and **job vacancy rate** (on the vertical axis).

## ► ENGEL CURVE

It displays how **household expenditure on a particular good or service varies** with change in household income.

**Eg.** As income of a household increases its expenditure of food as a percentage declines. However, its expenditure on status goods increases.

## ► KUZNETS CURVE

It shows the relationship between **economic growth and inequality**. It is inverted U shaped meaning that as initially economic growth leads to greater inequality, followed later by the reduction of inequality.

## ► LAFFER CURVE

It displays the relationship between **Tax rates (on the horizontal) and Tax revenue collected (on the vertical)**. It is an inverted U shaped curve, showing that as tax rates increase, first the revenue increase, hits a maxima at a particular rate, and then with increase in tax rates begins to decline.

## ► PHILLIPS CURVE

- The Phillips curve is an economic concept developed by A. W. Phillips showing that inflation and unemployment have a stable and inverse relationship → as levels of unemployment decrease, inflation increases
- The theory states that with economic growth comes inflation, which in turn should lead to more jobs and less unemployment.
- However, during the times of stagflation the relationship fails to hold, as high rates of both inflation and unemployment is seen.

## ► RAHN CURVE

It displays the relationship between government spending (on the horizontal) and GDP growth rate (on the vertical) of an economy. It is an inverted U shaped, thus displaying there is a level of government spending at which economic growth theoretically maximises.

## ► ENVIRONMENTAL KUZNET'S CURVE

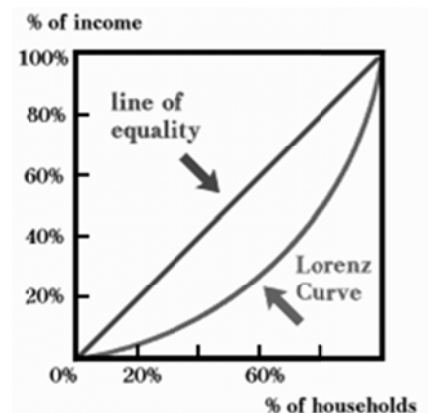
Shows the **relationship between economic progress and environmental degradation** through time as an economy progresses. As countries develop initially, pollution increases, but later, with further development pollution begins to come down. Thus, it is an inverted U-shaped curve.

## ► LORENZ CURVE

- It is graphical representation of **income inequality or wealth inequality**.

It shows the relationship between percentiles of the population on the horizontal according to income or wealth.

- Lorenz Curve is accompanied by a straight diagonal line with a slope of 1, which represents perfect equality in income or wealth distribution; the Lorenz curve lies beneath it, showing the actual distribution.



- The area between the straight line and the curved line, expressed as a ratio of the area under the straight line, is the Gini Coefficient, a measurement of inequality.

## → GINI COEFFICIENT

- It is a measure of inequality of income or wealth.
- It gives a simple numerical value to compare inequalities in different economies. It can range between 0 and 1.
- A Gini Coefficient of 0 means perfect equality.
- A Gini Coefficient of 1 means one person earns all the income or holds all of the wealth.

## INDIAN BANKING SYSTEM

### ► MONEY DEMAND

Money demand (also known as liquidity preference) refers to **holding money in hand for the purpose of exchange**. It arises mainly to serve two motives:

- a) **Transactions motive:** Holding money to carry out transactions. Higher the transaction is made, higher the demand for money in hand (and vice versa).
  - b) **Speculative motive:** Holding money in the form of bonds/assets to earn interest. Higher the interest offered by bonds, lesser the demand for money in hand (and vice versa).
- Change in money demand influences the level of interest rates in the economy. An increase in money demand keeping money supply constant will lead to rise in interest rates (*rise in money demand → demand for bonds is low → price of bonds will fall → interest rates will increase*).

### ► MONEY SUPPLY

- Money supply refers to the stock of money at a point of time in the economy.
- It includes the currency notes and coins issued by the central bank (RBI) as well as the stock of deposits held by public in commercial banks.
- Note that, **since money supply is a stock concept, it is usually considered to be fixed/given.**
- A policy induced increase in money supply will lead to a rise in general price level in the economy (*rise in money supply → increase in aggregate demand → prices will increase*).

### ► QUANTITY THEORY OF MONEY

- Quantity theory of money states that there is a **direct relationship between the quantity of money in the economy and the level of prices of goods and services sold**.
- According to this theory, if the amount of money in an economy doubles, price levels also double causing inflation.

### ► MONETARY AGGREGATES

- It is closely related to the concept of "money supply"

- Monetary aggregates are measures of money supply released by the RBI in decreasing (highest to lowest) order of liquidity

→ Liquidity: ability to be converted to cash/currency).

- Based on the recommendations of **YV Reddy's Working Group** on Money Supply: Analytics and methodology of compilation (1998), the monetary aggregates are:

**M0** (Reserve money/monetary base) = Currency in circulation+ banker's deposits with RBI+ other deposits with RBI

**M1 (Narrow money)** = Currency with the public+ Demand deposits with the banking system+ Other deposits with RBI

**M2** = M1+ Saving deposits of Post Offices

**M3 (Broad money)** = M1+Time deposits with the banking system

**M4** = M3+All deposits with Post Offices (excluding National Saving Certificates)

- Money supply in the economy can be increased/decreased through various instruments of monetary policy.

### ► TYPES OF MONEY

1. **Actual money:** Money which actually circulates in the economy in terms of which all payments are made and general purchasing power is held as a medium of exchange.
2. **Metallic Money:** It's made of metal such as gold and silver. Coins of all denomination circulating in economy are examples of metallic money. Metallic money is classified into two categories:
  - **Full bodied money:** If the face value of money is equal to its value as a commodity, it is called **full bodied money**. If a gold coin of face value Rs. 100/- contains gold worth of Rs. 100/- it will be called full bodied money or sometimes standard money
  - **Token Money:** If the face value of money is more than its value as commodity or intrinsic value it is known as token money.
3. **Paper Money:** Money made of paper is called paper money. It includes different denomination. Paper money is further classified into following forms.
  - **Representative Paper Money:** If paper is issued by keeping hundred percent gold reserve of full bodied

coins or gold bullion, it will be called representative money.

- **Convertible Paper Money:** If paper money can be converted into gold coins or gold bullion on demand it is referred to as convertible money. This type of money is issued by keeping metallic reserve of equal amount behind it.
  - **Fiat or In-convertible Paper Money:** which cannot be converted into full bodied coins or gold bullion on demand. It is usually issued without keeping metallic reserve behind it.
4. **Legal Tender Money:** Money which has a legal approval behind it and people are bound by law to accept it in all payments. Nobody can refuse to accept it. Legal Tender Money can be classified into:
- **Limited Legal Tender:** which can be given in payments only upto a certain limit. The payee can refuse to accept it beyond that limit. *In many Asian countries 25 paise coin and coins of low denominations are limited legal tender. The coins in India are also considered as Limited Legal Tender. These coins can be given as payments up to 1000 rupees only.*
  - **Unlimited Legal Tender:** Unlimited legal tender means that money which can be given in payments up to any limit.
5. **Hot Money:** Money that moves regularly and quickly between financial markets so that investors could ensure they are getting the highest short-term interest rates available. Hot money continuously shifts from countries with low interest rates to those with higher interest rates affecting the exchange rate (if there is a high sum) and also has the potentiality to impact a country's balance of payments. The Foreign portfolio investment can be considered as "Hot Money"
6. **Commodity Money:** Its value is derived from the commodity out of which it is made. The commodity itself represents money, and the money is the commodity. *For instance, commodities that have been used as a medium of exchange include gold, silver, copper, salt, peppercorns, rice, large stones etc.*
7. **Commercial Bank Money:** These are the demand deposits which are claims against financial institutions which can be used for purchasing goods and services.

#### → IMPORTANT INSTITUTIONS

### ► FINANCIAL STABILITY AND DEVELOPMENT COUNCIL

- FSDC was constituted in 2010 and it is chaired by the Union Finance Minister.
- The Council deals with issues relating to financial stability, financial sector development, inter-regulatory coordination, financial literacy, financial inclusion and macro prudential supervision of the economy including the functioning of large financial conglomerates.

### ► NON-BANKING FINANCIAL COMPANY (NBFC)

- An NBFC is a **company registered under the Companies Act, 1956** engaged in the business of loans and advances, 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 but does not include any institution whose principal business is that of agriculture activity, industrial activity, purchase or sale of any goods (other than securities) or providing any services and sale/purchase/construction of immovable property.
- NBFCs lend and make investments and hence their activities are akin to that of banks; however, there are a few differences as given below:
  - i. NBFC cannot accept demand deposits;
  - ii. NBFCs do not form part of the payment and settlement system of RBI and cannot issue cheques drawn on itself;
  - iii. deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is not available to depositors of NBFCs, unlike in case of banks.
- NBFCs play an important role in promoting inclusive growth in the country, by catering to the diverse financial needs of bank excluded customers.
- Further, NBFCs often take lead role in providing innovative financial services to Micro, Small, and Medium Enterprises (MSMEs) most suitable to their business requirements.
- NBFCs do play a critical role in participating in the development of an economy by providing a fillip to transportation, employment generation, wealth creation, bank credit in rural segments and to support financially weaker sections of the society.



## ► COMMERCIAL BANKS

- A commercial bank is a financial institution which performs the functions of accepting deposits from the general public and giving loans for investment with the aim of earning profit.
- These are registered under the Indian Companies Act, 1936 and also governed by the Indian Banking Regulation Act, 1949.

## ► SCHEDULED BANK

- Scheduled Bank is one which has been included in the second schedule of the Reserve Bank of India Act, 1934, to be a scheduled Bank,
- it must be financially and economically sound and satisfy the following three conditions:
  - i. It must have a paid-up capital and reserve of an aggregate value of not less than Rs. 5 lakhs.
  - ii. It should work in the interest of its depositors.
  - iii. It must be a joint stock company and not a sole trader or partnership firm.
- Besides, it has to maintain cash reserves with RBI and submit periodical returns to the latter under the Banking Regulation Act, 1949.
- **Non-Scheduled Bank** is that which has not been included in the second schedule of the RBI Act, 1934. But it is subject to the statutory reserve requirements which it is required to keep with itself and not with RBI. It is not entitled to concessional and borrowing facilities from the RBI.

## ► COOPERATIVE BANKS

- Cooperative Banks are the financial institutions that are owned and run by their customers and operate on the principle of one person one vote.
- The bank is governed by both banking and cooperative legislation, as they are registered under the Cooperative Society Act, 1965 and regulated by NABARD & RBI.
- They operate in both rural as well as urban areas and provide credit to borrowers and businesses.
- Cooperative Banks offer a range of services like accepting deposits and granting loans to the members and even non-members. The members are the owners and customers of the bank at the same time. The bank offers

services like deposit accounts such as savings and current account, safe keeping of valuables (locker facility), loan and mortgage facility to the customers.

## ► LAND DEVELOPMENT BANKS

- These are meant to provide long term agriculture needs of agriculturists for a period ranging from 5 to 25 years, for the following purposes:
  - i. to make improvements on the land;
  - ii. to repay old debts;
  - iii. to free the mortgaged land; and
  - iv. to buy new land.

## ► REGIONAL RURAL BANKS (RRBS)

- The major objective of the RRBs is to develop the rural economy by providing credit and other facilities for agriculture, trade, commerce, industry and other productive activities in the rural areas, particularly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs.
- Ownership pattern of RRBs: Central Government (50%), 15% (Concerned state government), 35% (sponsor Bank).

## ► NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (NABARD)

- NABARD is an apex development bank which provides help for agricultural and rural development.
- It acts as a centre piece for the entire rural credit system at the national level; as a provider of supplemental funding to rural credit institutions; provides refinance facilities to SLDBs, SCBs, RRBs and commercial banks for developmental purposes; and arranges investment credit to small industries, village and cottage industries, handicrafts, and other rural crafts, artisans, and farmers.

## ► RESERVE BANK OF INDIA (RBI)

- RBI was established on April 1, 1935 as per the provisions of Reserve Bank of India Act 1934.
- The **main objective** of RBI is to regulate the issue of bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the

## BANKING, MONETARY POLICY, FINANCIAL SECTOR, TAXATION

currency and credit system of the country to its advantage; to have a modern monetary policy framework to meet the challenge of an increasingly complex economy, to maintain

price stability while keeping in mind the objective of growth.

## ► MAIN FUNCTIONS OF RBI

ROLE	DESCRIPTION
<b>Monetary Authority</b>	<ul style="list-style-type: none"> <li>Formulates, implements and monitors the monetary policy.</li> <li><b>Objective:</b> maintaining price stability while keeping in mind the objective of growth.</li> </ul>
<b>Regulator and supervisor of the financial system</b>	<ul style="list-style-type: none"> <li>Prescribes broad parameters of banking operations within which the country's banking and financial system functions.</li> <li><b>Objective:</b> Maintain public confidence in the system, protect depositors' interest and provide cost-effective banking services to the public.</li> </ul>
<b>Manager of Foreign Exchange</b>	<ul style="list-style-type: none"> <li>Manages the Foreign Exchange Management Act, 1999.</li> <li><b>Objective:</b> to facilitate external trade and payment and promote orderly development and maintenance of foreign exchange market in India.</li> </ul>
<b>Issuer of currency</b>	<ul style="list-style-type: none"> <li>Issues and exchanges or destroys currency and coins not fit for circulation.</li> <li><b>Objective:</b> to give the public adequate quantity of supplies of currency notes and coins and in good quality.</li> </ul>
<b>Developmental role</b>	Performs a wide range of promotional functions to support national objectives.
<b>Other functions</b>	<ul style="list-style-type: none"> <li><b>Banker to the Government:</b> performs merchant banking function for the central and the state governments; also acts as their banker.</li> <li><b>Banker to banks:</b> maintains banking accounts of all scheduled banks.</li> </ul>

## → SOURCES OF INCOME AND EXPENDITURE OF RBI

INCOME	EXPENDITURE
Returns from foreign currency assets	Printing of currency
Interest on rupee-denominated government bonds	Staff expenditure
Interest on overnight lending to commercial banks	Commission given to commercial banks
Management commission on handling the borrowings of central and state governments	Commission to primary dealers

## → SOME CURRENT ISSUES RELATED TO RBI

## ► TRANSFER OF FUNDS BY RBI TO CENTRAL GOVERNMENT

- RBI transfers a percentage of its surplus to the Central Government every year. **Section 47 of the RBI Act, 1934** says, "After making provision for bad and doubtful debts, depreciation in assets, contribution to staff and superannuation fund and for all matters for which

provision is to be made by or under the Act or which are usually provided by bankers, the balance of the profits shall be paid to the central government."

- RBI will pay Rs 28,000 crore as **interim dividend** to the government, which will help the Centre meet its revised budget estimates that include an allocation for the **first-ever income transfer to farmers** and burnish its **fiscal credentials** ahead of the general elections.
- This is the second successive year that the Reserve Bank will be transferring an interim surplus
- The central bank follows a **July-June financial year** and usually **distributes the dividend in August** after annual accounts are finalised.
- With this interim transfer, the government will get a total Rs 68,000 crore from the central bank in the current fiscal. The RBI had transferred Rs 40,000 crore to the government in August 2018.
- This will be the highest receipt from RBI in a single financial year for the government, exceeding the Rs 65,896 crore it received in FY16 and Rs 40,659 crore in FY18.
- In FY18, it declined due to high **Seigniorage costs** because post demonetization, RBI had printed a large amount of currency which led to increase in costs thereby reducing its surplus.

## ► RBI'S BANKING OMBUDSMAN SCHEME

- Banking ombudsman is a quasi-judicial authority created to resolve customer complaints against banks relating to certain services provided by them.
- The Ombudsman is a senior official appointed by RBI to address grievances and complaints from customers pertaining to deficiencies in banking services. It covers all types of banks.
- RBI has tightened the banking ombudsman scheme with the objective to strengthen the grievance redressal mechanism for customers.

### NEW GUIDELINES

- All commercial banks having 10 or more banking outlets to have an independent internal ombudsman (IO) to review customer complaints that are either partly or fully rejected by the banks.

- The IO shall, inter alia, examine customer complaints which are in the nature of deficiency in service on the part of the bank, that are partly or wholly rejected by the bank.
- As banks should internally escalate complaints that are not fully redressed to their respective IOs before conveying the final decision to the complainant, customers need not approach the IO directly.

### INTERNAL OMBUDSMAN SCHEME

- The Internal Ombudsman Scheme of 2018 mandates banks to **grant a fixed term of three to five years**, which cannot be renewed, to the IO.
- The IO can be removed only with prior approval from RBI. The remuneration would have to be decided by the customer sub-committee of the board and not by any individual.
- The implementation of IO Scheme 2018 will be monitored by the bank's internal audit mechanism apart from regulatory oversight by RBI.

## ► CENTRAL BOARD OF RBI

- It is the highest decision making body inside the RBI.
- According to the RBI, the "general superintendence and direction of the affairs and business of the RBI is entrusted to the Central Board" and the Board exercises all powers and does all acts and things that are exercised by the RBI.
- The board is appointed by the Government of India in keeping with RBI, Act.
- It consists of a maximum of 21 members who are Appointed/ nominated for a period of four years.
- **Members:**

<b>Official Directors</b> - Full time (not more than 5 years)	Governor and not more than four Deputy Governors.
<b>Non-Official directors</b> (not more than 4 years)	Nominated directors: 10 directors from various fields and <b>two government officials</b> (hold office indefinitely)
<b>Others</b>	Four directors, one each from four local boards

- The RBI Board was in news because of its argument with the Finance Ministry over the government's alleged threat of invoking Section 7 of the RBI Act.

## → SECTION 7 OF RBI ACT, 1935

### SECTION 7(1)

"The Central Government may from time to time give such directions to the Bank as it may, after consultation with the Governor of the Bank, consider necessary in the public interest"

### SECTION 7(2)

"Subject to any such directions, the general superintendence and direction of the affairs and business of the Bank shall be entrusted to a Central Board of Directors which may exercise all powers and do all acts and things which may be exercised or done by the Bank."

### SECTION 7(3)

"Save as otherwise provided in regulations made by the Central Board, the Governor and in his absence the Deputy Governor nominated by him in this behalf, shall also have powers of general superintendence and direction of the affairs and the business of the Bank, and may exercise all powers and do all acts and things which may be exercised or done by the Bank."

## ► MONETARY POLICY

- Monetary policy refers to the policy of the central bank with regard to the use of monetary instruments under its control to achieve the goals specified in the Act.
- RBI is vested with the responsibility of conducting monetary policy under the RBI Act, 1934.
- The **primary objective** of monetary policy is to maintain price stability while keeping in mind the objective of growth.
- Price stability is a necessary precondition to sustainable growth.
- **Monetary Policy Framework:** The RBI Act, 1934 was amended in May 2016 under which RBI follows a flexible inflation targeting framework.
- **Flexible inflation targeting:** The amended RBI Act provides for the inflation target to be set by the GoI, in

consultation with the RBI, once in **every five years**. Accordingly, the target is **Consumer Price Index (CPI) inflation** of 4% (+/- 2%) for the period from August 5, 2016 to March 31, 2021. To achieve this target, RBI sets its policy (repo) rate every 2 months which influences the level of money supply, aggregate demand, inflation and growth in the economy.

### → Monetary Policy Committee (MPC)

- The RBI Act, 1934 also provides for a 6-member Monetary Policy Committee to be constituted by the Central Government.
- The committee includes the RBI Governor (Chairperson), RBI Deputy Governor and 4 other members.
- Members of MPC hold office for a period of four years and are not eligible for re-appointment. Further, Central Government also retains powers to remove any of its nominated members from MPC.
- The MPC is required to meet at least four times in a year.
- The quorum for the meeting of the MPC is 4 members.
- The MPC determines the policy repo rate required to achieve the inflation target.
- The MPC takes decision based on majority vote (by those who are present and voting. In case of a tie, the RBI governor will have the second or casting vote. The decision of the committee would be binding on the RBI.

→ **Instruments of Monetary Policy:** RBI has various quantitative as well as qualitative instruments for monetary policy. These instruments allow RBI to influence the level of money supply, inflation and hence growth in the economy.

→ **Transmission of Monetary Policy:** Despite lowering of benchmark repo rate banks have been resistant in lowering interest rates for end consumers due to various reasons such as High NPAs, higher rates of interest on small savings rates etc.

→ **Neutrality of money** is an economic theory which considers money as a passive factor. Thus, money supply only affects the nominal variables and not real variables. Thus, central banks printing of notes is neutralized by proportional rise in prices and wages.



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**→ QUANTITATIVE INSTRUMENTS**

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**► REPO RATE**

- Repo rate (rate of repurchase) refers to the interest rate at which the RBI provides short-term liquidity to banks against the collateral of government securities.
- An increase in repo rate will make borrowing from RBI *expensive for banks*→banks will borrow less from RBI→less credit will be provided by banks to households→money supply will decrease.

**► REVERSE REPO RATE**

- Reverse repo rate is the rate at which the RBI borrows money from commercial banks within the country.
- An increase in the reverse repo rate will **decrease the money supply** and vice-versa, other things remaining constant.
- An increase in reverse repo rate means that commercial banks will get more incentives to park their funds with the RBI, thereby decreasing the supply of money in the market.
- Both repo and reverse repo rates are a part of RBI's "Liquidity Adjustment Facility (LAF)".
- Basis point→ A basis point is 1/100th of a percentage point. 1 basis point=0.01%.

**► MARGINAL STANDING FACILITY**

- MSF refers to the facility under which banks can borrow additional amount from RBI up to a limit at a penal rate of interest.
- It is called as a 'penal rate' as it is used to provide funds to banks under special circumstances to prevent unanticipated liquidity shocks.
- It is higher than the repo rate.
- An increase in MSF rate will tend to reduce money supply in the economy.

**► BANK RATE**

- Bank rate refers to the rate at which RBI provides long-term borrowings to its clients. Its clients include GoI, state governments, banks, financial institutions, cooperative banks etc.

- An increase in bank rate will make *borrowing from RBI expensive*→money supply will tend to decrease.

**► CASH RESERVE RATIO (CRR)**

- CRR refers to the percentage of total deposits of a bank to be kept with RBI in the form of cash.
- An increase in CRR→higher proportion of deposits to be kept with RBI by banks→less funds are available to be provided as credit to the economy→money supply will decrease.

**► STATUTORY LIQUIDITY RATIO (SLR)**

- SLR refers to the percentage of total deposits of a bank to be kept with itself in the form of liquid assets such as cash, gold and select government securities.
- An increase in SLR→higher proportion of funds to be kept aside by banks in liquid form→less funds available to be provided as credit to the economy→money supply will decrease.

**► OPEN MARKET OPERATIONS (OMO)**

- OMO refers to sale and purchase of government securities by RBI in the open market with the aim of influencing liquidity in the economy.
- Open market purchase by RBI→RBI will release liquidity in the economy→money supply will increase.

**► MARGINAL COST OF FUNDS BASED LENDING RATE (MCLR)**

- MCLR refers to the minimum interest rate of a bank below which it cannot lend, except in some cases allowed by the RBI.
- It is an internal benchmark or reference rate for the bank.
- MCLR actually describes the method by which the minimum interest rate for loans is determined by a bank - on the basis of **marginal cost (marginal cost= additional cost of arranging one more rupee for the prospective borrower)**.
- MCLR has replaced base rate system of fixing interest rates.
- The main reasons for implementing the MCLR system are

## BANKING, MONETARY POLICY, FINANCIAL SECTOR, TAXATION

- to improve the transmission of monetary policy
- to bring transparency in the methodology of banks to fix interest rates
- to ensure that bank credit is available at interest rates which are fair to both borrowers and lenders.
- Last year a Report of the Internal Study Group to Review the Working of the Marginal Cost of Funds Based Lending Rate System, under the chairmanship of Janak Raj, was submitted to RBI.

### ► LATEST RBI BANK RATES IN INDIAN BANKING – 2019

<b>SLR Rate</b>	19.25%
<b>CRR</b>	4%
<b>MSF</b>	6.50 %
<b>Repo Rate</b>	6.25%
<b>Reverse Repo Rate</b>	6%

### ► NON-PERFORMING ASSETS (NPAs)

- In the past few years, Indian banking system has experienced the problem of non-performing assets (NPAs) on a large scale.
- A loan whose interest and/or installment of principal has remained 'overdue ' (not paid) for a period of 90 days is considered as NPA.
- Banks are required to classify NPAs further into the three categories based on the period for which the asset has remained non-performing:

**(a) Sub-standard asset:** Remained NPA for a period less than or equal to 12 months.

**(b) Doubtful asset:** With effect from March 31, 2005, an asset would be classified as doubtful if it has remained in the substandard category for a period of 12 months.

**(c) Loss assets:** NPA identified by the bank or the RBI but the amount has not been written off.

→ **Stressed assets** = NPAs + restructured loans + written off assets

#### Base Rate

8.95% - 9.45%

### ► QUALITATIVE INSTRUMENTS

- **MARGIN REQUIREMENTS:** This refers to difference between the securities offered and amount borrowed by the banks.
- **CONSUMER CREDIT REGULATION:** This refers to issuing rules regarding down payments and maximum maturities of installment credit for purchase of goods.
- **GUIDELINES:** RBI issues oral, written statements, appeals, guidelines, and warnings to the banks.
- **RATIONING OF CREDIT:** The RBI controls the Credit granted / allocated by commercial banks.
- **MORAL SUASION:** Psychological means and informal means of selective credit control.
- **DIRECT ACTION:** This step is taken by the RBI against banks that don't fulfill conditions and requirements. RBI may refuse to rediscount their papers or may give excess credits or charge a penal rate of interest over and above the Bank rate, for credit demanded beyond a limit.

→ **Restructured loans:** Restructured asset or loan are those assets which got an extended repayment period, reduced interest rate, converting a part of the loan into equity, providing additional financing, or some combination of these measures.

→ **Written off assets:** When the lender does not count that money, borrower owes to him/it, then the asset is called written off assets. However, in the balance sheet, the lender will compensate the written off assets or the loans. At the same time, it does not mean that the borrower is pardoned or exempted.

In March 2016, RBI had notified a mechanism for resolving stressed MSME loans of up to Rs 25 crore. The guidelines stated that banks should classify stress in such loans into three categories—special mention account (SMA) 0, SMA 1 and SMA 2, depending on the delay in repayment of loans.

- SMA 0 ( Delay up to 30 Days)
- SMA 1 ( Delay up to 31-60 Days)
- SMA 2 ( Delay up to 61-90 Days)

## BANKING, MONETARY POLICY, FINANCIAL SECTOR, TAXATION

The loans still remain standard even in these categories and turn bad only after a delay in payment of more than 90 days.

**→ STEPS UNDERTAKEN BY RBI FOR NPA RESOLUTION**

- The RBI has issued various instructions aimed at resolution of stressed assets in the economy, including introduction of certain specific schemes at different points of time.
- In view of the enactment of the IBC, 2016, it has been decided to substitute the existing guidelines and replace them with a strict 180-day timeline by when banks need to finalise a resolution plan in case of default, failing which the account will be referred for bankruptcy.
- Under the new framework, the RBI has asked banks to report credit information, including classification of an account as special mention account to the Central Repository of Information on Large Credits on all borrowers with aggregate exposure of Rs. 5 crores and above.

**→ INSOLVENCY AND BANKRUPTCY CODE (IBC), 2016**

- The IBC, 2016 provides a comprehensive, modern and robust insolvency and bankruptcy regime at par with global standards. This Code is a part of the Banking Regulation (Amendment) Act, 2017 wherein the Government can authorise RBI to initiate proceedings in case of a default in loan repayment. The unique **features** of the code are:
  - a comprehensive regime dealing with all aspects of insolvency and bankruptcy of all kinds of companies, LLPs, Partnerships and Individuals; However, for the insolvency of banks a separate act is proposed.
  - separating commercial aspects of insolvency and bankruptcy proceedings from judicial aspects and empowered stakeholders and adjudicating authorities to decide the matters within their domain expeditiously;
  - moving away from erosion of net worth to a more objective default in payment for initiation of the insolvency process;
  - moving away from the 'debtor-in-possession' regime to a 'creditors-in-control' regime where creditors decide matters with the assistance of insolvency professionals;

- providing collective mechanism to resolve insolvency rather than recovery of loan by a creditor;
- achieving insolvency resolution in a time bound manner and empowers the stakeholders to complete transactions in time.
- The institutional infrastructure of this code consists of 4 pillars:
  - **Insolvency professionals** - who assist the stakeholders in the insolvency process;
  - **information utilities** - who store and make valuable information available required to carry out various transactions under the code;
  - **adjudicating authorities** - National Company Law Tribunal and Debt Recovery Tribunal; and
  - **Insolvency and Bankruptcy Board of India** (for regulatory oversight).

**→ INSOLVENCY AND BANKRUPTCY CODE (AMENDMENT) ORDINANCE 2018**

- President gave his consent to promulgate the IBC (Amendment) Ordinance 2018.

**1. Homebuyers as financial creditors**

- Homebuyers would now be treated as financial creditors on par with banks with the power to initiate insolvency proceedings against errant builders.
- Homebuyers shall have the right to be represented in the committee of creditors (CoC), which takes the key decision regarding revival of the company or its liquidation.

**2. Definition of a related party**

- The amendment now defines related party in relation to an individual running the firm and they would be barred from bidding for the firm under the resolution process.

**3. Changes in voting share of committee of CoC**

- The amendment has changed the voting share required in CoC meetings. For extending the insolvency process beyond 180 days till 270 days and for appointment of the resolution professional (who oversees the process), now a voting share of 66% is sufficient, compared with earlier requirement of 75%. Unless a specific approval is required in the Code, all other decisions of the CoC can be taken with 51% voting share against the earlier norm of 75%.

- Withdrawal from the insolvency process is permitted with the approval of 90% of voting share of the CoC.

#### 4. If a financial creditor is a related party

- If a financial creditor (banks and other financial institution) or his authorised representative is a related party to the company facing insolvency, it shall not have any participation or voting during a meeting of the CoC.
- However, exemption is provided in case the financial creditor has become a related party on account of conversion or substitution of debt to equity shares or instruments convertible into equity shares prior to the date of commencement of insolvency proceedings.

#### 5. Moratorium period

- For a company under insolvency, a moratorium period is provided during which no parallel proceedings are allowed.
- Whether such moratorium is available to guarantors of the company was a subject of debate. Now the amendment has said that the moratorium is not available to persons who provided guarantee for the loans availed by the corporate debtor.

#### 6. Tenure of an insolvency resolution professional

- Under the insolvency process, an interim resolution professional (IRP) is appointed first and then, a resolution professional.
- As per the amendment, the tenure of the IRP would continue till the appointment of the resolution professional (RP), compared with the earlier 30-day fixed tenure. Also, for the appointment of the RP, a written consent from the professional is required in a specified format.

#### 7. For MSME

- This Ordinance empowers the Government to provide MSMEs with a special dispensation under the Code. The immediate benefit it provides is that, it does not disqualify the promoter to bid for his enterprise undergoing Corporate Insolvency Resolution Process (CIRP) provided he is not a willful defaulter and does not attract other disqualifications not related to default.

### → CROSS-BORDER INSOLVENCY

- The Insolvency Law Committee (ILC) submitted its 2nd Report on Cross Border Insolvency. The ILC was

constituted by the Ministry of Corporate Affairs to recommend amendments to Insolvency and Bankruptcy Code of India, 2016.

- The ILC recommended the adoption of the **UNCITRAL Model Law of Cross Border Insolvency, 1997** as it provides for a comprehensive framework to deal with cross border insolvency issues.
- UNCITRAL Model Law of Cross Border Insolvency, 1997
- The UNCITRAL Model Law has till now been adopted in 44 countries and gives precedence to domestic proceedings and protection of public interest.

#### Principles of UNCITRAL Model Law

The model law deals with four major principles of cross-border insolvency, namely:

1. Direct access to foreign insolvency professionals and foreign creditors to participate in or commence domestic insolvency proceedings against a defaulting debtor.
2. Recognition of foreign proceedings & provision of remedies.
3. Cooperation between domestic and foreign courts & domestic and foreign insolvency practitioners.
4. Coordination between two or more concurrent insolvency proceedings in different countries. The main proceeding is determined by the concept of **Centre of Main Interest (COMI)**.

#### ABOUT UNCITRAL

- UN Commission on International Trade Law was established in 1966. It is a subsidiary of the General Assembly of the UN.
- It is a legal body with universal membership specializing in commercial law reform.
- **Activities of UNCITRAL:**
  - o Technical Legislative Assistance for modernization of trade laws and commercial practices.
  - o **CLOUT: Case law on UNCITRAL Tests** is a collection of court decisions and arbitral awards interpreting UNCITRAL texts.
  - o **Focus areas:** Dispute Resolution, Electronic Commerce, Insolvency, International Payments, Public procurement and infrastructure development, Sale of goods, Transport of goods.

### ► PUBLIC CREDIT REGISTRY (PCR)

- RBI had formed a high-level task force on PCR under the chairmanship of **YM Deosthalee**.
- PCR will be an extensive database of credit information for India that will be accessible to all stakeholders.
- **It will capture all relevant information pertaining to borrowers** (individuals and corporate) **in a single large database including data about willful defaulters and pending legal suits against them** in order to check financial delinquencies.
- The PCR will also include **data from** entities like market regulator **SEBI, the Corporate Affairs Ministry, GSTN** and the **Insolvency and Bankruptcy Board of India** to enable banks and financial institutions to get a 360-degree profile of existing and prospective borrowers on a real-time basis.

#### BENEFITS

- Credit assessment and credit pricing: Will help banks distinguish between a bad and a good borrower and accordingly offer attractive interest rates to good borrowers and higher interest rates to bad borrowers.
- It can also enable RBI in understanding whether monetary transmission is working fully or not.
- It can help banks and regulators in early intervention and effective restructuring of stressed bank credits.

#### CURRENT EXISTING CREDIT REGISTRIES IN INDIA IS HIGHLY FRAGMENTED

1. **Credit Information Companies:** They have the highest mandate for collection and sharing of all sort of credit information from banks, non-banks and other credit providing agencies. They are regulated by RBI under the Credit Information Companies (Regulation) Act, 2005. Existing Credit Information Companies in India are:- Trans Union CIBIL, Equifax, Experian, CRIF High Mark Credit Information Services
2. **Central Repository of Information on Large Credits (CRILC):** It maintains information about all borrowers' entities with aggregate exposure of Rs 5 crore and above. It was set up by RBI in 2014-15. This database captures about 60% of the entire bank credit and around 80% of the non-performing loans of SCBs.
3. **Information Utility:** It stores financial information that helps to establish defaults as well as verify claims expeditiously and thereby facilitate completion of transactions under the IBC in a time bound manner. It

constitutes a key pillar of the insolvency and bankruptcy ecosystem. The other three being Adjudicating authority (NCLT and Debt Recovery Tribunals), Insolvency and Bankruptcy Board of India and Insolvency Professionals.

**National e-Governance Services limited is India's first Information Utility** and is registered with IBBI under the Insolvency and Bankruptcy Code.

### ► PROMPT CORRECTIVE ACTION (PCA)

- PCA allows the RBI to place certain restrictions on banks such as putting a cap on bank's lending limit, halting branch expansion and stopping dividend payment.
- For banks that are put under PCA, RBI can undertake special audits, restructuring operations and recovery plan.
- **When is PCA invoked?** RBI invokes PCA on those banks when three risk thresholds are breached. These are based on:
  - o **Asset quality** (NNPA – net non-performing assets to advances ratio),
  - o **Capital** (CRAR – regulatory capital to risk weighted assets ratio and leverage ratio) and
  - o **Profitability** (ROA – return on assets).
- o It has three **risk threshold levels** (1 being the lowest and 3 the highest) based on where a bank stands on these ratios.
- The PCA framework is applicable only to commercial banks and not extended to co-operative banks, NBFCs and FMIIs.
- At present, RBI has placed 6 state run banks under the PCA framework. The NPAs of these banks have soared beyond the regulatory tolerance levels.

### ► PROJECT SASHAKT

- It is a 5-pronged strategy to **resolve bad loans with large sized loans going to an asset management company (AMC) or an alternative investment fund (AIF)**.
- Project Sashakt was proposed by a panel led by PNB chairman Sunil Mehta.
- The idea is to help consolidate stressed assets.

#### SMALL AND MEDIUM ENTERPRISE (SME) RESOLUTION APPROACH

- Bad loans of up to ₹50 crore will be managed at the bank level, with a deadline of 90 days.



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- For this, a resolution plan based on simple metrics and Standard Operating Process will be arrived at **within 90 days** of detection of stress by individual banks.
- Internal SME steering panel(s) should be established by banks for formulating and validating these schemes, including provision of additional funds.

**BANK-LED RESOLUTION APPROACH**

- For **bad loans of ₹50-500 crore**, banks will enter an **inter-creditor agreement**, authorizing the lead bank to implement a resolution plan in 180 days, or refer the asset to National Company Law Tribunal (NCLT).
- The Inter-creditor agreement says that if 66% of lenders by value agree to a resolution plan, it would be binding on all lenders. Dissenting creditors can also exit by selling their loans to any entity at a price mutually arrived at between the lender and buyer.
- The independent steering committee appointed by the Indian Banks Association (IBA) has to validate the process within 30 days.

**AMC/AIF LED RESOLUTION APPROACH**

- For bad loans **above Rs.500 crores** would be resolved through an independent asset management company (AMC) which would be funded by alternative investment fund (AIF).
- AIF would raise funds from foreign and institutional investors. Banks may also invest if they wish. Besides, AIFs can also bid for assets in NCLT.
- The price discovery of these NPAs will be through open auction by the lead bank in which asset reconstruction companies (ARCs), AMCs and other investors can participate.

**NCLT/IBC APPROACH**

- It also envisages invocation of IBC if other options fail.
- The resolution route is also applicable to larger assets already before the National Company Law Tribunal (NCLT) and any other asset whose resolution is still pending.

**ASSET-TRADING PLATFORM**

- To be created for trading of both performing and NPAs.

**INTER-CREDITOR AGREEMENT**

It was an arrangement proposed by Sunil-Mehta Committee under Project Sashakt.

- Banks, NBFCs and other lenders can join ICA.

- Lending parties will jointly appoint a lead lender, who will act on behalf for entire group. Lead bank will take the proposal for resolution.
- Applicable for all loans above Rs 50 crore.
- If 66% of the lenders in terms of aggregate exposure approve, then the pact is binding on all the lenders.
- Exit Option: Dissenting lenders will have an exit route, either selling their exposure at a discount or buying exposure of the other lenders at a premium.
- Indian Banks' Association (IBA) has set up an oversight committee for enforcing ICA.

## → PREVIOUS SCHEMES FOR NPA RESOLUTION

**► PRIVATE ASSET RECONSTRUCTION COMPANIES (ARC)**

- Private ARCs were introduced under the SARFAESI Act, 2002 with the aim of reconstruction of stressed assets by specialists in this field thus relieving banks of this task and allowing them to focus on their core operations. However, ARCs have not been very functionally successful.

→ **SARFAESI Act, 2002:** The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act was framed to address the problems of NPAs by defining the procedures for transfer of assets to ARCs.

**► STRATEGIC DEBT RESTRUCTURING**

- The SDR scheme was aimed at converting debt of companies into 51% equity and selling them to the highest bidders' subject to authorization by existing shareholders.

**► ASSET QUALITY REVIEW**

Asset Quality Review was meant to recognize the presence of stressed assets by banks through assessment of loans in line with RBI loan classification rules.

**► BAD BANK**

To deal with the issue of high NPAs on the books of banks, several economists have proposed the creation of a BAD BANK.



### ► GOVT MAY CREATE BAD BANK TO TAKE OVER PSB'S NPAs

A bankers' panel, headed by PNB chairman **Sunil Mehta**, would look at the feasibility of setting up a **new asset reconstruction company (ARC) or asset management company (AMC)** to take over bad loans of PSBs.

#### HISTORY OF IDEA OF BAD BANK

- A Bad Bank is a bank, which is set up to buy bad loans of another bank with significant non-performing assets at market price. By transferring such assets to the bad bank, the original institution may clear its balance sheet.
- Bad Bank concept was pioneered at the **Pittsburgh-headquartered Mellon Bank** in 1988 in response to problems in the bank's commercial real-estate portfolio. According to McKinsey & Co, the concept of a "bad bank" was applied in previous banking crises in Sweden, France, and Germany.

#### WORKING

- Such an institution would be largely based on the principles of an asset restructuring company (ARC), which

buys bad loans from the commercial banks at a discount and tries to recover the money from the defaulter by providing a systematic solution over a period of time.

- Since a bad bank specialises in loan recovery, it is expected to perform better than commercial banks, whose expertise lies in lending.

#### POSITIVES

- A single government entity will be more competent to take decisions rather than 28 individual PSBs.
- Capacity building for a complex workout can be better handled by the government which has regulatory control and has management skillsets in public sector enterprises.
- Foreign investors with both risk capital and risk appetite would be more in a government-led initiative, knowing that regulatory risks would stand considerably mitigated in various stages of resolution, including take outs.

## BANKING REGULATION

### ► BASEL-III NORMS

- Basel guidelines refer to broad supervisory standards formulated by a group of central banks known as the **Basel Committee on banking supervision (BCBS)**.
- The set of agreement by BCBS which mainly focus on risks to banks and financial system are called as the **Basel Accord**.
- The purpose of the accord is to ensure that financial institutions have enough capital in their balance sheet to meet their obligations and absorb unexpected losses. India has accepted Basel accords for the banking system.
- Till now, the BCBS has announced 3 set of norms under Basel Accord. The latest norms, Basel III were announced in 2010.
- These guidelines were aimed at:
  - improving the banking sector's ability to absorb shocks arising from financial and economic stress
  - improving risk management and governance

- strengthening bank's transparency and governance.

The main requirements under the Basel III framework are as follows:

#### (A) TOTAL CAPITAL REQUIREMENT/CAPITAL ADEQUACY RATIO (CAR)

- CAR is the ratio of total capital to total risk weighted assets. (Risk weighted assets are the bank's assets weighted according to risk.)
- CAR is the amount that banks have to maintain in the form of their own funds to offset any loss that banks incur if the account holders fail to repay dues. CAR formula is decided by BASEL-III Committee on Banking supervision and implemented by the central bank of individual member-country.
- The minimum total capital requirement as a percentage of risk weighted assets has been fixed at 8%.

#### (B) CAPITAL CONSERVATION BUFFER (CCB)

- CCB is designed to ensure that banks build up capital buffers during normal times (i.e. outside periods of stress) which can be drawn down as losses are incurred during a stressed period.

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- In addition to the above mentioned 8%, a CCB of 2.5% of risk weighted assets is also required to be maintained.

**► BANK RECAPITALIZATION PACKAGE**

- Bank recapitalization means **infusing fresh capital** into the banks through various sources such as budgetary sources, issue of bonds, raising capital through market sources etc.
- The main aim of bank recapitalization is to **strengthen the banks' balance sheets, meet the provisioning requirements under Basel III norms, resolve NPAs and revive the credit momentum of the economy.**
- Bank recapitalization is done through capital infusion by both the government and the RBI.
- In 2017-18, the government announced a large bank recapitalization program under which Rs 2.1 lakh crores were to be infused into banks through 3 sources:
  - (a) Rs 18,000 crores from the budget;
  - (b) Rs 58,000 crores that banks would raise from the market and
  - (c) issue of **recapitalization bonds** worth Rs 1.35 lakh crores by the central government to PSBs against equity shares.
- In December 2018, government announced additional Rs 41000 cores recapitalisation bond issue in the context of shortfall in bank's market borrowing and the rising need to save banks from RBI's PCA framework.
- The recapitalisation process is a significant banking reform as it will provide funding to only those viable banks in the first phase that have strong balance sheets. Hence, it will provide an incentive for banks having excessive stressed assets to work upon cleaning up their balance sheets and become viable in future.

**→ RECAPITALIZATION BONDS**

- Recapitalisation bonds are dedicated bonds to be issued at the behest of the government for recapitalizing the trouble hit Public Sector Banks (PSBs).
- **How do these work?**
  - o Government will issue bonds, which banks will subscribe and enter it as investment in their books.
  - o The banks will lend money to the government for subscribing the bonds.

- o This money raised by the government through these bonds will go back to banks as capital.
- o This will immediately strengthen the balance-sheet of the banks and show capital-adequacy.
- o Since the government is always solvent, the money lent to the government for subscribing recap bonds is free from becoming a bad loan.
- **Impact on Fiscal deficit:** Since the government is not spending any money from its accounts, it does not have an immediate impact on fiscal deficit.

**► INDRADHANUSH ROADMAP**

- Under Indradhanush roadmap announced in 2015, the government had announced to infuse Rs70,000 crore in state-run banks over four years to clean up their balance sheets and ensure they fully comply with Basel-III capital adequacy norms.
- The seven pronged strategy under Indradhanush is as follows:
  1. **Appointment** - A new approach to top-level appointments (allowing entry of talent from outside)
  2. **Bank Board Bureau**- Constitution of BBB for appointment of whole-time Directors as well as non-Executive Chairman of PSBs.
  3. **Capitalization**- Providing additional capital to 12 PSBs including State Bank of India to keep a safe buffer over and above the minimum norms of Basel III.
  4. **De-stressing PSBs** - Effective management of NPAs
  5. **Empowerment** - More flexibility in hiring staff
  6. **Framework of accountability** - ESOPs and higher performance bonus
  7. **Governance reforms** - Focused efforts in the areas of optimizing capital, digitizing processes, strengthening risk management, improving managerial performance and financial inclusion.

**► MERGER OF DENA BANK, VIJAYA BANK AND BANK OF BARODA**

- The Cabinet Committee of Economic Affairs has approved the merger of state-run Vijaya Bank, Bank of Baroda and Dena Bank.

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- Following the merger of these state-owned banks, BoB will become the third largest bank in India after the State Bank of India and HDFC Bank in terms of assets.
- This marks the first-ever three-way merger in the country's banking sector.

**BACKGROUND**

- Previously, the merger of SBI and its associate banks and Bhartiya Mahila Bank has been put into effect.
- The Union Cabinet in August 2017 approved amalgamation of Public Sector Banks through **Alternative Mechanism (AM)** with an aim to facilitate consolidation among the Nationalised Banks to create strong and competitive banks.

**POSITIVES OF BANK AMALGAMATION**

- Economies of scale
- Reduction in the cost of doing business.
- Reduced Technical inefficiency

- Larger banks will have capacity to meet international standards with innovative products and services with accepted level of efficiency.
- Larger banks will have expanded geographical coverage
- A better and optimum size of the organization would help PSBs **offer more and more products and services** and help in integrated growth of the sector.
- The **volume of inter-bank transactions will come down**, resulting in saving of considerable time in clearing and reconciliation of accounts.
- The burden on the central government to recapitalize the public sector banks again and again will come down substantially. This will also help in meeting more stringent norms under BASEL III, especially capital adequacy ratio.

**PROBLEMS ASSOCIATED WITH MERGERS**

- Difficulty in harmonisation of operations; weaknesses of small banks may get transferred to the better performing banks, issues with manpower planning.

## INFLATION

Inflation refers to a rise in general level of prices/sustained rise in the general level of prices/persistent increase in the general level of prices.

- **SKEWFLATION:** Price rise of one or a small group of commodities over a sustained period of time is known as Skewflation.
- **GALLOPING INFLATION:** This is a very high inflation running in the range of double-digit or triple -digit (20%, 200% per year). It is also known as hopping inflation, jumping inflation, and running or runaway inflation.
- **HYPERINFLATION:** This form of inflation is large and accelerating, which might have the annual rates in million or even trillion. Although hyperinflation is considered to be rare, it occurred more than 50 times in the 20th century in countries such as China, Germany, Russia, Hungary and Argentina.
- **BOTTLENECK INFLATION :** This occurs when supply falls drastically and the demand remains at the same level. This is also known as structural inflation.
- **INFLATION TAX :** Inflation tax is not an actual legal tax paid to a government; instead, "inflation tax" refers to the penalty for holding cash at a time of high inflation.

Inflation erodes the value of money and the people who hold currency suffer in this process. As the governments have authority of printing currency and circulating it into the economy, this act functions as an income to the governments. This is a situation of sustaining government expenditure at the cost of people's income. This looks as if inflation is working as a tax.

- **DEFLATION:** Deflation refers to a fall in the general level of prices over a period of time.
- **DISINFLATION:** It shows the rate of change in the inflation overtime (slowing down of rate of inflation).

**→ MEASUREMENT OF INFLATION**

The rate of inflation is measured on the basis of price indices. Price index measures the average level of prices i.e. it does not show the exact price rise or fall of a single good. Price indices are of two types: Wholesale Price Index and Consumer Price Index.

**► WHOLESALE PRICE INDEX**

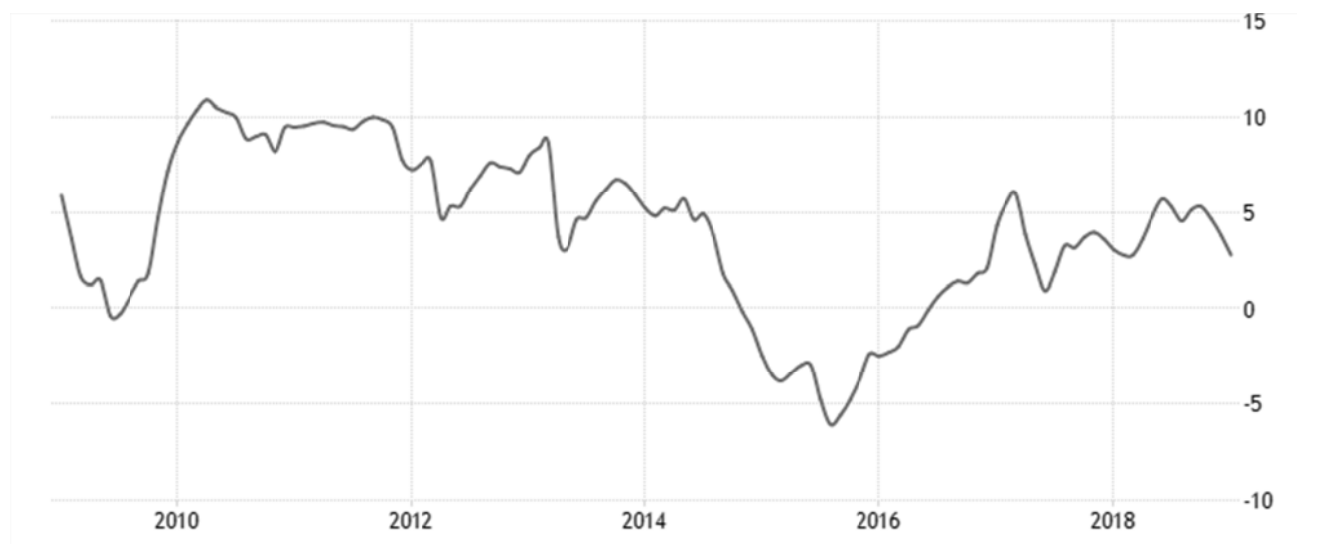
- WPI measures the average **change in the prices of commodities for bulk sale** at the level of early stage of transactions.

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- The base year for calculation of WPI is changed to 2011-12 from 2004-05 on the recommendation of **Dr. Saumitra Chaudhuri Committee**.
- The index is released by **Office of Economic Adviser, Department for Promotion of Industry and Internal Trade**.
- In the new series of WPI, prices used for compilation do not include indirect taxes in order to remove impact of fiscal policy. This will make the new WPI conceptually closer to Producer Price Index.
- A new 'WPI Food Index' will be compiled to capture rate of inflation in food.

Major Group	Weights		No. of Items	
	2004-05	2011-12	2004-05	2011-12
Primary Articles	20.12	22.62	102	117
Fuel & Power	14.91	13.15	19	16
Manufactured Products	64.97	64.23	555	564
All Commodities	100.00	100.00	676	697

## → TRENDS OF WPI VARIATION FROM 2010



## ► CONSUMER PRICE INDEX

- CPI measures the average **change in retail prices of goods and services**.
- India has differential sets of CPI with differentials in baskets of commodities.
- It is computed by the **Central Statistical Organisation**, under the ministry of Statistics and Program Implementation.
- The base year for CPI has been revised to 2012 from 2010.

**(a) CPI-Industrial workers (CPI-IW):** CPI-IW measures the change over time in prices of a fixed basket of goods and

services consumed by industrial workers. It is used for wage indexation and fixation of dearness allowances of employees. CPI-IW is released by Labour Bureau, Ministry of Labour and Employment.

**(b) CPI-Agricultural Labourers and Rural Labourers:** CPI-AL and CPI-RL measure the extent of change in retail prices of goods and services consumed by the agricultural and rural labourers. It is released by Labour Bureau, Ministry of Labour and Employment.

→ **TRENDS OF CPI VARIATION FROM 2012 TO 2019**► **PRODUCER PRICE INDEX (PPI)**

- It is a system for measuring Wholesale prices from the point of view of the Producers or the sellers of goods and services. A committee was set up under the **Chairmanship of B N Goldar** for developing PPI for the Indian context.

→ **HEADLINE INFLATION**

- Headline measures of inflation such as WPI and CPI have large weightages of food and fuel items which renders these metrics volatile. Since the fluctuation in prices of fuel and food are affected by reasons of weather, international demand and other factors beyond control of government policies.
- Thus, policy makers sometimes use core inflation data which is arrived after removing food and fuel components from headline inflation.
- However, RBI uses headline CPI inflation for anchoring monetary policy.

→ **CORE INFLATION**

- It measures the inflation in an economy by removing the more volatile components of basket such fuel and food.
- It is less volatile.

→ **STAGFLATION:** Stagflation refers to the situation when both inflation and unemployment are at high levels. This is a special situation as usually inflation and unemployment are inversely related to each other. This situation arises

when the economy is experiencing long periods of stagnation/recession.

→ **GDP DEFLATOR:** GDP deflator is a measure of inflation which is calculated as the ratio of GDP at current prices to GDP at constant prices.  $GDP \text{ at current prices} = \text{price of current year} \times \text{quantity of current year}$ .  $GDP \text{ at constant prices} = \text{Prices of base year} \times \text{quantity of current year}$ .

► **EFFECTS OF INFLATION**

- On creditors and debtors:** Inflation reduces the value of money. Hence, it redistributes wealth from creditors (those who lend money) to debtors (those who borrow money). Suppose A borrows Rs 100 from B to purchase 10 dusters. Inflation in the economy is 10%, so now Rs 100 will buy only 9 (approx.) dusters. When B returns Rs 100 to A, value of money has reduced. A suffers and B benefits from inflation.
- On rate of interest:** Real rate of interest (nominal rate of interest minus inflation) decreases due to rise in inflation. Suppose bank A gives loan at 10% interest. Now, inflation in the economy is 5%. The actual rate of interest to be paid by borrowers will be only 5% (10%-5%).
- On aggregate demand:** Rising inflation indicates rising aggregate demand and indicates comparatively lower supply.

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- **On investment:** Since higher inflation indicates higher aggregate demand, it leads to an increase in investment in the economy.
- **On income:** Inflation increases the nominal value of income. *Nominal income = price \* quantity. As prices increase, nominal income will also rise.*
- **On savings:** Since inflation erodes the value of money, an increase in inflation would mean that holding money as savings is not a good option.
- **On expenditure:** The increase in the rate of inflation would lead to increase in consumption expenditure.
- **On tax:** Since inflation leads to an increase in nominal income, therefore the direct tax liability of the individuals will increase as they move to a higher tax bracket. Indirect tax liability also increases due to inflation as prices of goods have increased.
- **On exchange rate:** Inflation leads to depreciation of exchange rate (reduces the value of domestic currency in relation to foreign currency).
- **On employment:** Inflation indicates high aggregate demand and thus an increase in employment.

## FINANCIAL SECTOR IN INDIA

Financial Market refers to the market where funds are transacted between the fund-surplus and fund-scarce individuals. In India, the financial market is divided into money market and capital market.

### ► MONEY MARKET

- Money market is the market for **short term financing** (less than one year).

The main instruments in the money market are:

### ► TREASURY BILLS

- These are **short-term debt obligation backed by the Central Government** with a maturity period less than 1 year.
- TBs other than providing short-term cushion against the government also function as short-term investment avenues for the banks and financial institutions, besides functioning as requirements of the CRR and SLR of the banking institutions.
- RBI is Banker / Debt manager for both State and Union Government. However, presently t-bills are issued only by central government and not state governments. T-bills are sold at discount and re-purchased at par value (face value).

### ► CERTIFICATE OF DEPOSITS (CDS)

- CD is a **negotiable money market instrument** and issued in dematerialised form or as a Usance Promissory Note against funds deposited at a bank or other eligible financial institution for a specified time period.
- Scheduled commercial banks (not RRBs & Local Area Banks) can issue CDs for a period **not less than 7 days and not more than one year, from the date of issue.**
- The Financial Institutions can issue CDs for a period not less than 1 year and not exceeding 3 years from the date of issue.

### ► COMMERCIAL PAPER (CP)

- CPs are **unsecured loans** raised by firms in money markets through instruments issued in the form of a promissory note.
- CPs can be issued for maturities between a minimum of 7 days and a maximum of up to one year from the date of issue.
- **They have become one of the popular routes for corporates to raise funds when compared with loans from banks in recent times.**
- These are issued by corporate houses which are listed in share market having a working capital of not less than 5 crores.

### BENEFITS

- Because of surplus liquidity, short-term borrowing rates in money markets have significantly declined post



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demonetisation and are much lower than the lowest benchmark lending rates of the banks.

- Apart from being a **cheaper source of funds**, it helps meet **funding requirements relatively quickly** for better-rated corporates.
- **Procedural requirements** for securing bank facilities and charge creation on assets is not required.

### ► COMMERCIAL BILL

- These are issued by All India Financial Institutions, Non-Banking Finance Companies, Scheduled Commercial Banks, Merchant Banks, Cooperative Banks and the Mutual Funds.

### ► CALL/SHORT MONEY MARKET

- This is basically an **inter-bank money market**.
- Under **call money market**, funds are transacted on an overnight basis and under **notice money market**; funds are transacted for a period between 2 days and 14 days.
- No collateral is required to borrow from this market.
- Scheduled commercial banks (excluding RRBs), co-operative banks (other than Land Development Banks) and Primary Dealers (PDs), are permitted to participate in call/notice money market both as borrowers and lenders while LIC, GIC, UTI, IDBI and NABARD are allowed to operate as only lenders in this market.

### ► CASH MANAGEMENT BILL

- These are issued to meet the temporary cash flows mismatches of the Government. These are issued for **maturities less than 91 days**.

### ► CAPITAL MARKET

- The capital market usually facilitates the **long-term requirements of funds** in the economy.
- This market usually includes the All-India Financial Institutions and development banks (like IFCI, ICICI, SIDBI, EXIM Bank, NABARD, National Housing Bank etc.), banking sector, security market and financial regulators (RBI, SEBI).

Two segments of the capital market

### ► PRIMARY MARKET

This is where a company gets registered to issue a certain amount of shares and to raise money. This is also called **'getting listed'** in a stock exchange. A company enters primary markets to raise capital. If the company is selling shares for the first time, it is called an Initial Public Offering (IPO). The company, thus, becomes public.

### ► SECONDARY MARKET

Once new securities have been sold in the primary market, these shares are traded in the secondary market. This is to offer a chance for investors to exit an investment and sell the shares. Secondary market transactions are referred to trades where one investor buys shares from another investor at the prevailing market price or at whatever price the two parties agree upon.

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SOURCE OF FINANCING/FINANCIAL INSTRUMENTS

### ► DEBENTURES

- are instrument issued by companies to **raise debt capital**.
- An investor lend money to the company, in return for its promise to pay interest at a fixed rate (usually payable half yearly on specific dates) and to repay the loan amount on a specified maturity date say after specified years (redemption).

### ► SHARES (EQUITY)

- Equity shares are instruments issued by companies to raise capital and it represents the **title to the ownership of a company**.
- An investor becomes an owner of a company by subscribing to its equity capital or by buying its shares from its existing owner(s). As a shareholder, the investor bears the entrepreneurial risk of the business venture and is entitled to benefits of ownership like share in the distributed profit (dividend) etc. The returns earned in equity depend upon the profits made by the company.

Some of the **major differences between shares and debentures** are that shares are not to be paid back by the company whereas debentures have to be paid back at the

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end of a fixed period; and shareholders get **dividend only out of profits** while debenture holders being creditors **get guaranteed interest**, as agreed, whether the company makes profit or not.

**► BONDS**

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

**► MASALA BONDS**

- Masala bonds are rupee **denominated overseas bonds**.
- It is **issued by an Indian entity in foreign markets** and its interest payments and principal reimbursements are denominated in rupees.
- These bonds will help to internationalise the Indian rupee and deepen the Indian financial system.
- Since these bonds are denominated in the domestic currency, they are protected against currency fluctuation risks.
- **An example of masala bonds is the IFC Masala bonds issued by the International Finance Corporation which is an arm of the World Bank.**

**► MUNICIPAL BONDS**

- Municipal bonds are rupee bonds-or non-convertible debentures- issued by Indian municipal bodies.
- They are meant to finance public projects such as roads, schools, airports and infrastructure. These bonds help in the deepening of bond markets as well as enable the local bodies to find avenues for resource generation.

**► BHARAT 22 EXCHANGE TRADED FUND (ETF)**

- An ETF is a marketable security that tracks an index, a commodity, bonds or basket of assets like an index fund.
- These funds are traded like common stocks on the stock exchange.

- This fund owns the underlying assets (like stocks, foreign currency etc.) and divides the ownership of those assets into shares.
- The **main objective of Bharat 22** is to mobilise funds through the selling of the ETF and thus to **meet the disinvestment target**. Bharat 22 is the second ETF issued by the government for supporting the disinvestment programme.
- It comprises of 22 stocks of both PSUs and private enterprises including Specified Undertaking of Unit Trust of India (SUUTI), central public sector enterprises (CPSE) ETF and PSU banks. The first endeavour was the CPSE – ETF (Central Public-Sector Enterprises ETF) that was issued in March 2014.

**► MUTUAL FUND**

- It is a fund that is created when a large number of investors put in their money, and then invests that sum in financial instruments.
- This is managed by professional fund manager.
- Mutual funds are **compulsorily registered** with the Securities and Exchange Board of India (SEBI).

**► DERIVATIVES**

- A derivative is a security with a price that is dependent upon or derived from one or more underlying assets.
- The derivative itself is a contract between two or more parties based upon the asset or assets.
- **Its value is determined by fluctuations in the underlying asset.**
- The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes.

**► VENTURE CAPITAL**

- It is the financing that investors provide to startup companies and small businesses that are believed to have long term growth potential.
- It generally comes from well-off investors and investment banks.
- However, it does not just always take a monetary form; it can be provided in the form of technical and managerial expertise.

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► **SEED CAPITAL FINANCING**

- It is the first stage of venture capital financing.
- Seed-stage financings are often comparatively modest amounts of capital provided to inventors or entrepreneurs to finance the early development of a new product or service.

► **ANGEL INVESTOR**

- An angel investor is a person who invests in highly risky companies; typically, before those companies have any revenue or profits.
- Usually these companies are start-ups and/or small businesses that typically have little or no access to capital markets.

► **BOOTSTRAP**

- Bootstrap is a situation in which an entrepreneur starts a company with little capital.
- An individual is said to be boot strapping when he or she attempts to found and build a company from personal finances or from the operating revenues of the new company.

► **PARTICIPATORY NOTES**

- These are used by overseas market participants that don't want to get registered as FIIs.
- P-notes are not issued in India, rather these are issued by an India registered FII to other overseas investors.
- The FII will be the entity to initiate a transaction in our stock markets, which could be on behalf of foreign clients.
- P-notes are then issued by the FII to the client, underlining that the securities are held on behalf of the client albeit in the name of the FII.
- P-note holders are **entitled to all dividends, capital gains and other payouts on the underlying securities**.
- P-notes are popular instruments as they save the investor from regulatory hassles and allow the final beneficiary to remain anonymous.
- However, this also creates issues for SEBI which regulates P-notes.
- FIIs have to periodically report to SEBI on P-note issuance without the need to name the final beneficiary.

- It is also suggested that P-notes are used illegally for money laundering and movement of black money.

► **INVESTMENT THROUGH PARTICIPATORY NOTES**

Investments through participatory notes have plunged to over nine-year low of Rs 80,341 crore till July 2018 amid stringent norms SEBI to check misuse.

**REASONS**

- The decline could be attributed to several measures taken by the market watchdog to stop the misuse of the controversy-ridden participatory notes.
- In July 2017, SEBI had notified **stricter norms stipulating a fee of USD 1,000 on each instrument** to check any misuse for channelising black money.
- It had also prohibited FPIs from issuing such notes where the underlying asset is a derivative, except those which are used for hedging purposes.
- In April 2018, the Securities and Exchange Board of India (Sebi) had **barred resident Indians, NRIs and entities owned by them from making investment through P-notes**.

► **CURRENCY DERIVATIVES**

- These are exchange based futures and options contracts that allow one to hedge against currency movements.
- A currency future contract can be used to exchange one currency for another at a future date at a pre-determined price.
- These are mostly used by firms that have a significant exposure to exports and imports.
- Currency derivatives are traded on Multi Commodity Exchange which is a platform for commodity traders that facilitate online trading, settlement and clearing of commodity futures transactions thereby providing a platform for risk management.

## EXCHANGES

→ **STOCK EXCHANGE**

- It is a physically existing institutionalized set-up where instruments of security stock markets (shares, bonds, debentures, securities, etc.) are traded.

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- This is regulated by Security and Exchange Board of India (SEBI).
- Some of the National Stock Exchanges in India are- The National Stock Exchange of India Limited, The Over the counter exchange of India Limited, Interconnected stock exchange Of India, the Bombay Stock Exchange Limited, Indo Next, BSESME (SME platform of BSE) and Emerge (SME platform of NSE).

### ► BOMBAY STOCK EXCHANGE (BSE) RECOGNIZED AS DOSM

BSE has become the first stock exchange in India to have received recognition as a '**Designated Offshore Securities Market**' (DOSM) from the United States Securities and Exchange Commission (SEC).

#### DESIGNATED OFFSHORE SECURITIES MARKET STATUS (DOSM)

- It allows the sale of securities to U.S. investors through the trading venue of BSE without registration of such securities with the US SEC and thus eases the trades by US investors in India.
- Prior to this recognition, investors who wished to sell such securities (i.e., equity or debt securities issued by BSE listed companies in a private placement under the U.S.

securities laws) had to take certain measures to ascertain the location of the purchaser prior to re-selling.

#### → COMMODITY MARKET

- A commodity market facilitates trading in various commodities.
- It may be a spot or a derivatives market. In spot market, **commodities are bought and sold for immediate delivery**, whereas in derivatives market, various financial instruments based on commodities are traded.
- SEBI regulates Commodity Derivative Markets Since September 2015.

#### REGULATOR

#### → SECURITY AND EXCHANGE BOARD OF INDIA (SEBI)

- The SEBI was first established in 1988 as a non-statutory body and later became statutory body in 1992 through the SEBI Act.
- It was set with necessary powers to regulate the activities connected with marketing of securities and investments in the stock exchanges, merchant banking, portfolio management, stock brokers and others in India.
- The objective of SEBI is to protect the interest of investors in primary and secondary stock markets in the country.

### ► FINANCIAL INCLUSION

- Financial inclusion involves ensuring that all excluded sections i.e weaker sections and low income groups have access to financial services such as bank accounts, credit, insurance and pension etc.
- Both government and RBI have introduced various schemes and taken several steps to boost the banking sector as well as improve financial inclusion.

### ► PRADHAN MANTRI JAN-DHAN YOJANA (PMJDY)

#### OBJECTIVES

- universal access to banking services with atleast one basic banking account for every household;
- Financial literacy, access to credit and insurance;

- beneficiaries to receive a Rupay debit card having inbuilt accident insurance of Rs 1 lakh.
- Life Insurance coverage is also available under PMJDY. Only one person in the family will be covered and in case of the person having multiple cards/accounts, the benefit will be allowed only under one card i.e. one person per family will get a single cover of Rs 30,000.
- The scheme also provides incentives to business and banking correspondents who serve as link for the last mile between savings account holders and the bank by fixing a minimum monthly remuneration of Rs 5000.
- The scheme covers both urban and rural areas of India.
- The scheme is playing a crucial role in financial empowerment of women and vulnerable sections of the society and promoting the government's objective of "inclusive growth".

### → NEW CHANGES IN PMJDY

The Union Government has decided to make the PMJDY an **open-ended scheme** and added more incentives to encourage people to open bank accounts.

- The overdraft limit for account holders has now been doubled to Rs. 10000.
- The free **accident insurance cover** has been doubled to Rs 2 lakh.
- No conditions attached for over-draft of up to Rs 2,000.
- The upper age limit for availing the facility has also been hiked to 65 from the earlier 60 years

### ► PRADHAN MANTRI MUDRA YOJANA

- The Micro Units Development and Refinance Agency (MUDRA) was set up by the Govt as an agency for developing and refinancing all micro-enterprises engaged in manufacturing, trading and service activities.
- MUDRA aims to provide financial support to those banks and micro finance institutions which are engaged in lending to the micro-enterprises and thus act as a refinance agency.
- The lending target under the scheme was Rs 2.44 lakh crore as per Union Budget 2017-18 with priority being assigned to dalits, tribals, backward classes and women.
- It is to be noted that MUDRA bank has been set up as a subsidiary of SIDBI.
- Further, the MUDRA gives loans up to Rs 10 lakh while loans of higher amount is given by SIDBI.
- Mudra Loans are available for non-agricultural activities upto Rs. 10 lakh and activities allied to agriculture such as Dairy, Poultry, Bee Keeping etc, are also covered.
- Mudra's unique features include a Mudra Card which permits access to Working Capital through ATMs and Card Machines.
- **There are three types of loans under PMMY:**
  1. Shishu (up to Rs.50,000).
  2. Kishore (from Rs.50,001 to Rs.5 lakh).
  3. Tarun (from Rs.500,001 to Rs.10,00,000).

### ► UNIFIED PAYMENTS INTERFACE (UPI)

- UPI is a system developed by National Payments Corporation of India (NPCI) that allows **money transfer between any two bank accounts by using a smartphone**.
- By facilitating interoperability, it unleashes the power of mobile phones in achieving digitization of payments and financial inclusion and making "M" an integral part of the government's flagship "**JAM- Jan-dhan, Aadhar, Mobile**" initiative.
- Under the UPI initiative, the government has also launched the **BHIM (Bharat Interface for Money) app** for **digital transactions**.

→ **UPI 2.0**: NPCI has upgraded the UPI with enhanced features.

- **Linking of overdraft account** – Apart from the savings and current accounts, the UPI users can now link their overdraft account to it and all the facilities and benefits of overdraft account would be made available to the users.
- **One-time Mandate (account blocking)** – It allows customers or merchants to pre-authorize a transaction and pay at a later date. It would also ensure that the customers do not miss the payments.
- **Invoice in the inbox** – It allows the users to check the invoice sent by merchant in their own inbox prior to making the payments, thus allowing the customers to check the credentials beforehand.
- **Security Layer in QR** – The app allows the users to scan the QR code and check the authenticity of the merchants through notification to the user to ascertain the information.
- **Increased Transaction Limit** – The pre-existing transaction limit (1 lakh daily) has been raised to 2 lakh daily.

### → NATIONAL PAYMENTS CORPORATION OF INDIA (NPCI)

- NPCI is an umbrella organization for operating retail payments and settlement systems in India and promote financial inclusion.
- It is an initiative of RBI and Indian Banks' Association.



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- NPCI's National Financial Switch links all the ATMs in India.
- NPCI has launched several products to promote payments in the country. Some of the important products (besides UPI above) are:

→ **RUPAY CARDS** is India's own unique domestic card network created as an alternative to Visa and Mastercard.

It will allow all Indian banks and financial institutions to participate in electronic payments.

→ **BHIM APP** launched in 2016 allows money transfer to UPI-enabled bank accounts via Aadhar Enabled Payment system. The BHIM apps has three levels of authentication.

→ **AADHAR ENABLED PAYMENTS SYSTEM (AEPS)** is a bank led model which allows online interoperable financial inclusion transactions at Point of Sale through the business correspondent of any bank using Aadhaar authentication.

→ **BHARAT QR (QUICK RESPONSE) code** is a **person to merchant mobile payment solution**. It consists of black squares arranged square grid which can be read by a mobile phone camera and contains information about the item to which it is attached.

### ► JAN DHAN DARSHAK APP

- Department of Financial Services (DFS), Ministry of Finance and National Informatics Centre (NIC) have jointly developed a mobile app called Jan Dhan Darshak as a part of financial inclusion initiative.
- It will act as a guide for common people for locating a financial service touch point at a given location in a country.

### ► REDUCTION IN MERCHANT DISCOUNT RATE

- **Merchant Discount Rate (MDR) is the fee borne by the merchant for using credit and debit card payment system.**
- To encourage digital transactions, Ministry of Electronics and information technology (MEITY) had announced that from January 1, 2018 for the next two years, it will bear the MDR fees of merchants, for

payments upto Rs. 2,000/- if such payment is made via debit card, BHIM or Aadhar enabled payment system.

### ► INTERCHANGE FEE

- Interchange Fee" is the charge that a card issuing bank pays to another bank whose ATM its customer uses.
- Presently, the interchange charge has been fixed at 1% of the transaction amount subject to a maximum of Rs 15.
- This charge is recovered from the customers if the number of transactions exceeds five free transactions in a month.
- The low interchange fee has been a constraint for the viability of the white label ATM (WLA) operators.
- In this regard, the WLA operators have been demanding an increase in the Interchange fee in order to compensate their higher operating costs.

### → WHITE LABEL ATMS

- Automated Teller Machines (ATMs) which are set up, owned and operated by **non-bank entities** are called "White Label ATMs" (WLAs).
- Prior to WLAs only banks were permitted by the RBI to set up ATMs.
- **Tata Communications Payment Solutions Limited (TCPSL)** is the first company authorized by RBI to open WLA's in the country.
- It got launched under the brand name '**Indicash**'.

### OPERATIONAL GUIDELINES

- Non-bank entities are permitted to set up WLAs in India, after obtaining approval from RBI under the Payment and Settlement Systems (PSS) Act 2007.
- WLA operator is entitled to receive a fee from the banks for the use of ATM resources by the banks customers.
- They are not permitted to charge bank customer directly for the use of WLAs.
- Government has permitted Foreign Direct Investment (FDI) up to 100%, under the automatic route.



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► BANK OWNED ATMS	► BROWN LABEL ATMS	► WHITE LABEL ATMS
<ul style="list-style-type: none"> <li>Such ATMs are set up and owned by the bank itself.</li> <li>Bank is responsible for their overall operation and maintenance.</li> <li>Banks are given responsibility of Cash Management, Network Connectivity, Security etc.</li> </ul>	<ul style="list-style-type: none"> <li>These ATMs work on cost-sharing concept.</li> <li>The Bank needs to take care of cash management and network connectivity while a service provider (Non-Banking Entity) provides for the ATM machine.</li> <li>The Bank's logo is displayed on such ATMs.</li> <li>These ATMs enable the Banks to reduce their operation cost since they need not buy the ATM machines.</li> </ul>	<ul style="list-style-type: none"> <li>These ATMs are completely owned and managed by Non-Banking entity.</li> <li>The entire gamut of operations including ATM hardware, Cash Management, Network Connectivity, Security etc. is looked after by the non-banking entity.</li> <li>Further, these ATMs have the right to use their own logo.</li> </ul>

S.NO.	CATEGORY	PAYMENT SYSTEM	OPERATOR
1.	ATM Networks	NFS	NPCI
		Cashnet	Euronet Services India Pvt. Ltd. (non-bank)
		BANCS (Banks ATM Network and Customer Services)	Bank of India
		ATM Sharing arrangement with Everest Bank of Nepal	Punjab National Bank
		State Bank ATM network	State Bank of India
		IMPS	NPCI
2.	Funds Transfer	IMPS	NPCI
3.	Cards	Card Networks (operated by non-banks)	RuPay by NPCI
			VISA
			MasterCard
			American Express
			Diners
4.	Bulk and Repetitive payments	NACH	NPCI
5.	Aadhaar based Payments	APBS	NPCI
		AePS	NPCI
		BHIM Aadhar Pay	NPCI
6.	-	MTSS – OP (Cross Border Money Transfer – inbound only)	9 non-banks (OP)
7.	-	PPI issues	Banks and Non-banks
8.	-	IMT	Empays Payment System India Pvt. Ltd (non-bank)
9.	-	TReDS	3 non-banks

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			(Mynd Solutions, Receivables Exchange of India and A. TREDIS)
10.	-	BBPS	NPCI (BBPCU)
11.	-	UPI	NPCI
12.	-	NETC	NPCI

### ► SMALL FINANCE BANKS

- Differentiated banks which undertake basic banking activities of acceptance of deposits and lending to small farmers, MSMEs and unorganized sector enterprises.
- They are aimed at boosting the saving habits of the lowest strata of the society.
- Some of the small finance banks are **Ujjivan small finance bank, AU small finance bank** etc.
- Recently, **RBI has decided to allow urban co-operative banks into small finance banks. It is aimed at bringing UCBs into mainstream banking.**

### ► PAYMENT BANKS

- Differentiated bank for facilitating payments and remittance flows.
- These banks can accept **demand deposits upto Rs 1 lakh** and can offer payments and remittance services, issuance of prepaid payment instruments, internet banking etc.
- Some of the payment banks in India are **Airtel Payments bank, India Post payments bank, Paytm payments bank and Fino payments bank.**

### ► INDIA POST PAYMENTS BANK (IPPB)

- IPPB started operations recently by opening two pilot branches, one at **Raipur and the other at Ranchi.**
- It will focus on providing **banking and financial services to people in rural areas by leveraging the reach of 1.55 lakh post office branches.**

#### SPECIFICATIONS

- It is a public sector company under the **department of posts and Ministry of communication** with a 100 per cent equity of the government of India, and regulated by the Reserve Bank of India (RBI).
- India Post Payments Bank offers **4 per cent interest rate** on savings accounts.

- It will offer **a range of products** such as savings and current accounts, money transfer, direct benefit transfers, bill and utility payments, and enterprise and merchant payments.
- It has been allowed **to link around 17 crore postal savings bank (PSB) accounts with its accounts.**

#### STATUTORY REQUIREMENTS FOR PAYMENTS BANK

- **Capital requirement:** The minimum paid-up equity capital for payments banks is Rs. 100 crores.
- **Leverage ratio:** The payments bank should have a leverage ratio of not less than 3%, i.e., its outside liabilities should not exceed 33.33 times its net worth (paid-up capital and reserves).
- **Promoter's contribution:** The promoter's minimum initial contribution to the paid-up equity capital of such payments bank shall at least be 40% for the first five years from the commencement of its business.
- **Foreign shareholding:** The foreign shareholding in the payments bank would be as per the Foreign Direct Investment (FDI) policy for private sector banks as amended from time to time.
- **SLR:** Apart from amounts maintained as Cash Reserve Ratio (CRR) with the Reserve Bank on its outside demand and time liabilities, it will be required to invest minimum 75% of its "demand deposit balances" in Statutory Liquidity Ratio (SLR) eligible Government securities/treasury bills with maturity up to one year and hold maximum 25% in current and time/fixed deposits with other scheduled commercial banks for operational purposes and liquidity management.

### ► QR CARD IN IPPB

The IPPB has done away with ATM and debit cards. It would now issue new Quick Response (QR) cards which work on biometric authentication and not on Passwords or Pins.

#### WHAT IS A QR CARD?

- A QR card contains a barcode that can be used to identify details of the account holders.

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- The barcode could be read through a smartphone or micro-ATMs, which can be carried by postmen or Grameen Dak sevaks.

**ISSUANCE OF CARDS**

- QR card transactions can be done through postmen, post offices or Grameen Dak Sevaks (GDS).
- IPPB is also trying to ensure that QR card would be used for the transactions done through small merchants and kirana stores.
- However, it does not work at ATMs.

**CONSIDERED BETTER THAN ATM / DEBIT CARD**

- The transactions through the QR card can be done only through bio-metric authentication, thus adding an additional layer of security.
- Ensures door step delivery of cash by the Postmen.
- It does not require the account holder to remember the account number or the pin.
- The QR card is also cheaper.
- A QR card can be scanned easily through a smartphone app without the need of a point-of-sale (PoS) machine.

**► BUSINESS CORRESPONDENTS (BC)**

- The RBI has allowed banks to appoint **entities and individuals** as agents for providing basic banking services in remote areas where they can't practically start a branch. These agents are called as business correspondents.
- BCs are considered as practical solutions to extend banking services to a large number of village habitations in the country.
- BCs enable a bank to provide its limited range of banking services at low cost and hence they play a crucial role in financial inclusion.

**ACTIVITIES PERMITTED TO BC**

- Identification of borrowers, collection and preliminary processing of loan applications including verification of primary information/data, creating awareness about savings and other products, education and advice on managing money and debt counseling, processing and submission of applications to banks, promoting, nurturing and monitoring of Self Help Groups/ Joint Liability Groups, post-sanction monitoring, follow-up of recovery.

- They can also attend to collection of small value deposit, disbursement of small value credit, recovery of principal/ collection of interest, sale of micro insurance/ mutual fund products/ pension products/ other third party products and receipt and delivery of small value remittances/ other payment instruments.

**→ COMMON SERVICE CENTRES (CSC) AS BC**

- The government is planning to make all CSCs across the country BCs of Banks.
- 2.90 lakh CSCs will be able to work as Business Correspondents (BCs).
- CSC e-Governance Services India Limited, a SPV, has been set up by Ministry of Electronics and IT under the Companies Act to oversee the implementation of the CSC scheme.
- The CSC 2.0 scheme was launched in 2015 to expand the outreach of CSCs to all Gram Panchayats across the country.
- At least one CSC to be set up in each of the 2.5 lakh GPs across the country by 2019.

**FUNCTIONS OF CSC**

- CSCs are the access points for **delivery of various digital services to villages in India**. It is a key pillar of Digital India Program
  - Digital financial transaction awareness program: It aims to reduce risks of uninformed rural and urban merchants about digital financial aspects and bring them under mainstream economic system.
  - Service Delivery Centres for – Government to Citizen (G2C), Business to Consumer (B2C), Utility Services, etc.
  - Permanent Enrolment Centres (PEC) for Aadhaar, and Aadhaar Printing Centres
  - Business Correspondent Agents (BCAs) under Financial Inclusion for Banking services and banking services under Prime Minister's Jan-Dhan Yojana
  - Insurance service Centres
  - Financial Inclusion
  - Educational and Skill Development Centres
  - Electoral Registration centres
  - Information Centre for various schemes of the Government for creating awareness leading to digital empowerment among the citizens
  - Wi-Fi distribution centres (Wi-Fi e-Choupal).

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BANKING, MONETARY POLICY, FINANCIAL SECTOR, TAXATION**→ VARIOUS INITIATIVES INVOLVING CSCs**

- **PM Gramin Digital Saksharta Abhiyaan (2017):** Impart digital literacy to 6 crore citizens in rural areas.
- **Cyber Gram Yojana:** Impart digital literacy training to students from minority community. It is part of Multi-Sectoral Development Program of the Ministry of Minority Affairs.
- **Legal Literacy Program:** Spread awareness related to various laws in India.
- **DIGIPAY:** Aadhaar enabled payment system at locations where CSC has been acting as Business Correspondent.
- **DIGITIZE INDIA PLATFORM (DIP):** Digitize physical records and reduce piles of papers stored in record rooms or offices of Government, and private organisations.
- **Stree Swabiman:** Sustainable model for providing affordable and accessible sanitary products close to the homes of adolescent girls and women.
- Under this project, Sanitary Napkin Micro Manufacturing Units are being set up at CSCs across the country, particularly those operated by women VLEs.
- **Digital Seva Kendra:** Provide digital services easily to urban citizens.
- **VLE Bazaar:** Online market platform dedicated to unique Indian handicrafts and cottage products which are handmade, ethnic, organic and natural.

**► MICRO CREDIT**

- Micro Credit has been defined as the provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve their living standards.
- Micro Credit Institutions are those, which provide these facilities.
- For these purposes NABARD supports these agencies by way of refinance. It also provides technical support and guidance to the agencies participating in the programme.

**► SOVEREIGN GOLD BONDS (SGB) SCHEME**

- SGBs scheme, launched in 2015, are government securities denominated in grams of gold.

- The bonds are denominated in multiples of gram(s) of gold with a basic unit of 1 gram (which is the minimum investment allowed in SGB).
- People who hold physical gold can go for these bonds as substitute.
- For subscription, investors will have to pay the issue price in cash and the bonds will be redeemed in cash on maturity.
- Bonds come with a maturity period of 8 years, with an exit option from the fifth year
- The quantity of gold for which the investor pays is protected, since he receives the on-going market price at the time of redemption.
- **The objective of the scheme is to reduce the country's dependence on gold imports and increase domestic supply.**
- The bond is issued by the RBI on behalf of the government.
- The bonds will be sold through banks, Stock Holding Corporation of India Limited (SHCIL), designated post offices, and stock exchanges – BSE and NSE.
- The gold bonds pay interest at the rate of 2.50% per annum on the amount of initial investment. Interest is credited semi-annually. The interest is taxable.
- TDS is not applicable on the bond. But capital gains tax arising from redemption of sovereign gold bonds has been exempted.
- Sovereign gold bonds can also be used as collateral for loans.

**► CERT-FIN**

Computer Emergency Response Team in financial sector (CERT-Fin) is a nodal agency (announced in Budget 2017-18) to deal with cyber security like hacking and phishing in the financial sector. It will work closely with all financial sector regulators closely on issues of cyber security. It will collect, analyse and disseminate information on cyber incidents across financial sectors.

# CURRENT affairs & related concepts

## ► RBI PANEL ON ECONOMIC CAPITAL FRAMEWORK

RBI has constituted a panel on economic capital framework to be headed by Ex-RBI governor **Bimal Jalan**.

### ECONOMIC CAPITAL FRAMEWORK

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

### PURPOSE

- It has been formed to address the **issue of RBI reserves**—one of the sticking points between the central bank and the government.
- The government has been insisting that the central **bank hand over its surplus reserves amid a shortfall in revenue collections**. Access to the funds will allow the government to meet deficit targets, infuse capital into weak banks to boost lending and fund welfare programmes.

### TERMS OF REFERENCE

- The panel will decide whether RBI is holding reserves and buffers in surplus of the required levels.
- It would propose a suitable profits distribution policy taking into account all the likely situations of the RBI, including the situations of holding more provisions than required and the RBI holding less provisions than required.
- The ECF committee will also suggest an adequate level of risk provisioning that the RBI needs to maintain. That apart, any other related matter, including treatment of surplus reserves created out of realized gains, will also come within the ambit of this committee.

## ► FINANCIAL INCLUSION INDEX

It was launched by the Minister of Finance. The single composite index gives a snap shot of level of financial inclusion that would guide Macro Policy perspective.

### DETAILS

- It will measure access and usage of a basket of formal financial products and services that includes savings, remittances, credit, insurance and pension products.
- It would rate states on their performance on last-mile banking services availability.
- The index will have three measurement dimensions, viz. **(i) access to financial services; (ii) usage of financial services; and (iii) the quality of the products and the service delivery**.
- These are also the G20 Financial Inclusion Indicators.

## ► JAN DHAN DARSHAK

**Department of Financial Services (DFS), Ministry of Finance and National Informatics Centre (NIC)** has jointly developed a mobile app called Jan Dhan Darshak as a part of financial inclusion (FI) initiative.

### DETAILS AND FEATURES

This app will act as a guide for the common people in locating a financial service touch point at a given location in the country across all providers such as banks, post office, CSC, etc. These services could be availed as per the needs and convenience of the common people.

## ► PAYMENT REGULATOR

- RBI has opposed the Centre's proposal to set up an independent Payment Regulatory Board (PRB) which will oversee all payment systems in the country stating that

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the proposed body “must remain with the Reserve Bank” and headed by the RBI Governor.

- It strongly condemned Inter-Ministerial Committee’s proposal to take PRB out of the RBI’s purview, the RBI said there has been no evidence of any inefficiency in payment systems of India.

**BACKGROUND INTER-MINISTERIAL COMMITTEE ON PAYMENT REGULATOR**

- The committee was headed by **Subhash Chandra Garg**.
- It proposed that a payments regulator should be established independent of the RBI, with a chairperson appointed by the government in consultation with the RBI.
- The proposal overruled the central bank’s recommendation that its governor should be head of the payments regulator.
- The RBI cited the report of the **Ratan Watal Committee on digital payments** as recommending the establishment of the PRB within the overall structure of the RBI, arguing therefore that there is no need for any deviation.

**► RECAPITALIZATION OF RRBs**

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

**RRBs**

- RRBs are jointly owned by **Government of India, the concerned State Government and Sponsor Banks** with the issued capital shared in the proportion of 50%, 15% and 35% respectively.
- RRBs were set up with the objective to provide credit and other facilities, especially to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs in rural areas for development of agriculture, trade, commerce, industry and other productive activities.

**► AMALGAMATION OF RRBs**

Union government, in consultation with the NABARD, had decided to go ahead **with phase III of the amalgamation of**

**regional rural banks (RRBs)**, bringing down the number of such entities to 38 from 56 now.

**BACKGROUND**

- The first round was in 2005 in which RRBs of the same sponsor bank within a State were consolidated.
- In the second phase of consolidation in 2012, RRBs, which were near each other (even if they belonged to different sponsor banks), were brought together.

**POSITIVES**

- The consolidation process would enable RRBs to **minimise their overhead costs**, optimise use of technology, enhance capital base and area of operation.
- This will bring about better scale efficiency, higher productivity and robust financial health of RRBs
- Improved **financial inclusion** and **greater credit flow** to rural areas.

**► UCBS TO TRANSITION INTO SFBs**

- The Reserve Bank of India has decided to allow urban co-operative banks (UCB) to convert into small finance banks (SFB), a move aimed at bringing these entities into mainstream banking. It has been decided to allow voluntary transition of UCBS meeting the prescribed criteria into SFBs.
- UCBS currently face regulation by both the RBI and the respective State governments. By turning into SFBs, they will be regulated only by the RBI.

**SMALL FINANCE BANKS**

The small finance bank will primarily undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections including small business units, small and marginal farmers, micro and small industries and unorganised sector entities.

They can:

- Take small deposits and disburse loans.
- Distribute mutual funds, insurance products and other simple third-party financial products.
- Lend 75% of their total adjusted net bank credit to priority sector.
- Maximum loan size would be 10% of capital funds to single borrower, 15% to a group.
- Minimum 50% of loans should be up to 25 lakhs.



## ► SOCIETY FOR WORLDWIDE INTERBANK FINANCIAL TELECOMMUNICATION (SWIFT)

**SWIFT India** has appointed ex-SBI chief Arundhati Bhattacharya as the new chairman of its board.

### BACKGROUND

- SWIFT India is a joint venture of top Indian public and private sector banks and SWIFT (Society for Worldwide Interbank Financial Telecommunication).
- The company was created to deliver **high quality domestic financial messaging services** to the Indian financial community.
- What is **SWIFT**? The SWIFT is a global member-owned cooperative that is headquartered in Brussels, Belgium. It was founded in 1973 by a group of 239 banks from 15 countries which formed a co-operative utility to develop a secure electronic messaging service and common standards to facilitate cross-border payments.

### FUNCTIONS

- SWIFT **does not facilitate funds transfer**: rather, it **sends payment orders**, which must be settled by correspondent accounts that the institutions have with each other.
- The SWIFT is a **secure financial message carrier** — in other words, it transports messages from one bank to its intended bank recipient.
- Its core role is **to provide a secure transmission channel so that Bank A knows that its message to Bank B goes to Bank B and no one else**. Bank B, in turn, knows that Bank A, and no one other than Bank A, sent, read or altered the message en-route. Banks, of course, need to have checks in place before actually sending messages.

## ► LETTERS OF UNDERTAKING (LOU)

- RBI has initiated special audit of State-owned lenders with focus on trade financing activities, especially relating to issuance of **letters of undertaking (LoU)** by them.
- In addition, the RBI has asked all banks for details of the LoUs they had issued, including the amounts outstanding, and whether the banks had pre-approved credit limits or kept enough cash on margin before issuing the guarantees.

- Technically, Letter of Undertaking is a **bank guarantee** under which a bank allows its customer to raise money **from another Indian bank's foreign branch in the form of short-term credit**.
- The loan is used to make **payment to the customer's offshore suppliers in foreign currency**.
- The overseas bank usually lends to the importer based on the LoU issued by the importer's bank.
- LoUs are important instruments that allow those in the import trade to transact their business.

### POSITIVES

- As an importer in India cannot simply buy dollars and send it abroad to make payments to his supplier, various instruments such as **LoUs and Letters of Credit** are required to carry out the transaction.
- LoUs, which are essentially a form of guarantee, have come to be a far cheaper and convenient way for importer to raise credit.

## ► LIQUIDITY COVERAGE RATIO (LCR)

The RBI has allowed the banks to take into account 15% of their deposits under the mandatory SLR requirement for the calculation of Liquidity Coverage Ratio (LCR).

- It was introduced by the Basel Committee on Banking Supervision (BCBS) as part of the Basel III post-crisis reforms in order to strengthen short term resilience of banking sector.
- **Objectives**: The LCR is designed to ensure that banks hold a sufficient reserve of high-quality liquid assets (HQLA) to allow them to survive a period of significant liquidity stress lasting 30 calendar days.

### WHAT IS HQLA?

HQLA are cash or assets that can be converted into cash quickly through sales (or by being pledged as collateral) with no significant loss of value. The HQLA can include coins and bank notes, banks' deposits with the Central Bank, G-SECs, high rated corporate bonds etc.

### LCR CALCULATION

- The LCR requires banks to hold a stock of HQLA at least as large as expected total net cash outflows over the stress period of 30 calendar days.

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- Total net cash outflows are defined as the total expected cash outflows minus the total expected cash inflows arising in the stress scenario.

$$\frac{\text{Stock of HQLA}}{\text{Total net cash outflows over the next 30 calendar days}} \geq 100\%$$

## ► APP FOR TREASURY BILLS

The National Stock Exchange (NSE) has launched an app and web-based platform, '**NSE goBID**', for retail investors to buy government securities.

### ABOUT THE APP

- The app would allow investors to invest in treasury bills (T-Bills) of 91 days, 182 days and 364 days and various government bonds from one year to almost 40 years.
- The retail investors would be able to make payment directly from their bank accounts using Unified Payments Interface (UPI) and Internet banking.

### WHAT ARE T- BILLS?

- T-bills are **short term securities** issued on behalf of the government by the RBI and are used in managing short term liquidity needs of the government.
- Treasury bills are issued at a discount and are redeemed at par.

## ► PREPAID PAYMENT INSTRUMENTS

The Reserve Bank of India has released the guidelines for **interoperability between prepaid payment instruments (PPIs)** such as **wallets and cards** that will effectively allow users of popular payment wallets such as Paytm, Freecharge, Mobikwik, PhonePe and PayZapp, among others, to transfer money from one wallet to another.

### DETAILS

- As per the guidelines, where PPIs are issued in the form of wallets, interoperability across PPIs shall be enabled through UPI and where PPIs are issued in the form of cards, the cards shall be affiliated to the authorised card networks.
- The guidelines, while boosting the e-wallet segment, would also ensure the safety and accuracy of the transfer of money by individuals from one wallet to another.

## ► BOND

The **World Bank** has launched the world's first public bond created and managed using only blockchain in order to test how the technology might improve current bond sales practices.

### DETAILS

- The project is called '**BONDI**' (**Blockchain Operated New Debt Instrument**), which is also reference to the Bondi Beach in Sydney.
- **Commonwealth Bank of Australia (CBA)** has been mandated by the World Bank to be the sole arranger of the bond.
- It is a **Kangaroo bond** (foreign bonds issued in Australia in local currency).
- The launch of the blockchain bond is an initial step in moving bond sales away from manual processes towards **automation**.

### BENEFITS

- Blockchain technology could help in cutting **down bond settlement time** "from trade date plus two days (T+2 days) currently to T+2 minutes".
- The technology has potential to deliver substantial **cost savings** as intermediary activities can be eventually reduced or removed.
- As a public ledger system, blockchain records and validate each and every transaction made, which makes it **secure and reliable**.
- All the transactions made are authorized by miners, which makes the transactions immutable and prevent it from the threat of hacking.
- It allows **decentralization** of the technology.

## ► PEER TO PEER (P2P) LENDING

RBI has notified that peer-to-peer (P2P) lending platforms need to be regulated and treated on par with non-banking financial companies (NBFCs).

- P2P lending is a form of **crowd-funding** used to raise loans which are paid back with interest.
- It uses **online platform** that matches lenders with borrowers in order to provide unsecured loans.
- The borrower can either be an individual or a legal person requiring a loan.

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- The interest rate may be set by the platform or mutual agreement between the borrower and the lender.
- Fees are paid to the platform by both the lender as well as the borrower.

**► OMBUDSMAN SCHEME FOR NBFCs**

The Reserve Bank of India (RBI) has launched **Ombudsman Scheme for nonbanking financial companies (NBFCs)** for redressal of complaints against NBFCs registered with RBI under section 45-IA of the RBI Act, 1934.

**OMBUDSMAN**

- **An officer at the RBI not below the rank of general manager** will be appointed by the regulator as the ombudsman with territorial jurisdiction being specified by the central bank.
- The **tenure** of each ombudsman **cannot exceed three years** and can be reduced by the regulator if needed.

**MECHANISM OF APPEAL**

- **Any customer or person** can file a complaint with the ombudsman on various grounds like non-payment or inordinate delay in payment of interest, non-repayment of deposits, lack of transparency in loan agreement, non-compliance with RBI directives on fair practices code for NBFCs, levying of charges without sufficient notice to the customers and failure or delay in returning the securities documents despite repayment of dues among others.
- Only written complaints or those in electronic format will be accepted.

**► REGULATION OF MICRO-FINANCE IN INDIA**

RBI has created a separate class of NBFCs called NBFC-MFI on the recommendation of Malegam Committee report. NBFC-MFI are non-deposit taking.

**COMPLIANCE**

NBFC-MFIs have to comply with a

- Code of Conduct
- Transparency in Interest Rates
- Refrain from Multiple-lending, Over-borrowing and Ghost-borrowers
- Resort to Non-Coercive Methods of Recovery
- Fair Practices code

**SELF-REGULATORY ORGANISATION**

- Industry associations are expected to facilitate compliance by the NBFC-MFIs with the regulations and code of conduct and function in the best interests of customers. NBFC-MFIs are encouraged to become member of at least one Self-Regulatory Organisation (SRO) which is recognised by RBI and will also have to comply with the code of conduct prescribed by the SRO.
- As of now, two SROs have been recognised by RBI they are: **SA-DHAN, Microfinance Institution Network (MFIN)**

**► MSME'S AND CAPITAL MARKET**

- Portals are developed by BSE and NSE for small MSME's to access capital markets.
- These are **BSE's SME portal** and **NSE's Emerge portal**
- Further, SEBI has relaxed listing norms for MSMEs.

**► BANKING STABILITY INDEX (BSI)**

Recently, it has been observed that the quality of assets of the Indian banks have emerged as a cause of concern for central bank (RBI). It is a worrying situation for the government as a significant share of these distressed assets are concentrated in just few sectors like infrastructure, aviation, mining and textile etc.

- Since, the banking and the financial system is highly interconnected, the failure of one bank, or some banks, is likely to affect the stability of other banks. This interdependence is measured by the **Banking Stability Index**.
- It is calculated on the basis of: Efficiency of the bank, Profitability, Financial soundness, Liquidity, Asset Quality.
- **Banking Stability Index** is defined as the expected numbers of banks that could become distressed given that at least one bank has become distressed.
- As BSI score increases, it indicates that more banks are expected to be distressed, if one bank has become distressed.

**► EASE REFORMS INDEX**

- Independently measures the progress on the Public Sector Banks Reforms Agenda

- The report has been commissioned by Indian Banks' Association and authored by BCG with Forrester Inc., Kantar IMRB and TransUnion.
- The Index measures performance of each PSB on 140 objective metrics across 6 themes.
- 4R strategy for rebooting Public Sector Banks: Recognition, recovery, recapitalisation and reforms.

### ► CRISIDEX

- The SIDBI (Small Industries Development Bank of India) and ratings agency Crisil have launched CriSidEx, India's first MSE Sentiment Index for micro, small and medium enterprises (MSMEs).
- The index will help to indicate the current state and expected outlook on the MSME sector every quarter.

#### BENEFIT

- CriSidEx will have 2 indices, one for the 'survey quarter' and another for the 'next quarter' once a trend emerges after few rounds of the survey, providing independent time series data.
- The crucial benefit of CriSidEx is that its readings will flag potential headwinds and changes in production cycles and thus help improve market efficiencies. And by capturing the sentiment of exporters and importers, it will also offer actionable indicators on foreign trade.

### ► 80:20 GOLD SCHEME

A CAG report published in 2016 found that the 80:20 scheme had resulted in a loss of Rs 1 lakh crore to the exchequer.

- The scheme was introduced in 2013 with the aim of curbing gold imports.
- Under the scheme, up to **80% of gold imports could be sold in the country and while at least 20% of imports had to be exported before bringing in new consignments** of the yellow metal.
- Further, the permission to import the next lot given only upon fulfilment of the export mandate.
- The policy was aimed at **tackling the widening fiscal deficit**.
- Later, the RBI relaxed the rules with the aim to facilitate gem and jewellery export, which had declined due to the import curbs.
- Following relaxation of the rules, private firms were allowed to import gold under the scheme.

### ► EXTERNAL BENCHMARKING OF INTEREST RATES

- Under the new system which will come into effect from April 1, 2019, banks will have to link their lending rates with an **external benchmark instead of MCLR**.
- The RBI has given these options to banks: **RBI repo rate, the 91-day T-bill yield; the 182-day T-bill yield; or any other benchmark market interest rate produced by the Financial Benchmarks India Pvt. Ltd.**
- One of these benchmarks will be used to decide the lending rate by the Banks.

#### BACKGROUND

- The **Marginal cost of funds-based lending rate (MCLR)** refers to the minimum interest rate of a bank below which it cannot lend. It is an **internal benchmark or reference rate** for the bank to fix interest rates on different categories of loans. The MCLR depends on various factors such as fixed deposit rates, source of funds and savings rate. The price of loan comprises the MCLR and the bank's profit margin.
- All loans given by the Banks from **April 1, 2016 are linked to MCLR**. The MCLR-based regime had replaced the **earlier base rate regime** to provide transparency in the transmission of monetary policy decisions.

#### PROBLEM WITH MCLR-BASED SYSTEM

- Lack of required transmission of policy rates. The home loan borrowers have often complained about the opacity of interest rate fixing mechanism.
- Thus, when the RBI cuts repo rate there is no guarantee a borrower will get the benefit of the rate cut or that it will be transmitted down to him.
- Hence, there are two main problems with the current MCLR-based system. **Firstly**, due to internal benchmarking of loan, policy rate cuts often don't reach the borrowers. **Secondly**, the MCLR system is opaque since it's an internal benchmark that depends on the way a bank does its business.

#### HOW IT WILL BENEFIT BORROWERS?

- **First**, it will help in better transmission of policy rate cuts which means an RBI rate cut will immediately reach the borrower against the current system in which internal benchmark is not influenced solely by the policy rate cut but depends on a variety of factors.

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- **Second**, it will make the system more transparent since every borrower will know the interest rate and the profit margin decided by the bank. It will help borrowers compare loans offered by different banks and then decide accordingly.

## ► GOODS AND SERVICES TAX NETWORK (GSTN)

- The GST Council has approved making GST Network (GSTN) a government entity by taking over stakes held by private entities.
- As per the proposal, the central government will own 50% and the remaining would be collectively held by state governments.

### ABOUT GSTN

- The GSTN is a **private limited company** floated to aid the rollout of the new indirect tax regime.
- The company will **provide information technology support** to all stakeholders for smooth implementation of the new taxation regime across the country and will be the repository of all information related to taxation and entities registered under GST
- Currently, the Centre and states together hold 49% stake in GSTN. The remaining 51% is held by five private financial institutions – HDFC Ltd, HDFC Bank Ltd, ICICI Bank Ltd, NSE Strategic Investment Co and LIC Housing Finance Ltd.

## ► DIRECT TAX COLLECTION

Recently, government stated that, there has been significant improvement in direct tax collection in the last few years. 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.

### REASONS

- **Growing Economy , Demonetisation, Goods and Service Tax, Use of Digital platform, Hassle Free Refund**
- **Government Initiatives** had also contributed to sound rate of Direct Tax collection, these initiatives include
  - **Income Declaration Scheme:** It offers an opportunity to tax defaulters to disclose their income under the Income Tax Act.

- **Aaykar Setu:** It is an app to help users, to understand the various nuances of direct taxes, file income tax, apply for PAN, check TDS statement etc.
- **Project Insight:** It will monitor high-value transactions with use big data analytics to find out any discrepancy between a taxpayer's income and expenses.
- Increased surveillance from **linking Aadhar to Permanent Account Number (PAN) and to bank accounts.**
- A task force has been constituted under **Arbind Modi** for drafting a new direct tax legislation.

## ► 'ANGEL TAX' CONTROVERSY

Over the past few weeks, several startups have reportedly been receiving notices from the I-T department asking them to clear taxes on the angel funding they raised, and in some cases, levying a penalty for not paying Angel Tax.

### WHAT IS ANGEL TAX?

- **Angel Tax is a 30% tax** that is levied on the funding received by startups from an external investor.
- However, this 30% tax is levied when startups receive angel funding at a valuation higher than its '**fair market value**'. It is counted as income to the company and is taxed.
- The tax, under **section 56(2)(viib)**, was introduced by in 2012 to fight money laundering. The stated rationale was that bribes and commissions could be disguised as angel investments to escape taxes. But given the possibility of this section being used to harass genuine startups, it was rarely invoked.

### ISSUES

- There is **no definitive or objective way to measure the 'fair market value'** of a startup. Investors pay a premium for the idea and the business potential at the angel funding stage.
- In a notification dated May 24, 2018, the Central Board of Direct Taxes (CBDT) had **exempted angel investors from the Angel Tax clause** subject to fulfilment of certain terms and conditions, as specified by the Department of Industrial Policy and Promotion (DIPP). However, despite the exemption notification, there are a host of challenges that startups are still faced with, in order to get this exemption.



## ► LTCG TAX ON EQUITY

In the **Budget 2018-19**, Tax on Long Term Capital Gains exceeding Rs 1 lakh at the rate of 10%, without allowing any indexation benefit was proposed.

### DETAILS

- A **capital gains tax** is a tax levied on **capital gains, profits an investor realizes when he sells a capital asset for a price that is higher than the purchase price.**
- Capital gains taxes are only **triggered when an asset is realized**, not while it is held by an investor.
- Normally if an asset is held for less than 36 months, any gain arising from selling it is treated as a **short-term capital gain (STCG)** and taxed in your hands.
- It becomes a **'long-term' capital gain (LTCG)** if the asset is held for 36 months or more.
- In case of shares and mutual funds, a holding period of 12 months or more qualifies as 'long-term'.

## ► BASE EROSION AND PROFIT SHIFTING (BEPS)

It refers to tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations. Under the OECD/G20 Inclusive Framework on BEPS, over 125 countries are collaborating to implement BEPS measures and tackle BEPS.

### BEPS PACKAGE:

- Addressing the tax challenges of the digital economy
- Neutralising the effects of hybrid mismatch arrangements (eg double non-taxation, double deduction, long-term deferral)
- Designing effective controlled foreign companies
- Limiting Base erosion involving interest deductions and other financial payments
- Countering harmful tax practices more effectively, taking into account transparency and substance.
- Preventing the granting of treaty benefits in inappropriate circumstances
- Preventing the artificial avoidance of permanent establishment status
- Aligning Transfer pricing outcomes with value creation
- Measuring and monitoring BEPS
- Mandatory disclosure rules

- Transfer pricing documentation and country by country reporting
- Making dispute resolution mechanisms more effective
- Multilateral convention to implement tax treaty related measures to prevent BEPS

Developed in the context of OECD/G20 BEPS project, the 13 actions equip governments with domestic and international instruments to address tax avoidance, ensuring that profits are taxed where economic activities generating the profits are performed and value is created.

## ► POEM RULES

- It refers to place of effective management. It is 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.
- It is an internationally recognized test for determination of residence of a company incorporated in a foreign jurisdiction.
- Most of the tax treaties entered into by India recognize the concept of 'place of effective management' for determination of residence of a company as a tie-breaker rule for avoidance of double taxation.

## ► GST COUNCIL

- Composition of GST Council as per the 101<sup>st</sup> Constitutional Amendment Act.
- Union finance minister is the chairman of GST council. Other members include Union Minister of State in charge of Revenue or Finance, Minister in charge of Finance or Taxation of State as members
- The members of the GST Council choose one amongst themselves to be the Vice-chairman of the council for such period as they decide.
- One half of the total number of members of GST council shall constitute the quorum at its meetings.

### DECISION MAKING

- Every decision of the GST Council shall be taken at a meeting, by a majority of not less than three-fourth of the weighted votes of the members present and voting
  - Central Government has a weightage of one-third of the total votes



- Votes of State Governments taken together have a weightage of two-thirds of the total votes.
- Thus, Central Government has an effective veto on all decisions of the GST Council.
- However, so far all decisions in the GST council have been taken by consensus.

#### **FUNCTIONS OF GST COUNCIL, IS TO RECOMMEND TO THE UNION AND TO STATES ON:**

- Taxes, cess and surcharges levied by the Union, States and the local bodies which may be subsumed in GST.
- Goods and services that may be subjected to or exempted from GST
- Model GST laws, principles of levy, apportionment of GST levied on the course of inter-State trade or commerce under article 269A
- Threshold limit turnover below which GST will not be applicable.
- Rates including floor rates with bands of GST
- Any special rate or rates for a specified period, to raise additional resources during any disaster
- Special provision with respect to the States of Arunachal Pradesh, Assam, J&K, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand.
- GST council shall recommend the date on which GST will be levied on Petroleum crude, High speed diesel, motor spirit, natural gas and aviation turbine fuel.

#### **► GST COMPENSATION**

- The 101<sup>st</sup> Constitutional Amendment has a provision for where Parliament, on the recommendation of GST council, may make a law for compensation to states for revenue loss on account of transition to GST for an initial period of 5 years.
- The Parliament has enacted **GST (Compensation to States) Act, 2017** to give effect to this compensation assuming a nominal growth rate in revenue of 14 percent for states revenue for base year (2016).
- This compensation is paid every two months.
- In the first year of GST operation highest compensation was paid to Karnataka followed by Punjab.

#### **► GST COMPOSITION SCHEME**

##### **GST COMPOSITION SCHEME**

- GST's composition scheme was a special scheme introduced for small tax payers to ease the compliance burden on them. Under this scheme, small business can opt to pay a fixed percentage of turnover as fees in lieu of tax.
- Companies eligible for the composition scheme have to file annual returns and pay taxes quarterly from April 1 onwards.
- It is available for small taxpayers with turnover upto Rs 1.5 crore (Rs 50 lakh in few states).
- Specified rate of composition levy:
  - Manufacturers: 2% (1% CGST plus 1% SGST)
  - Restaurant services: 5% (2.5% CGST plus 2.5% SGST)
  - Traders: 1% (0.5% CGST plus 0.5% SGST)
  - Small service providers with an annual turnover of up to Rs 50 lakh, at tax rate of 6%.

##### **APPLICABILITY OF GST**

The limit of annual turnover limit below which GST rate is not applicable has been raised to Rs 40 lakhs for most states and 20 lakh for the north-eastern and hill states, from the earlier limit of Rs 20 lakh and 10 lakh.

##### **CESS FOR DISASTER MANAGEMENT**

GST council allowed Kerala to levy a cess of up to 1% for up to two years on intra-State supplies to help finance the disaster relief efforts following recent floods.

#### **► NATIONAL ANTI-PROFITEERING AUTHORITY (NAA)**

- NAA is constituted under the CGST law and is not a constitutional body.
- The National Anti-profiteering Authority (NAA) is the institutional mechanism under GST law to check the unfair profit-making activities by the trading community. The Authority's core function is to ensure that the benefits of the reduction in GST rates on goods and services made by GST Council and proportional change in the Input tax credit passed on to the ultimate consumers and recipient respectively by way of reduction in the prices by the suppliers.

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- It is a five member body with one chairman and 4 technical members.
- It works with Directorate general of Anti-profiteering.

**DIRECTORATE GENERAL OF ANTI-PROFITEERING**

It is a body under the Central Board of Indirect Taxes. Its functions include:

- Conduct of investigation to collect evidence necessary to determine whether the benefit of reduction in the rate of tax on any supply of goods or services has been passed on to the consumer or not.
- Responsibility of coordinating anti-profiteering work with the NAA, the Standing Committee and the State level Screening Committee.

**► NATIONAL BENCH OF GST APPELLATE TRIBUNAL**

Union Cabinet has approved the creation of National Bench of the Goods and Services Appellate Tribunal (GSTAT).

**DETAILS**

- The GSTAT will be presided over by its President and shall consist of one Technical Member (Centre) and one Technical Member (State).
- It will be located in Delhi.
- It is the forum for second appeal in GST laws and the first common forum of dispute resolution between Centre and States. The appeals against the orders in first appeals issued by the Appellate Authorities under the Central and State GST Acts lie before the GST Appellate Tribunal, which is common under the Central as well as State GST Acts. Being a common forum, GST Appellate Tribunal will ensure that there is uniformity in redressal of disputes arising under GST, and therefore, in implementation of GST across the country.
- It is a statutory body, created under the Central GST Act.

**REVERSE CHARGE MECHANISM IN GST**

- Generally, the supplier of Goods or services is liable to pay GST.
- However, in specified cases like imports and other notified activities, the liability may be cast on the recipient of supply of goods or services instead of the supplier of such goods or services.

- In the CGST Act, if any service is taken by a registered person from an unregistered person, the registered person has the responsibility to pay GST, thus it is an example of reverse charge.

**► ADVANCED PRICING AGREEMENT (APA)****UNILATERAL ADVANCED PRICING AGREEMENT (UAPA)**

- The Central Board of Direct Taxes (CBDT) has recently entered into 200th Unilateral Advance Pricing Agreement (UAPA).
- The Advanced Pricing Agreement (APA) is basically a tool to address the problem of transfer mispricing.

**ABOUT TRANSFER MISPRICING**

- Transfer price refers to the price at which the parent/subsidiary company sells its goods and services to another subsidiary company.
- Under transfer mispricing, a subsidiary company located in India sells its goods and services at higher prices to another subsidiary company located in low tax jurisdiction. This leads to higher operating costs of the subsidiary company in India and consequently, lower profits. Thus, the subsidiary company ends up reducing the tax liability in India.
- Thus, in order to address this problem of transfer mispricing, the Central Board of Direct Taxes (CBDT) signs advanced pricing agreement with the MNCs.

**ABOUT ADVANCED PRICING AGREEMENT (APA)**

- It is an agreement between the tax authority and MNC on the appropriate transfer pricing methodology for a certain period of time. Under this, the transfer price is fixed based on the "Arm's length principle".
- This principle states that the transfer price must be closer to the price at goods and services are transacted between two unrelated entities.

**TYPES OF ADVANCED PRICING AGREEMENT (APA):**

- **Unilateral APA:** Agreement between the company and the tax authority of the country
- **Bilateral APA:** Agreement which involves taxpayer located in the country, tax authority of the taxpayer's location, associated enterprise (AE) of the taxpayer in a foreign country and tax authority of the country where the associated enterprise is located.

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- **Multilateral APA:** Agreement involves multiple entities which get into an agreement about transfer pricing. These entities include the taxpayer in a country, the tax authority of the taxpayer's company, two or more associated enterprises of the taxpayer and the respective tax authorities of the countries where these AEs are located.

## ► E-WAY BILL

GST E-way bills were introduced from April 1, 2018.

### DETAILS

- It is a **document to be generated online under the GST system**, when **goods of the value of more than Rs. 50,000 are shipped inter-State or intra-State**.
- The E-way bill must be raised before the goods are shipped and should include details of the goods, their consignor, recipient and transporter.
- The transporter has to carry the invoice and the copy of E-way bill as support documents for the movement of goods.
- Though check-posts have been abolished under GST, a consignment can be intercepted at any point for the verification of its E-way bill, for all inter-State and intra-State movement of goods.
- If a consignment is found without an E-way bill, a penalty of Rs. 10,000 or tax sought to be evaded, whichever is greater, can be levied.
- Whether goods are transported on one's own or hired conveyance, by air, rail or road, the E-way bill has to be generated.

### RECENT CHANGES

#### Recent decision on E-way bills:

- The value of goods exempt from GST will not be considered in calculating consignment value.
- The value of ₹50,000 will apply to a single consignment and not to an assortment of goods from different parties.
- The minimum distance allowed for movement of goods without the requirement of an e-way bill within a state has been increased from 10 km to 50 km.

## ► OFF-BUDGET FINANCING

- The Off-Budget Financing refers to the expenditure undertaken by the Public sector undertakings (PSUs)

through the market borrowings based upon guarantee of repayment of loans given by Government.

- For example, let's say the government needs to invest in the Railways. It may ask the Indian Railway Finance Corporation to borrow money from the market and finance railway projects. However, the Government guarantees the repayment of principal and interest for the money borrowed by Indian Railway Finance Corporation in case it fails to repay the borrowed money.
- Such kind of expenditure undertaken by Indian Railway Finance Corporation can be considered to be "Off Budget" financing.
- It is to be noted that this guarantee of the government could become a liability in future, however it is not accounted under the Government Budget.

## ► STRATEGIC DISINVESTMENT

Decision to make strategic disinvestment in AIR India, Pawan Hans etc.

### WHAT IS STRATEGIC DISINVESTMENT?

This implies sale of substantial portion of a Central Public Sector Enterprise (CPSU) of up to 50%, or such higher percentage, along with transfer of management control.

### PROCEDURE FOR STRATEGIC DISINVESTMENT:

NITI Aayog would advise the government on strategic disinvestment of CPSEs. The functions of NITI Aayog in strategic disinvestment are:-

- Identify the CPSEs for strategic disinvestment
- Advise the government on mode of sale and percentage of shares to be sold.
- Methods of valuation of the CPSE.

### CORE GROUP OF SECRETARIES ON DISINVESTMENT (CGD)

- It is headed by **Cabinet Secretary**. With representation from other secretaries including that of Secretary of the Administrative Department concerned with CPSE.
- **Functions of CGD are:**
  - Consider recommendations of NITI Aayog on Strategic Disinvestment of CPSE and recommend to CCEA for a decision on mode and quantum of disinvestment.
  - Supervise and monitor the process of implementation of CCEA decisions.

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- o Department of disinvestment would act as secretariat to the CGD.

**CABINET COMMITTEE ON ECONOMIC AFFAIRS (CCEA)**

Proposal for strategic disinvestment of any CPSE or a subsidiary or a unit of the CPSE, based on the recommendations of CGD, after due process of Inter-Ministerial consultation, are placed for consideration and approval of the Cabinet Committee on Economic Affairs (CCEA).

**ALTERNATIVE MECHANISM**

- It consists of Finance Minister, Minister of Road Transport and Highways and Minister of Administrative Department relating to the CPSU which is getting disinvested to decide on the matters relating to strategic disinvestment where Cabinet Committee on Economic Affairs has given 'in principle' approval for strategic disinvestment.
- It will decide on:-
  - o Quantum of shares to be transacted, mode of sale and final pricing of the transaction or lay down the principles/guidelines for such pricing, and the selection of strategic partner/buyer, terms and conditions of sale
  - o Decide on the proposals of Core Group of Secretaries on Disinvestment (CGD), which is headed by Cabinet Secretary with regard the timing, price, the terms and conditions of sale
  - o This will facilitate quick decision making and obviate the need for multiple instances of approval by CCEA for the same CPSE.
- The Alternative Mechanism has also been authorised by CCEA for: Taking decision for disinvestment through Exchange Traded Fund out of all listed CPSE's including CPSE's listed subsequently subject to Gol retaining 51% in these CPSE.
- Taking decision on the disinvestment in respect of PSBs, other listed Public Sector Financial Institutions and Public Sector Insurance Companies (when listed) through ETF or other methods subject to Gol retaining 52%.

**► INVITS AND REITS****ABOUT INVITS**

- It stands for Infrastructure Investment Trust.
- These are instruments that work like mutual funds. They are designed to pool small sums of money from a number

of investors to invest in assets that give cash flow over a period of time.

- They are regulated by SEBI.
- India's first INVIT was launched by IRB infrastructure. Minimum investment amount is Rs 10 lakh.

**ABOUT REITS**

- Real Estate Investment Trust
- They are mutual fund like instruments wherein several investors pool in funds with real estate as the underlying asset class.
- Minimum investment limit in REITs for India is Rs 2 lakhs.

**► INTERNATIONAL FINANCIAL SERVICE CENTRE**

- India's first IFSC was set up in GIFT City, Gandhinagar.
- Section 18 of the SEZ Act, 2005 provides for the setting up of an International Financial Services Centre (IFSC) in a Special Economic Zone.
- First IFSC has been set up at Gujarat International Finance Tec-City (GIFT), Gandhinagar.
- Benefits for setting up of an International Financial Centre in India are:-
  - 1) Exemption from Dividend Distribution tax
  - 2) Minimum Alternate Tax shall be charged at concessional rate of 9% from units located in international financial services centre.

**SEZ ACT**

Recently, Baba Kalyani Committee was formed to suggest reforms in the SEZ.

**Salient Features of SEZ Act:** - The SEZ Act deals primarily with the following matters:

- Matters relating to establishment of Special Economic Zone and for setting up of units therein, including requirements, obligations and entitlement
- Matters relating to requirements for setting up of off-shore banking units and units in **International Financial Service Center** in Special Economic Zone, including fiscal regime governing the operation of such unit
- It also has provisions for establishing Free Trade and Warehousing Zones.

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- The fiscal regime for developers of Special Economic Zones and units set up therein
- Single window clearance mechanism at the zone level
- Establishment of an Authority for each Special Economic Zone set up by the Central Government to impart greater administrative autonomy
- Designation of special courts and single enforcement agency to ensure speedy trial and investigation of notified offences committed in Special Economic Zones
- Exemptions, drawbacks and concessions including exemptions from customs duty (on goods brought into or exported from the SEZ), excise, service tax, securities transaction tax, sales tax and income tax.

**SALIENT RECOMMENDATIONS**

The Salient recommendations of the committee are: -

1. SEZs to be reconceptualised as Employment and Economic Growth Enclaves.
2. Formulation of separate rules and procedures for manufacturing and service SEZs.

**► FINANCIAL STABILITY AND DEVELOPMENT COUNCIL (FSDC) MEETING**

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

- The sub-committee of FSDC is headed by Chairman, RBI

**FUNCTIONS**

- The Council deals, inter-alia, with issues relating to financial stability, financial sector development, inter-regulatory coordination, financial literacy, financial inclusion and macro prudential supervision of the economy including the functioning of large financial conglomerates.

**► SOVEREIGN BLUE BONDS**

- Seychelles has launched world's first sovereign blue bond
- A pioneering financial instrument designed to support sustainable marine and fisheries projects.

**► CO-ORIGINATION OF LOANS**

The RBI has issued guidelines to banks and NBFCs for co-origination of loans to the priority sector.

**MEANING OF CO-ORIGINATION FRAMEWORK**

- The Co-origination framework seeks to bring the strengths of two sectors i.e. banks and micro-finance institutions (MFIs)/non-banking finance companies (NBFCs) together.
- Under this framework, a bank and a MFI/NBFC can join hands in order to give loans to the priority sector and share the loan amount at an agreed percentage.
- It is expected that such a blending would not only increase flow of credit to priority sectors but also bring down the cost of credit for the sector substantially.

**RATIONALE**

- Banks have enough resources, but they lack the understanding of the ground level and last mile reach. In contrast, NBFCs and MFIs lack adequate resources, but they are more familiar with local conditions and better informed about business viability and credit worthiness of local individuals and business enterprises.
- So, combining the strengths of these two sectors can certainly be an ideal structure to address the credit concerns of the MSME sector.

**► REGULATION OF NBFCs**

- Not all the NBFCs are regulated by RBI. Certain categories of NBFCs are regulated by other regulators. For example,



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Venture Capital Fund/Merchant Banking companies/Stock broking companies are registered with SEBI.

- The Insurance Companies are regulated by IRDA and Housing Finance Companies (HFCs) are regulated by National Housing Bank.
- Similarly, Chit Fund Companies are regulated by the respective State Governments and Nidhi Companies are regulated by Ministry of Corporate Affairs, Government of India.

### ► NATIONAL STRATEGY FOR FINANCIAL INCLUSION

- Systemically accelerate the level of financial inclusion in the country in a sustainable manner.
- It is being prepared by Financial Inclusion advisory committee of the RBI.

### ► URBAN COOPERATIVE BANKS TO TRANSITION INTO SMALL FINANCE BANKS

- The RBI has decided to allow urban co-operative banks (UCB) to convert into small finance banks (SFB).
- UCBs currently face regulation by both the RBI and the respective State governments. By turning into SFBs, they will be regulated only by the RBI.

#### SMALL FINANCE BANKS

- The small finance bank will primarily undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections including small business units, small and marginal farmers, micro and small industries and unorganised sector entities.
- The minimum paid-up equity capital for small finance banks shall be Rs. 100 crore.
- They can:
  - Take small deposits and disburse loans.
  - Distribute mutual funds, insurance products and other simple third-party financial products.
  - Lend 75% of their total adjusted net bank credit to priority sector.
  - Maximum loan size would be 10% of capital funds to single borrower, 15% to a group.

- Minimum 50% of loans should be up to 25 lakhs.

### ► NEW SERIES OF COINS LAUNCHED FOR VISUALLY IMPAIRED

- The coins of denomination Rs 1, Rs 2, Rs 5, Rs 10, and Rs 20 were launched.
- First ever launch of coin in Rs 20 denomination, has been created in the shape of 12 edge polygon with a design of grains to denote farm dominance of India.
- The face of the coin has Lion Capital of Ashoka Pillar with 'Satyamev Jayate' in Hindi inscribed below.

#### ABOUT COINAGE IN INDIA

- **Government of India has the sole right to mint coins.** The responsibility for coinage vests with the Government of India in terms of the **Coinage Act, 1906**. The designing and minting of coins in various denominations is also the responsibility of the government of India.
- **Coins are minted at the following centres in India:**
  - a) Mumbai,
  - b) Alipore (Kolkata),
  - c) Saifabad (Hyderabad),
  - d) Cherlapally (Hyderabad) and
  - e) Noida (UP).
- Coins are issued for circulation only through the Reserve Bank in terms of the RBI Act.

### ► PUBLIC FINANCIAL MANAGEMENT SYSTEM (PFMS)

#### ABOUT PFMS

A web-based payment and MIS IT application of the Government of India administered by the Controller General of Accounts (CGA), Ministry of Finance, Government of India. The portal is used for the following applications: -

- Direct Benefit Transfer for all plan and non-plan schemes
- Efficient fund flow system
- Payment cum accounting network
- It is expected that the system will evolve in future towards a Government wide Integrated Financial Management System.- as a comprehensive Payment, Receipt and Accounting system.



## ► TAX INSPECTOR WITHOUT BORDERS

- It is **jointly launched by UNDP and OECD**.
- It is intended to **support developing countries to strengthen national tax administrations** through building audit capacity and to share this knowledge with other countries.
- It is an example of **South-South Cooperation**.
- **India has entered into agreement with Swaziland (now known as Eswatini)** under the Tax Inspectors without Borders Program.

## ► CREDIT RATING AGENCY

A credit rating agency is an entity which assesses the ability and willingness of the issuer company for timely payment of interest and principal on a debt instrument.

### WHAT DOES RATING CONVEY?

Credit rating is an assessment of the probability of default on payment of interest and principal on a debt instrument. It is not a recommendation to buy, sell or hold a debt instrument.

Rating only provides an additional input to the investor and the investor is required to make his own independent and objective analysis before arriving at an investment decision.

### MAJOR GLOBAL CREDIT RATING AGENCIES

Standard & Poor's (S&P), Moody's, Fitch

### INDIAN CREDIT RATING AGENCIES

- CARE, ICRA, CRISIL, Brickworks Ratings, SMERA etc
- In India Credit Rating Agencies are regulated by SEBI.
- Functions of Credit Rating agencies are:
  - Business Analysis
  - Evaluation of Industrial Risks
  - Market position of the company
  - Debt sustainability of companies and financial institutions such as Banks, NBFCs etc.

# SECTION 2

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**I**NDUSTRY

**E**MPLOYMENT

**I**NFRASTRUCTURE

**E**NERGY

# CORE knowledge & related current affairs

## INDUSTRY

- The industrial sector in India including construction is an important contributor to growth and it accounted for around 29.73% of **Gross Value Added** in 2018-19.
- As per CSO, industrial performance has declined from 8.8% in 2015-16 to 6.6% in July 2018.
- The slowdown of manufacturing sector was due to the **Twin Balance Sheet problem** (poor balance sheets of public sector banks and corporates). This has resulted in reduction in **Gross Fixed Capital Formation** (net addition to physical assets) as well.
- The **capacity utilization** of manufacturing sector has also shown a declining trend since Q1 of 2016-17.

### → Capacity utilization

IIP GENERAL	
Sector	Weights (%)
Mining	14.2
Manufacturing	75.5
Electricity	10.3
<b>Highest weight: Manufacturing</b>	

IIP USE-BASED	
Sector	Weights (%)
Primary goods	34.1
Intermediate goods	17.2
Capital goods	8.2
Infrastructure/construction goods	12.3
Consumer goods	12.8
Consumer non-durables	15.3
<b>Highest weight: primary goods</b>	

- It depicts the extent to which a manufacturing company uses its installed capacity which in turn depends on the demand conditions as well as level of inventory. Lower capacity utilization reflects a slowdown in industrial activity and investment in the economy.

## ► INDEX OF INDUSTRIAL PRODUCTION (IIP)

- IIP is an indicator to measure industrial growth in India.
- IIP registered Cumulative growth of 4.4 % during the period April to January, 2018-19.
- The base year for calculation of IIP is 2011-12.
- There are two types of classification of industries in IIP – general and use-based.

## ► EIGHT CORE INDUSTRIES

	Sector	Weight (%)
1	Coal	10.3
2	Crude Oil	8.9
3	Natural Gas	6.8

- The eight core industries are coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity. The base year of index of eight core industries is 2011-12.
- The eight core industries have a combined weight of 40.3%

## INDUSTRY, EMPLOYMENT, INFRASTRUCTURE &amp; ENERGY

4	Refinery Products	28
5	Fertilizers	2.6
6	Steel	17.9
7	Cement	5.4
8	Electricity	19.9

in IIP.

- This index is prepared by Office of the Economic Adviser, Department for promotion of Industry and Internal Trade.

## ► MSME SECTOR

- It plays an important role by providing large employment opportunities, industrialization of rural areas, reducing regional imbalances etc.
- It contributes 33% of industrial GVA and 31% of industrial GDP.
- However, this sector faces various challenges in terms of getting adequate, cheap and timely availability of institutional credit. Credit to this sector declined due to poor health of public sector banks.
- To improve the availability of credit to this sector, various measures are being implemented such as **Priority Sector Lending to MSMEs**, **PM Mudra Scheme** etc.

## → CLASSIFICATION OF MICRO, SMALL AND MEDIUM ENTERPRISES

- The Union Cabinet approved change in the basis of classifying Micro, Small and Medium enterprises **from 'investment in plant & machinery/equipment' to 'annual turnover'**.
- Section-7 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006** will be amended to define units producing goods and rendering services in terms of annual turnover.

### REVISED DEFINITION

- A **micro enterprise** will be defined as a unit where the **annual turnover does not exceed five crore rupees**;
- A **small enterprise** will be defined as a unit where the **annual turnover is more than five crore rupees but does not exceed Rs 75 crore**;
- A **medium enterprise** will be defined as a unit where the **annual turnover is more than seventy-five crore rupees but does not exceed Rs 250 crore**.

Additionally, the Central Government may, by notification, vary turnover limits, which shall not exceed thrice the limits specified in Section 7 of the MSMED Act.

### SIGNIFICANCE

- The change in the norms of classification will enhance the **ease of doing business**.

- The consequent growth and will pave the way for increased **direct and indirect employment in the MSME sector** of the country.
- This will also make the norms of **classification growth oriented** and align them to the new tax regime revolving around GST.

## → SUPPORT INITIATIVES FOR MSME SECTOR

- The government has launched 12 key initiatives to help the growth, expansion and facilitation of MSMEs across the country
- Dedicated digital platform** to enable MSMEs to secure in principle approval of loans between ₹10 lakh and ₹1 crore in just 59 minutes. After the approval in principle of the application, the loan amount will be disbursed in 7-8 working days.
  - A 2% interest subvention** for all GST registered MSMEs, on fresh or incremental loans. For exporters who receive loans in the pre-shipment and post-shipment period, there will be an increase in interest rebate from 3% to 5%.
  - All companies with a turnover more than Rs. 500 crores, must now compulsorily be brought on the **Trade Receivables e-Discounting System (TReDS)**. Joining this portal.
  - Public sector companies have now been asked to compulsorily **procure 25%, instead of 20% of their total purchases, from MSMEs**.
  - Out of the 25% procurement mandated from MSMEs, **3% must now be reserved for women entrepreneurs**.
  - All public sector undertakings of the Union Government must now **compulsorily be a part of GeM**. He said they should also get all their vendors registered on GeM.
  - 20 hubs will be formed across the country**, and 100 spokes in the form of tool rooms will be established.

## INDUSTRY, EMPLOYMENT, INFRASTRUCTURE &amp; ENERGY

- 8) **Clusters will be formed of pharma MSMEs.** 70% cost of establishing these clusters will be borne by the Union Government.
- 9) **The return under 8 labour laws and 10 Union regulations** must now be filed only once a year.
- 10) Now the establishments to be visited by an Inspector will be decided through a **computerised random allotment**.
- 11) Under air pollution and water pollution laws, now both these have been **merged as a single consent**. The return will be accepted through self-certification.
- 12) **An Ordinance has been brought, under which, for minor violations under the Companies Act, the entrepreneur will no longer have to approach the Courts**, but can correct them through simple procedures.

**→ MSME SAMADHAN**

**Delayed Payment Portal – MSME Samadhaan** was launched for empowering micro and small entrepreneurs across the country to directly register their cases relating to delayed payments by Central Ministries/ Departments/ CPSEs/ State Governments.

**OTHER DETAILS**

- The information on the portal will be available in public domain, thus exerting moral pressure on the defaulting organisations.
- The MSEs will also be empowered to access the portal and monitor their cases.
- The Micro, Small and Medium Enterprise Development (MSMED) Act, 2006 contains provisions to deal with cases of delayed payment to Micro and Small Enterprises (MSEs).

**→ TReDS PLATFORM**

Unified platform for Sellers, Buyers and Financiers; Eliminates Paper; Easy Access to Funds; Transact Online; Competitive Discount Rates; Seamless Data Flow; Standardised Practices.

- State-owned aerospace and defence PSU **Hindustan Aeronautics Limited (HAL)** has executed its first digitised invoice discounting transaction on **RXIL TReDS platform** when it accepted the digital invoice uploaded by **Narendra Udyog, a Nasik-based MSME vendor**.
- This makes HAL the first PSU (public sector unit) to transact on TReDS across platforms.

- RXIL, India's first TReDS platform, enables MSMEs to gain control of their receivables with enhanced visibility and timeliness.

**► CLOTHING AND TEXTILES SECTOR**

- The apparel industry is a highly employment intensive industry. India is a large scope to expand this sector as China is slowing losing its share in this sector in the global market thus creating space for India to capture this market.
- However, India's competitors in this market are Bangladesh and Vietnam as they have duty free access to markets of USA, EU and Japan.
- Other challenges include: high domestic taxes on man-made fabrics, stringent labour regulations and high logistics costs.

Key initiatives taken by the government to boost industrial performance

**► MAKE IN INDIA**

- Aims to make India a global hub for manufacturing, research and innovation and integral part of the global supply chain.
- This initiative is based on 4 pillars of New Processes, New Infrastructure, New Sectors and New Mindset.

**► STARTUP INDIA**

Build a strong ecosystem for nurturing innovation and startups in the country that will drive sustainable economic growth and generate large scale employment opportunities.

**► EASE OF DOING BUSINESS**

Emphasis on simplification and rationalization of existing rules and introduction of information technology to make governance more efficient and effective.

**INDIA'S PERFORMANCE IN THE EASE OF DOING BUSINESS REPORT (DBR, 2019) BY WORLD BANK**

- **India climbed 23 spots from a year ago to rank 77** out of 190 countries in the World Bank's latest report on the ease of doing business.

- It was also among the top 10 most improved economies along with countries such as China, Djibouti and Azerbaijan.
- The ease of doing business in India improved notably after a series of reforms made it easier for companies to get **construction permits, pay taxes and trade across borders**.
- Ranks on various parameters are:
  - Starting a business: 137
  - Dealing with construction permits: 52
  - Getting electricity: 24
  - Registering property: 166
  - Getting credit: 22
  - Protecting minority investors: 7
  - Paying taxes: 121
  - Trading across borders: 20
  - Enforcing contracts: 163
  - Resolving insolvency: 108
- Thus, India's lowest ranks is in Registering property (166) followed by Enforcing Contracts (163).

#### **EASE OF DOING BUSINESS INDEX**

- World Bank's Ease of Doing Business index ranks 190 countries based on 10 parameters, including starting a business, construction permits, getting electricity, getting credit, paying taxes, trade across borders, enforcing contracts, and resolving insolvency.
- The EODB project was launched in 2002. It looks at domestic small and medium-size companies and measures the regulations applying to them through their life cycle.
- The first report was published in 2003.
- The data is generated for the EODB Index in most countries for the largest business city of each economy.
- However, for 11 large economies with population more than 100 million as of 2013 (Bangladesh, Brazil, China, India, Indonesia, Japan, Mexico, Nigeria, Pakistan, Russia and the US) data is generated for two of the largest business cities. Delhi and Mumbai for India.
- The Doing Business Project also come out with Regional, Subnational, Thematic and Case studies.

### **► NATIONAL INTELLECTUAL PROPERTY RIGHTS (IPR) POLICY**

- The National IPR Policy is a vision document that aims to create and exploit synergies between all forms of intellectual property (IP), concerned statutes and agencies.
- The main **objectives** of this policy are: to increase IPR awareness; stimulate generation of IPRs; have strong and effective IPR laws; modernize and strengthen service oriented IPR administration etc.
- This policy shall weave in the strengths of the Government, research and development organizations, educational institutions, corporate entities including MSMEs, start-ups and other stakeholders in the creation of an innovation-conducive environment, which stimulates creativity and innovation across sectors, as also facilitates a stable, transparent and service-oriented IPR administration in the country.
- The Policy recognizes that India has a **well-established TRIPS-compliant** legislative, administrative and judicial framework to safeguard IPRs, which meets its international obligations while utilizing the flexibilities provided in the international regime to address its developmental concerns.
- It reiterates India's commitment to the Doha Development Agenda and the TRIPS agreement. The nodal agency for this policy is the Department of Industrial Policy and Promotion.

### **► CELL FOR IPR PROMOTION AND MANAGEMENT (CIPAM)**

- It is a body under the **Department of Promotion of Industry and Internal Trade (DPIIT)** which ensures focused action on issues related to IPRs and.
- CIPAM assists in simplifying and streamlining of IP processes, apart from undertaking steps for furthering IPR awareness, commercialization and enforcement.
- This body was proposed to be created under the National IPR Policy, 2016.
- India's Intellectual Property mascot – IP Nani,
- IP Nani is a tech savvy grandmother who helps the government and enforcement agencies in combating IP crimes with the help of her grandson



## INDUSTRY, EMPLOYMENT, INFRASTRUCTURE &amp; ENERGY

► **TRADITIONAL KNOWLEDGE DIGITAL LIBRARY (TKDL)**

- It is an initiative to prevent misappropriation of country's traditional medicinal knowledge at international Patent offices.
- It is checking bio piracy.
- CSIR is the implementing agency of TKDL project.
- Ministry of Ayush in collaboration with CSIR has established TKDL.

► **PURCHASING MANAGERS' INDEX (PMI)**

- PMI and is considered as an **indicator of the economic health, business momentum** in the industrial sector of an economy and **investor sentiments** about the manufacturing sector.

- In PMI data, a **reading above 50 points** indicates **economic expansion**, while a **reading below 50 points** shows the **contraction of economic activities**.
- The PMI is constructed **separately for manufacturing and services sector**. But the manufacturing sector holds more importance.
- India's PMI went down to **47.9**

**ORIGIN OF PMI**

- The **Institute for Supply Management (ISM)** based in U.S., originally developed PMI.
- The ISM is a **non-profit group founded in 1915**.

**PUBLISHING AGENCY IN INDIA**

For India, the PMI Data is published by **Japanese firm Nikkei** but **compiled and constructed by Market Economics, HSBC**.

**MAJOR INDICATORS OF PMI**

5 major indicators are used: **new orders, inventory levels, production, supplier deliveries** and the **employment environment**.

Difference between

	► INDEX OF INDUSTRIAL PRODUCTION (IIP)	► PURCHASING MANAGERS' INDEX (PMI)								
Definition	IIP is <b>defined as</b> the ratio of the - <i>Volume of commodities produced within a specified group of industries <b>in a given time period</b> : volume produced in the same group of industries <b>in a specified base period</b>.</i>	PMI is based on a <b>survey of purchase managers of companies</b> and is used as an <b>indicator to assess demand by businesses</b> .								
Measurement	IIP growth is expressed in <b>year-on-year (y-o-y)</b> terms.	PMI is a <b>seasonally adjusted month-on-month (m-o-m)</b> indicator.								
Compilation	<b>Central Statistics Office (CSO)</b>	<b>Markit Economics (HSBC)</b>								
Frequency	<b>Monthly</b>	<b>Monthly</b>								
Base year	<b>2011-12</b>	-								
Coverage	Includes 809 items covering <b>broad sectors of mining, manufacturing and electricity</b> .	It is a <b>survey based indicator covering only the private sector companies</b> . It is a composite of <b>five of the survey indices</b> . These are <i>New orders, Output, Employment, Suppliers' delivery times and Stocks of purchases</i> .								
Weights	<table><tr><th>Sectors</th><th>Weight</th></tr><tr><td>Mining &amp; Quarrying</td><td>14.2</td></tr></table>	Sectors	Weight	Mining & Quarrying	14.2	<table><tr><th>Factors</th><th>Weight</th></tr><tr><td>New orders</td><td>0.3</td></tr></table>	Factors	Weight	New orders	0.3
	Sectors	Weight								
Mining & Quarrying	14.2									
Factors	Weight									
New orders	0.3									

## INDUSTRY, EMPLOYMENT, INFRASTRUCTURE & ENERGY

	Manufacturing	75.5	Output	0.25
	Electricity	10.3	Employment	0.2
	Overall IIP	100.0	Suppliers delivery time	0.15
			Stock of Purchases	0.1
Source of Data	Sixteen government agencies including <b>Department for promotion of Industry and Internal Trade.</b>		The HSBC India Manufacturing PMI is based on data compiled from <b>monthly replies to questionnaires sent to purchasing executives</b> in over 500 private manufacturing Companies.	
Methodology	IIP in India <b>uses base year weights, which remain fixed through the entire period of the series</b> and uses a combination of volumes and deflators in its compilation.  The <b>weights assigned to sectors, i.e. manufacturing, mining and electricity are in terms of their relative importance in GDP</b> and are derived from National Accounts aggregates.		The national PMI surveys are based on questionnaire responses from panels of senior purchasing executives or similar in manufacturing and services companies.	
Volatility	<b>More volatile</b> - <i>IIP is subject to large fluctuations on account of base effect, seasonal factors such as festivals, hardening of interest rates etc.</i>		-	
Representativeness	With a large and more representative basket, <b>IIP better capture the industrial scenario.</b>		Perceived index based on business expectations <b>shows only expansion or contraction.</b>	

## INFRASTRUCTURE

### ► ROADS

- The government is developing more roads and undertaking various initiatives to meet the needs of the road network.
- Some of the key programmes are National Highways Development Programme, improvement of road connectivity in Left Wing Extremism affected areas, Special Accelerated Road Development Programme for North-Eastern Region (SARDP-NE), National Highway Interconnectivity Improvement Programme (NHIIP) and Bharatmala Programme.

### BHARATMALA

It is a large project being organised by Ministry of Road Transport for optimising the efficiency of the movement of goods and people across the country. It entails:

- Economic Corridor** - The construction of 9000kms of Economic Corridors will be undertaken by the central government.
- Feeder Route or Inter Corridor** - The total length of the roads, which fall under the Feeder Route or Inter Corridor category, is a 6000kms.
- National Corridor Efficiency Improvement** - 5000 kms of roads, constructed under the scheme will fall in the category of National Corridor for the better connection between roads.
- Border Road and International Connectivity** - Connecting the cities and remote areas, which are situated in the border regions

## INDUSTRY, EMPLOYMENT, INFRASTRUCTURE &amp; ENERGY

- **Port Connectivity and Coastal Road** - To connect the areas that are dotted along the shorelines and important ports, the central government has ordered the construction of 2000km of roads.
- **Green Field Expressway** - The main stress will be given on the construction and development of Green Field Expressway for better management of traffic and freight.
- **Balance NHDP Works** - Under the last segment, the project will see a construction and maintenance of about 10,000kms of new roads.

**SETHU BHARATAM:** It was launched in 2016 for construction, rehabilitation and widening of 1,500 major bridges and 208 Railway Over Bridges on national highways.

**Problems facing the roads sector:** Availability of land for NH expansion and upgradation; increase in land acquisition cost; lack of equity with developers; high cost of financing etc.

► **RAILWAYS**

- To provide safe, secured and comfortable journey to passengers and attract more freight to be transported through rail, various measures/schemes have been adopted by the government.
- These are implementation of Safety Action Plans to reduce accidents caused by human errors; computerized Passenger Reservation System; Unreserved Ticketing System through Automatic Ticket Vending Machines; fitment of bio-toilets to improve sanitation; and electrification of railway tracks.

► **AVIATION**

- Aviation is a potential sector which can be a sunrise sector of growth.
- The bulk of India's air traffic is serviced by foreign airlines. Some of the South East Asian nation airlines have proven to be major competitors. Hence, there is a huge scope for the expansion of Indian air carriers.
- **5/20 to 0/20 rule:** The 5/20 rule mandates that for an airline to carry out international operations, it needs to have 5 years of domestic flying operations and would have to deploy 20% of total fleet of aircraft towards domestic operations. In 2016, the government relaxed this rule to

**0/20** in order to improve the share of domestic airlines in international flying operations.

- Policy prescriptions:
  - Disinvestment of debt ridden Air India to enhance its operational and management efficiency;
  - **Nabh Nirman Scheme:** This scheme envisages expanding airport capacity more than five times to handle a billion trips a year. It constitutes investments to be made in airport upgrade by both the private sector and the state-owned Airports Authority of India (AAI) in the due course of time.
  - **UDAN ((Ude Desk Ka Aam Nagrik) Scheme:** The UDAN Scheme is a regional connectivity scheme to supplement air traffic growth by connecting unserved and underserved airports. UDAN ensures route profitability to airlines through reduction in operating costs by eliminating airport charges on UDAN routes, subsidizing fuel, providing subsidies etc.;

► **TELECOM**

- The telecom sector is also reeling under crisis due to stiff competition, high spectrum charges, price war and reduced revenues. The share of non-performing assets has also increased in the telecom sector.
- The government has placed emphasis on the Digital India campaign to improve the growth of the telecom sector.
- Also, reforms have been introduced in spectrum management.
- For deeper digital penetration in the rural areas, the government has taken up the **'Bharat Net'** programme to link 2.5 lakh gram panchayats of India through broadband optical fibre network. Bharat Net aims to connect 600 million rural citizens at its completion. It will facilitate the delivery of services like e-health, e-education, e-governance and e-commerce.

► **POWER**

- Problems facing the power sector: poor financial performance of discoms, high AT&C losses, power outages, large NPAs etc.
- To improve the financial position of discoms, the government has launched the **Ujjwal Discom Assurance Yojana (UDAY)**. Under this, state governments are allowed

## INDUSTRY, EMPLOYMENT, INFRASTRUCTURE &amp; ENERGY

to take up 75% of discom debt and pay back lenders by issuing bonds.

**► PETROLEUM AND NATURAL GAS****→ HYDROCARBON EXPLORATION AND LICENSING POLICY (HELP)**

- This policy envisages
  - **Single license** for exploration and production of **conventional as well as non-conventional hydrocarbon resources**,
  - **Open Acreage Licensing (OAL)** system to select exploration blocks
  - Simple and easy to administer **Revenue Sharing Model**.
  - Full marketing freedom and free pricing for crude oil and natural gas.
- Some key features of HELP are:
  - Exploration allowed during entire contract period.
  - Zero royalty rates for deep water & ultra-deep water blocks for first 7 years.
  - Equal weightage to work program and fiscal share.
  - No oil cess.
  - Custom duty exemption.
- The policy is aimed at enhancing domestic oil & gas production, bringing substantial investment in the sector and generating sizable employment.
- The policy is also aimed at enhancing transparency and reducing administrative discretion.

**→ OPEN ACREAGE LICENSING PROGRAMME (OALP)**

- The OALP gives exploration companies the option to select the exploration blocks on their own, without having to wait for the formal bid round from the Government.
- The company then submits an application to the government, which puts that block up for bid.
- The bid Round-I of OALP was launched in January 2018. It is for the first time that bidding in the Exploration & Production (E&P) sector in India was for blocks that had been selected by bidders themselves with government playing a facilitator role.

**→ NATIONAL DATA REPOSITORY (NDR)**

- To mark a paradigm shift in the country's hydrocarbon exploration policy, the government has launched the **National Data Repository (NDR)** along with the **Open Acreage Licensing Policy (OALP)**.
- Aim is to provide investors a ready access to huge amount of **seismic data** available in National Data Repository (NDR).
- The NDR manifested through OAL process will be a key facilitator by providing **seamless access to India's entire exploration and production (E&P) data process through a digital medium to all investors**.

**→ Discovered Small Field Policy 2016**

To reduce India's energy imports by 10% by 2022, contracts have been signed under this policy to supplement domestic production of crude oil and natural gas.

- **Hydrocarbon Vision 2030 for North East**: This vision aims at doubling oil and gas production by 2030, making clean fuels accessible, fast tracking projects, generating employment opportunities etc.

- **Pratyaksh Hastantarit Labh (PAHAL)**: This policy is aimed at targeted subsidy delivery to LPG consumers. It is aimed at rationalization of subsidies through better targeting.

- **PM Ujjwala Yojana**: This scheme aims to provide 5 crore LPG connections to BPL families with focus on states having less than 61% LPG coverage. It will help to provide clean cooking fuel solution to poor households especially in rural areas.

**► URBAN INFRASTRUCTURE**

- **Smart city mission**: The government launched the Smart City Mission in 2015 to cover 100 cities over the period 2015-16 and 2019-20. Key features of this mission are:
  - Selection of cities through a city challenge competition;
  - Implementation of Special Purpose Vehicles;
  - Central grant funds used for leveraging funds from other sources;
  - Citizen participation etc.

## INDUSTRY, EMPLOYMENT, INFRASTRUCTURE &amp; ENERGY

→ Other important funds and institutions

### ► NATIONAL INVESTMENT AND INFRASTRUCTURE FUND (NIIF)

- NIIF was set up in 2015 as an investment vehicle **for funding commercially viable greenfield, brownfield and stalled projects in the infrastructure sector.**
- NIIF will invest in areas such as **energy, transportation, housing, water, waste management and other infrastructure-related sectors in India.**
- NIIF's strategy includes anchoring equity, quasi-equity and debt funds in partnership with investors targeting investments across the relevant sectors in India.
- It provides equity / quasi-equity support to those Non-Banking Financial Companies (NBFCs)/Financial Institutions (FIs) that are engaged mainly in infrastructure financing.
- These institutions will be able to leverage this equity support and provide debt to the projects selected.
- It will invest in funds engaged mainly in infrastructure sectors and managed by Asset Management Companies (AMCs) for equity / quasi-equity funding of listed / unlisted companies.
- The corpus of the fund is proposed to be around **Rs 40,000 crore**, with the **government investing 49%** and the rest to be raised from third-party investors such as sovereign wealth funds, insurance and pension funds, endowments etc.

### ► STRATEGIC INVESTMENT FUND UNDER NIIF

- Three funds have been established by the Government under the NIIF platform and registered with SEBI as Category II Alternative Investment Funds.
- The three funds are:
  - 1) **National Investment and Infrastructure Fund II ('Strategic Fund')**
    - Strategic Investment Fund is registered as an Alternative Investment Fund II under SEBI in India.
    - The objective is to invest largely in equity and equity-linked instruments.

- It will focus on green field and brown field investments in the core infrastructure sectors.

#### 2) **National Investment and Infrastructure Fund (or Master Fund)**

- The Master Fund is an infrastructure fund with the objective of primarily investing in operating assets in the core infrastructure sectors such as roads, ports, airports, power etc.

#### 3) **NIIF Fund of Funds - I:**

- Fund of Funds anchor and/or invest in funds managed by fund managers who have good track records in infrastructure and associated sectors in India. Some of the sectors of focus include Green Infrastructure, Mid-Income & Affordable Housing, Infrastructure services and allied sectors.
- Further, NIIF signed an investment agreement worth \$1 billion with Abu Dhabi Investment Authority (ADIA).
- ADIA will become the first institutional investor in NIIF's Master Fund and a shareholder in National Investment and Infrastructure Ltd, the NIIF's investment management company
- Singapore's Temasek has agreed to invest as much as \$400 million in the NIIF.

### ► NORTH EAST INDUSTRIAL AND INVESTMENT PROMOTION POLICY (NEIIPP)

- To promote industrialization in the States of North Eastern Region leading to overall growth of the region, the Government announced a package of fiscal incentives, namely the North East Industrial and Investment Promotion Policy (NEIIPP), 2007, w.e.f. 01.04.2007 for a period of 10 years.
- **Salient features:**
  - Central Capital Investment Subsidy @ 30% of investment in Plant and Machinery,
  - Central Interest Subsidy @ 3% of working capital loan availed for a period of 10 years from the date of commencement of commercial production (DOCP),

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INDUSTRY, EMPLOYMENT, INFRASTRUCTURE & ENERGY

- o Reimbursement of insurance premium paid towards insurance of fixed capital assets for a period of 10 years from DOCP,
- o Excise Duty exemptions for a period of 10 years from DOCP and
- o Income Tax exemption for a period of 10 years from DOCP.

**► HARMONISED MASTER LIST OF INFRASTRUCTURE SUB-SECTORS****SOCIAL AND COMMERCIAL INFRASTRUCTURE**

- Education Institutions (capital stock)
- Sports Infrastructure
- Hospitals (capital stock)
- Tourism infrastructure viz. (i) three-star or higher category classified hotels located outside cities with population of more than 1 million, (ii) ropeways and cable cars
- Common infrastructure for Industrial Parks and other parks with industrial activity such as food parks, textile parks, Special Economic Zones, tourism facilities and agriculture markets
- Post-harvest storage infrastructure for agriculture and horticultural produce including cold storage, Terminal markets
- Soil-testing laboratories
- Cold Chain (Includes cold room facility for farm level pre-cooling, for preservation or storage of agriculture and allied produce, marine products and meat.
- Affordable Housing ("Affordable Housing" is defined as a housing project using at least 50% of the Floor Area Ratio (FAR)/Floor Space Index (FSI) for dwelling units with carpet area of not more than 60 square meters.)

**ENERGY**

- Electricity Generation
- Electricity Transmission
- Electricity Distribution

- Oil pipelines
- Oil/Gas/Liquefied Natural Gas (LNG) storage facility
- Gas pipelines

**WATER AND SANITATION**

- Solid Waste Management
- Water supply pipelines
- Water treatment plants
- Sewage collection, treatment and disposal system
- Irrigation (dams, channels, embankments, etc.)
- Storm Water Drainage System
- Slurry Pipelines

**TRANSPORT AND LOGISTICS**

- Roads and bridges
- Ports
- Shipyards
- Inland Waterways
- Airport
- Railway Track, tunnels, viaducts, bridges, terminal infrastructure including
- Stations and adjoining commercial infrastructure
- Urban Public Transport (except rolling stock in case of urban road transport)
- Logistics Infrastructure

**COMMUNICATION**

- Telecommunication (fixed network)
- Telecommunication towers
- Telecommunication & Telecom Services



# CURRENT affairs & related concepts

## ► FIXED TERM EMPLOYMENT

- This new category of employment was created by bringing changes in the Industrial Employment (Standing Order) Act by an executive action.
- Initially fixed term employment was accessible to only apparel sector.
- However, in 2018 it was extended to all industrial sectors.

### PROVISIONS

- A fixed term employment workman is one who has been engaged on the basis of a written contract of employment for a fixed period. The hours of work, allowances, and other benefits of a fixed term employee should not be less than that of a permanent workman.
  - He is eligible for all statutory benefits available to a permanent workman proportionately according to the period of service rendered by him even if his period of employment does not extend to the qualifying period of employment required in the statute.
  - Termination of employment of fixed term employees:
    - On the completion of contract period, the employment of fixed term employee will be terminated automatically.
    - However, if the fixed term employee is terminated on the basis of punishment the worker should be given an opportunity of explaining the charges of misconduct alleged against him.
- Employers cannot convert the post of permanent workmen in their industrial establishment as fixed term employment.

## ► NATIONAL COUNCIL FOR VOCATIONAL EDUCATION AND TRAINING (NCVET)

- Merger of existing regulatory institutions in the skills space - National Council for Vocational Training (NCVT) and National Skill Development Agency (NSDA) into the National Council for Vocational Education and Training

### FUNCTIONS OF NCVET:

- Regulate the functioning of entities engaged in vocational education and training, both long term and short term
- Establish minimum standards for the functioning of such entities
- Recognition and regulation of awarding bodies, assessment bodies and skill related information providers
- Approval of qualifications developed by awarding and Sector Skill Councils
- Indirect regulation of vocational training institutes through awarding bodies and assessment agencies
- Research and information dissemination
- Grievance redressal

## ► UNORGANIZED WORKERS' SOCIAL SECURITY ACT, 2008

- The act defines "Unorganized Sector" as an enterprise owned by individuals or self-employed workers and engaged in the production or sale of goods or providing any service, where the enterprise employs workers, the number of such workers is less than 10.
- Central Government shall formulate and notify suitable welfare schemes for unorganized workers for:
  - Life and Disability cover

## INDUSTRY, EMPLOYMENT, INFRASTRUCTURE &amp; ENERGY

- o Health and maternity benefits
- o Old age protection
- State Government should formulate and notify suitable welfare schemes for unorganized workers relating to:
  - o Provident fund
  - o Employment injury benefit
  - o Housing
  - o Educational schemes for children
  - o Skill upgradation of workers
  - o Funeral assistance
  - o Old age homes

**NATIONAL SOCIAL SECURITY BOARD FOR UNORGANIZED WORKERS**

- National Social Security Board for Unorganized Workers is a statutory body under the above act.
- It will be constituted by the Central Government and the Union Minister for Labour and Employment shall be chairperson of the body with representation from unemployed sector workers, unorganized sector employers, civil society, state government, and two members from Lok Sabha and one from Rajya Sabha.
- Adequate representation should be made available to SC, ST, and women on the National Social Security Board.

**FUNCTIONS OF THE BODY**

- Recommend to Central Government suitable schemes for different sections of unorganized workers.
- Advise Central Government on matters arising out of administration of Unorganized Workers' Social security Act
- Monitor such social welfare schemes for unorganized workers as are administered by Central Government
- Review the progress of registration and issue of identity cards to the unorganized workers
- Review the record keeping functions performed at State level
- Review the expenditure from the funds under various schemes
- Other functions as are assigned to it by the Central Government

**► PERIODIC LABOUR FORCE SURVEY****IMPORTANT ECONOMIC ASPECTS:**

- **Labour Force:** It includes all the people who are presently employed or are searching for jobs.
- **Workforce:** It includes all the people who are presently employed.
- **Unemployment Rate** =  $\frac{(\text{Labour Force} - \text{Work Force})}{\text{Labour Force}} \times 100$
- **Labour Force Participation Rate (LFPR)** =  $\frac{(\text{Labour Force})}{\text{Working Age Population}} \times 100$
- **Worker Population Ratio (WPR):** Number of persons employed per thousand persons.

**ABOUT PERIODIC LABOUR FORCE SURVEY (PLFS):**

- Earlier, the NSSO used to conduct quinquennial (5-year) Employment-Unemployment Surveys (EUS) surveys in India. The last such survey was conducted in 2012. These surveys are the prime source for statistics about employment and unemployment situation in the country.
- Considering the importance of availability of labour force data at more frequent time intervals, the Ministry of Statistics and Programme Implementation (MoS&PI) constituted a **Committee on Periodic Labour Force Survey (PLFS) under the Chairpersonship of Amitabh Kundu**.
- Based upon this committee's recommendations, the NSSO decided to adopt the Periodic Labour Force Survey (PLFS) in India.

1. Measure the dynamics in labour force participation and employment status in the short time interval of three months for the urban areas only in the Current Weekly Status (CWS). Thus, in every quarter, PLFS will bring out the level and change estimates of the key labour force indicators in CWS – Worker Population Ratio (WPR), Labour Force Participation Rate (LFPR), Unemployment Rate (UR).
2. For Both rural and urban areas, estimates of all important in both usual status and CWS will be brought out annually.

**ABOUT CURRENT WEEKLY STATUS**

This approach to measuring unemployment uses 7 days preceding the date of survey as the reference period. A person is considered to be employed if he or she pursues any one or more of the gainful activities for at least one-hour on any day of the reference week. On the other hand, if a person does not pursue any gainful activity, but has been seeking or available for work, the person is considered as unemployed.

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INDUSTRY, EMPLOYMENT, INFRASTRUCTURE & ENERGY**ABOUT USUAL STATUS**

- This approach to measuring unemployment uses a reference period of 365 days ie one year preceding the date of survey of NSSO for measuring unemployment.
- It classifies a person as employed if he is able to secure employment for major part of the year. Also, if a person is looking for work and has worked for the majority part of the year he is classified as being in the labour force.

**PAYROLL REPORTING IN INDIA**

- It measures the monthly progress made in the formal employment using data from the administrative records.
- Details of persons entering Employees Provident Fund Organisation (EPFO), Employees State Insurance Corporation (ESIC) and National Pension Scheme (NPS).
- The data is released by Central Statistics Office, under the Ministry of Statistics and Program Implementation.

**QUARTERLY EMPLOYMENT SURVEY**

- It assesses employment situation in respect of selected sectors of Non-farm industrial economy of India over successive quarters.
- It covers 8 major sectors as Manufacturing, Construction, Trade, Transport, Education, Health, Accommodation and Restaurant and IT and BPO.
- It is published by Labour Bureau, under the ministry of Labour and Employment.

**► GLOBAL COMMISSION ON FUTURE OF WORK****ABOUT FUTURE OF WORK**

- It is an initiative launched by the International Labour Organisation (ILO) to understand and respond effectively to the major changes undergoing the world of work.
- The Future of work initiative has released its report titled 'Work for a brighter future'.
- It was part of ILO's Centenary session of ILO in 2019.

The report has called for 'A human centred agenda for the future of work' that strengthens the social contract by placing people and the work they do at the centre of economic and social policy and business practice.

**The agenda consists of three pillars of action given below:-**

**1) Increasing investment in people's capabilities**

- A universal entitlement to lifelong learning that enables people to acquire skills and reskill and upskill
- Stepping up investments in the institutions, policies and strategies that will support people through future of work transitions
- Implementing a transformative and measurable agenda for gender equality
- Providing universal social protection for birth to old age

**2) Increasing investment in the institutions of work**

- Establishing a universal labour guarantee
- Expanding time sovereignty
- Ensuring collective representation of workers and employers through social dialogue as a public good, actively promoted through public policies
- Harnessing and managing technology for decent work

**3) Increasing investment in decent and sustainable work**

- Incentives to promote investments in key areas for decent and sustainable work
- Reshaping business incentive structures for longer term investment approaches and exploring supplementary indicators of human development and well-being.

**► UDYAM ABHILASHA**

It is a National Level Entrepreneurship Awareness Campaign launched by **SIDBI** on the occasion of **Birth Anniversary of Mahatma Gandhi**.

**DETAILS**

- The campaign has been launched in 115 Aspirational Districts identified by NITI Aayog in 28 States.
- The campaign would create and strengthen cadre of more than 800 trainers to provide entrepreneurship training to the aspiring youths across these districts thus encouraging them to enter the admired segment of entrepreneurs.
- SIDBI has partnered with **CSC e-Governance Services India Limited**, a Special Purpose Vehicle, (CSC SPV) set up by the Ministry of Electronics & IT, Govt. of India for implementing the campaign through their CSCs.

## ► RELAXED DEFINITION OF STARTUPS

DPIIT has relaxed the definition of startups to promote innovation and entrepreneurship in India.

### NEW DEFINITION

- An entity shall be considered a Startup, if:
  - If it is less than 10 years from the date of its incorporation;
  - Turnover of the company for any of the financial years since incorporation has not exceeded 100 crores;
  - Entity is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.
- Provided that an entity formed by splitting up or reconstruction of an existing business shall not be considered a 'Startup'.

## ► INDUSTRIAL PARK RATING SYSTEM

Department of Promotion of Industry and Internal Trade (DPIIT) under Ministry of Commerce & Industry has released Industrial Park Rating System.

### DETAILS

- **To make India among top 50 countries in Ease of Doing Business**, the Ministry has undertaken this exercise in studying infrastructure across states and in 3354 industrial clusters in order to assess quality of infrastructure in industrial parks.
- Further, 3000 parks are on the database and the industrial parks have been rated on 4 points:
  - 1) Internal infrastructure,
  - 2) External infrastructure
  - 3) Business services and facilities and environment
  - 4) Safety management
- DPIIT launched the **Industrial Information System (IIS)**, a GIS-enabled database of industrial areas and clusters across the country to optimize resource utilization and enhance the efficiency of the manufacturing sector.

## ► NATIONAL INDUSTRIAL CORRIDOR DEVELOPMENT AND IMPLEMENTATION TRUST (NICDIT)

- It functions under the DIPP, Ministry of Commerce & Industry.
- **NICDIT has been made by expansion of the mandate of Delhi Mumbai Industrial Corridor Project Implementation Trust Fund (DMIC-PITF).**
- NICDIT is an apex body for coordinated and unified development of following industrial corridors:
  - Delhi Mumbai Industrial Corridor (DMIC)
  - Chennai Bengaluru Industrial Corridor (CBIC)
  - Amritsar Kolkata Industrial Corridor (AKIC)
  - Bengaluru Mumbai Industrial Corridor (BMIC)
  - Vizag Chennai Industrial Corridor (VCIC)
- GoI's contribution to NICDIT will be used as a revolving corpus.
- Investments into the SPVs by GoI will be routed through NICDIT so that all debt service payments by SPVs and proceeds from equity disinvestment from SPVs including SPVs developed by Delhi Mumbai Industrial Corridor Development Corporation (DMICDC) by utilizing grants given by GoI can be ploughed back into the corpus enabling NICDIT to support the development of more industrial cities in future.

## → DELHI MUMBAI INDUSTRIAL CORRIDOR (DMIC)

As part of Phase-1 of the DMIC project, following eight investment regions are being taken up for development:

- Dholera Special Investment Region in Gujarat (920 sqkms)
- Shendra-Bidkin Industrial Area in Maharashtra (84 sqkms)
- Dighi Port Industrial Area in Maharashtra (253 sqkms)
- Manesar-Bawal Investment Region in Haryana (402 sqkms)
- Khushkhhera-Bhiwadi-Neemrana Investment Region in Rajasthan (165 sqkms)
- Jodhpur PaliMarwar Industrial Area in Rajasthan (154 sqkms)
- Pithampur-Dhar-Mhow Investment Region in Madhya Pradesh (372 sqkms)

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- Dadri-Noida-Ghaziabad Investment Region in Uttar Pradesh (200 sqkms)

**► DEFENCE INDUSTRIAL CORRIDORS**

Ministry of Defence proposed creation of Two Defence Industrial Corridors

**DETAILS**

- First Defence Industrial Corridor will be located in Uttar Pradesh. It will pass through the districts of Kanpur, Lucknow, Aligarh, Agra, Jhansi, Chitrakoot.
- Second Defence Industrial Corridor will be in Tamil Nadu. It will pass through Chennai, Hosur, Salem, Coimbatore and Tiruchirappalli.
- It is also called **Tamil Nadu Defence Production Quad**.

**→ WHITE AND BROWN GOODS**

- The government has released a list of 19 categories of items on which it would be hiking import duties. The list also includes some of the white goods.
- The Consumer Durable industry consists of durable goods and appliances for domestic use such as televisions, refrigerators, air conditioners and washing machines. This industry includes all those goods which are durable i.e. products whose life expectancy is at least 3 years.
- The consumer durables industry can be broadly classified into 2 segments: **Consumer Electronics and Consumer Appliances**.
- **Consumer Appliances can be further categorized into Brown Goods and White Goods.**
- White goods are large home appliances such as refrigerators, freezers, washing machines and air conditioners. They are large electrical goods which were traditionally available only in white. Even though they are now available in a wide range of different colours, they continue being called as white goods.
- Relatively light electronic consumer durables such as TVs, radios, digital media players, and computers, as distinct from heavy consumer durables are known as Brown Goods.

**► INDIA'S FIRST MULTI-MODAL TERMINAL ON INLAND WATERWAYS IN VARANASI**

- India's first multi-modal terminal on the Ganga river in **Varanasi** received the country's first container cargo transported on inland waterways from **Kolkata**.
- This is the first of the four multi-modal terminals being constructed on the National Waterway-1 (river Ganga) as part of the World Bank-aided Jal Marg Vikas project of the Inland Waterways Authority of India (IWAI).
- **States covered under NW-1:** States: Uttar Pradesh, Bihar, Jharkhand, West Bengal.

**ABOUT IWAI**

- IWAI is the statutory authority in charge of the waterways in India.
- Its headquarters is located in **Noida, UP**.
- It does the function of building the necessary infrastructure in these waterways, surveying the economic feasibility of new projects and also administration.

**ABOUT JAL MARG VIKAS PROJECT**

- The Jal Marg Vikas Project seeks to facilitate plying of vessels in the Haldia- Varanasi stretch of the River Ganga.
- The major works being taken up under JMVP are **development of fairway, Multi-Modal Terminals, strengthening of river navigation system, conservancy works, modern River Information System (RIS), Digital Global Positioning System (DGPS), night navigation facilities, modern methods of channel marking** etc.

**→ UDAN SCHEME FOR INTERNATIONAL ROUTES**

The centre has unveiled the draft **International Air Connectivity (IAC)** scheme. The Airport Authority of India will be the implementing agency of the scheme.

**TARGET**

- It seeks to enhance air connectivity from India to select overseas destinations.
- The scheme envisages to increase the international ticketing to 20 crores by 2027.

**IDENTIFICATION OF ROUTES**

- According to the draft, state governments will identify the routes to be connected, and airline operators will assess



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demand on the identified routes and submit proposals for providing connectivity.

- The scheme is to be made operational **only for states**, which demonstrate their commitment to implement and provide the requisite support for promoting operations under the scheme.

**PERMITTED AIRCRAFTS**

- Operations under the scheme will be permitted through fixed-wing aircraft only with more than 70 seats.
- The scheme has proposed to set up an International Air Connectivity Fund (IACF) — a dedicated fund for providing subsidy support under the scheme. It will be created through the contributions of state governments.
- The subsidy support shall be provided to selected airlines only for the passenger seats, which remain unsold at the time of IAC flight operation, from the total number of passenger seats for which subsidy has been requested by the selected airline as part of its proposal. The subsidy support will be extended only up to three years.

**► O-SMART SCHEME**

The Cabinet Committee on Economic Affairs (CCEA) has given its approval for the umbrella scheme “**Ocean Services, Technology, Observations, Resources Modelling and Science (O-SMART)**”, for implementation during the period from 2017-18 to 2019-20.

**DETAILS**

- The scheme encompasses a total of **16 sub-projects** addressing ocean development activities such as **Services, Technology, Resources, Observations and Science**.
- The services rendered under the O-SMART will provide economic benefits to a number of user communities in the coastal and ocean sectors, namely, fisheries, offshore industry, coastal states, Defence, Shipping, Ports etc.

**SIGNIFICANCE**

- Fishermen community are receiving the related information daily through mobile which includes allocation of fish potential and local weather conditions in the coastal waters. **The scheme will help in reducing the search time for fishermen resulting savings in the fuel cost.**
- Implementation of O-SMART will help in addressing issues relating to Sustainable Development Goal-14, which **aims to conserve use of oceans, marine resources for sustainable development**. This scheme (O-SMART) also

provide necessary scientific and technological background required for implementation of various aspects of Blue Economy.

- The **State of Art Early Warning Systems** established under the O-SMART Scheme will help in effectively **dealing with ocean disasters like Tsunami, storm surges**. The technologies being developed under this Scheme will help in harnessing the vast ocean resources of both living and non-living resources from the seas around India.

**► SAURA JALNIDHI SCHEME**

Odisha Government has launched Saura Jalnidhi scheme to encourage use of solar energy in irrigation by farmers.

**FEATURES**

- The beneficiary of this scheme will be farmers who have valid farmer identity cards and have minimum 0.5 acres of agricultural land.
- Under this scheme, farmers will be given 90% subsidy and 5,000 solar pumps. This will provide irrigation benefits in 2,500 acres of the state.
- In the first phase, this scheme will be available in those areas where electricity is not available for running the pump set.

**► PCS1X**

- Indian Ports Association (IPA) under the guidance of the Ministry of Shipping launched the Port Community System ‘PCS1x’.
- The platform has the potential to revolutionize maritime trade in India and bring it at par with global best practices and pave the way to improve the Ease of Doing Business world ranking and Logistics Performance Index (LPI) ranks.

**DETAILS**

- ‘PCS 1x’ is a cloud based new generation technology, with user-friendly interface.
- This system seamlessly **integrates stakeholders from the maritime trade on a single platform**.
- **The platform offers value added services** such as notification engine, workflow, mobile application, track and trace, better user interface, better security features, improved inclusion by offering dashboard for those with no IT capability.



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- Another major feature is **the deployment of a world class state of the art payment aggregator solution** which removes dependency on bank specific payment eco system.
- It is an initiative that supports **green initiatives by reducing dependency on paper.**
- It has been **developed indigenously** and is a part of the 'Make in India' and 'Digital India'

► **EASE OF LIVING INDEX****HIGHLIGHTS**

- According to the Ease of Living Index rankings published by the Union Ministry of Housing and Urban affairs, **Pune** is the best city to live in India, while **Delhi** is among the worst cities in terms of economic prospects.
- **Top 10 Liveable Cities** in India according to report are Pune, Navi Mumbai, Greater Mumbai, Tirupati, Chandigarh, Thane, Raipur, Indore, Vijaywada and Bhopal.
- The top positions in each of the **sub-indices** are occupied by the top 5 cities in the overall rankings: **Navi Mumbai** scores the highest in the Institutional sub-index, **Tirupati** in Social sub-index, **Chandigarh** in Economic index and **Greater Mumbai** in Physical sub-index.

**ABOUT THE INDEX**

1. It is an effort to assess the Ease of Living standards of 111 Indian cities against global and national benchmarks, which includes cities identified under the Smart Cities Mission, capital cities and a few more cities with a population of over 1 million.
2. It seeks to assist cities in undertaking a 360-degree assessment of their strengths, weaknesses, opportunities, and threats.
3. It captures the breadth of the quality of life in cities across **4 pillars (social, economic, physical and institutional) and 15 categories** using 78 indicators, of which 56 are core indicators and 22 are supporting indicators.
4. The core indicators measure those aspects of ease of living which are considered 'essential' urban services. The supporting indicators are used to measure adoption of innovative practices which are considered desirable for enhancing ease of living

► **NATIONAL URBAN HOUSING FUND (NUHF)**

- The Union Cabinet approved the creation of **National Urban Housing Fund (NUHF) of Rs. 60,000 crores.**
- NUHF will facilitate raising requisite funds in next four years so that flow of Central Assistance under different verticals i.e. **Beneficiary Linked Construction (BLC), Affordable Housing in Partnership (AHP), In-Situ Slum Redevelopment (ISSR) and Credit Linked Subsidy Scheme (CLSS)** is sustained and construction of houses to address the gap in Urban Sector progresses smoothly.

**TARGET**

The target for creation of this Fund is to **build 1.2 crore houses in the urban areas** through partial support from the government under the **Pradhan Mantri Awas Yojana (PMAY).**

**MANAGEMENT**

This fund will be situated in **Building Materials and Technology Promotion Council (BMTPC)**, an autonomous body registered under the Societies Registration Act, 1860 under the **Ministry of Housing and Urban Affairs.**

► **FLOATING SOLAR PLANT**

A 50MW floating solar plant will be set up in the country's largest reservoir Rihand dam in Sonbhadra district in UP.

**BACKGROUND**

- The concept involves setting up solar panels on floats placed on dams, lakes and similar water bodies.
- Floating solar plants are considered an alternate option to tackle **land availability issues.**
- Floating solar makes intuitive sense in geographies with high land costs and poor availability.

► **GLOBAL SOLAR COUNCIL**

- It is an international non-profit association of the national, regional and international associations in solar energy and the world's leading corporations.
- It was launched in December 6, 2015 following the Paris Conference (COP 21).
- Pranav Mehta has been appointed as the first head of this body.

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► **INDIA'S LONGEST RAILROAD BRIDGE**

The **Bogibeel bridge is India's longest railroad bridge**. It was inaugurated recently.

**ABOUT THE BRIDGE**

- The bridge is 4.94 km long in length. The double decker rail and road bridge, on the **Bramhaputra river**, will cut down the train-travel time between **Tinsukia in Assam to Naharlagun town of Arunachal Pradesh** by more than 10 hours.
- Built **by the Indian Railways**, the double-decker bridge is strong enough to withstand movement of heavy military tanks.
- The Bogibeel bridge will connect the south bank of the Brahmaputra river in **Assam's Dibrugarh district with Silapathar in Dhemaji district, bordering Arunachal Pradesh**.
- The Bogibeel project was a part of the **1985 Assam Accord** and was sanctioned in 1997-98.

► **SMART INDUSTRIAL PORT CITIES**

- Two Smart Industrial Port Cities
  - One at East Coast (Paradip Port)
  - Second at West Coast (Deen Dayal Port, Kandla)
- **Aim:** Promote Port-led Industrial development by providing necessary infrastructure and allied services at one place for EXIM trade

► **PURVANCHAL EXPRESSWAY**

The 354-km Purvanchal Expressway project is the country's longest, to be constructed in Uttar Pradesh.

- The project, which will connect **Lucknow with Ghazipur**, will start from **Chand Sarai area near NH-56 in Lucknow** and is estimated to cost around Rs 23,000 crore.
- It will also be connected to Varanasi through a separate link road.
- Once completed, the Purvanchal Expressway will provide uninterrupted connectivity to 9 districts of Lucknow, Ghazipur, Amethi, Ajamgarh, Faizabad, Barabanki, Mau, Ambedkar Nagar and Sultanpur.
- It would provide seamless access to the national capital Delhi via the 302-km long Lucknow-Agra expressway and the 165-km Agra-Greater Noida Yamuna Expressway.

- The Project is being implemented on **Engineering, Procurement and Construction (EPC) Mode**.

► **EASTERN PERIPHERAL EXPRESSWAY**

- The **Eastern and the Western Peripheral Expressways** were planned in 2006 following the apex court's order to build a ring road outside the national capital for channeling the traffic not bound for Delhi.
- Eastern Peripheral Expressway was inaugurated recently.

**DETAILS**

- The 135- km expressway connects National Highway 1 and 2 from the eastern side of Delhi and aims to decongest and de- pollute the national capital by diverting traffic.
- It **commences near Kundli in Haryana and terminates near Palwal** by passing through Sonapat, Baghpat, Ghaziabad, Noida, Faridabad and Palwal.
- It is India's first highway to be lit by solar power besides provisions of rain water harvesting on every 500 metres on both sides and would showcase 36 national monuments and 40 fountains.
- Around 2.5 lakh trees have been planted near it, including transplant of 8-10 year old trees. It also has drip irrigation provision.

► **BANSAGAR CANAL PROJECT**

The Bansagar canal project was inaugurated in Mirzapur in Uttar Pradesh.

- Bansagar Dam project is a joint venture between **Madhya Pradesh, Uttar Pradesh and Bihar**.
- Bansagar Dam is a multipurpose river Valley Project on **Sone River** situated in the Ganges Basin in Madhya Pradesh.
- The total canal network under it is 171 kms long.
- Canals under this project will bring waters from Shahdol district in Madhya Pradesh for Adwa Barrage, Meza Dam and Jirgo reservoir.
- The project aims to provide a big boost to irrigation in the region. It promises to be greatly beneficial for the farmers of Mirzapur and Allahabad districts of Uttar Pradesh.
- As per the projections, the project will benefit 1 lakh 70 thousand farmers of Mirzapur and Allahabad districts.

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## ► WESTERN DEDICATED FREIGHT CORRIDOR (WDFC)

- Indian Railways got its first dedicated freight corridor.
- The 190-km dedicated freight railway line **between Dadri in Uttar Pradesh and Phulera in Rajasthan** falls under the **Western Dedicated Corridor (WDFC)**.

### WDFC

- The 1,504-km-long route — from JNPT to Dadri via Vadodara-Ahmedabad- Palanpur-Phulera- Rewari — Western DFC will pass through Haryana, Rajasthan, Gujarat, Maharashtra and Uttar Pradesh.
- The WDFC will separate freight and passenger traffic to increase the speed of freight movement. It will be used to transport fertilisers, food grains, salt, coal, iron & steel and cement.
- It is proposed to join the **Eastern Corridor at Dadri**.
- It is being funded by **Japan**.

### DEDICATED FREIGHT CORRIDORS (DFC)

- These are freight-only railway lines to move goods between industrial heartlands in the North and ports on the Eastern and Western coasts.
- The dedicated freight-only lines are being built along the four key transportation routes – known as the Golden Quadrilateral and connecting Delhi, Mumbai, Chennai, Howrah and its two diagonals (Delhi – Chennai and Mumbai – Howrah).

## ► FIRST FREIGHT VILLAGE

India's first freight village is being developed in Varanasi.

- The objective of the project is to support economic development in the hinterland of **the multimodal terminal at Varanasi** and reduce logistics cost in the **Eastern Transport Corridor** and its influence zone.
- The village is being funded by the **World Bank** and it is being implemented by the inland waterways authority of India.
- The village will also have the Varanasi waterways terminal which is being developed under the **Jal Marg Vikas project**.
- Varanasi being a strategic location provides the opportunity to facilitate the transshipment of about 30

million tonnes of domestic freight as well as another 9 million tonnes of export import freight

## ► FREIGHT VILLAGE IN HARYANA

- Cabinet has approved development of Trunk Infrastructure Components for **Integrated Multi Modal Logistics Hub known as "Freight Village" at Nangal Chaudhary in Haryana** under Delhi Mumbai Industrial Corridor Project.
- The Freight Village will be connected through Western Dedicated Freight Corridor (DFC) at Dabla.

### WHAT IS A FREIGHT VILLAGE?

- A 'Freight Village' is a **specialised industrial estate** which attracts companies that require logistics services and can cluster to improve their competitiveness.
- This will allow relocation of retailers, warehouse operators and logistics service providers supplying the regional FMCG market. Due to its proximity to the main city, it will **serve as a distribution centre** and as a point of transfer between long distance transport by truck, rail and waterway and short distance distribution with delivery vans. 'Freight Village' includes an **inter-modal terminal, which facilitates integration between different modes of transport**.

## ► ZOJI-LA TUNNEL

The construction of the much-awaited infrastructure project Zoji La tunnel has begun.

- It is a 14.2-km long tunnel project in Jammu and Kashmir to provide all-weather connectivity between **Srinagar, Kargil and Leh**, which remains cut-off from the rest of India during winters due to heavy snowfall.
- Zojila tunnel will be the longest bi-directional tunnel in Asia.**
- Implementation:** The project will be implemented by the **Ministry of Road Transport and Highways (MoRT&H) through the National Highways and Infrastructure Development Corporation Limited (NHIDCL)**.
- Zojila pass is situated at an altitude of 11,578 feet on Srinagar-Kargil-Leh National Highway which remains closed during winters (December to April) due to heavy snowfall and avalanches cutting off Leh-Ladakh region from Kashmir.

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**BENEFITS**

- The project would enhance the safety of travellers crossing Zojila Pass and reduce the travel time from 3.5 hours to 15 minutes.
- This pass is most strategic for the entire Kargil sector which has seen intrusion and war in the past.
- It will further increase the employment potential for the local labourers for the project activities.

**► NABH INITIATIVE**

The government is augmenting the airport capacity of various airports as part of NABH (NextGen Airports for BHarat) Nirman initiative.

**ABOUT NABH NIRMAN INITIATIVE**

1. It proposes to expand airport capacity in the country by more than five times to handle a billion trips a year.
2. The three key aspects of NABH Nirman are (1) fair and equitable land acquisition, (2) long-term master plan for airport and regional development and (3) balanced economics for all stakeholders.

**SIGNIFICANCE**

In the last three years, domestic air passenger traffic grew at 18% a year and the airline companies placed orders for more than 900 aircraft. NABH Nirman could take the number of airports in India to 700 from about 125 airports today.

**► GREEN LICENCE PLATES FOR E-VEHICLES**

The government has approved distinctive green licence plates for electric vehicles to encourage people to use electric vehicles. Such vehicles will be fitted with green licence plates bearing numbers in white fonts for private cars and yellow font for taxis.

**SIGNIFICANCE**

The measure is aimed at promoting e-vehicle's use and the government is considering exemption from permits for such vehicles. The purpose behind distinctive number plates is their **easy identification for preferential treatment** in parking, **free entry in congested zones** besides other proposed benefits like concessional toll.

**FAME SCHEME**

- The Government started Faster Adoption and Manufacturing of Hybrid and Electric vehicles (FAME) scheme which provides incentives for purchasing electric vehicle.
- It is a part of the National Electric Mobility Mission Plan. The scheme envisages Rs 795 crore support in the first two fiscals.
- It is being administered by the Heavy Industries Ministry.

**► LOGISTICS SECTOR HAS BEEN GRANTED INFRASTRUCTURE STATUS****DEFINITION**

The government has defined "logistics infrastructure" to include:

- A multimodal logistics Park comprising an Inland Container Depot (ICD) with a minimum investment of Rs50 crore and minimum area of 10 acre.
- A cold chain facility with a minimum investment of Rs15 crore and minimum area of 20,000 sq. ft.
- A warehousing facility with a minimum investment of Rs25 crore and a minimum area of 100,000 sq ft.

**POSITIVES**

- Development of logistics would give a boost to both domestic and external demand thereby encouraging manufacturing and 'job creation' and improving country's GDP.
- High logistics cost reduces the competitiveness of Indian goods both in domestic as well as export market.

**► LOGISTIC EASE ACROSS DIFFERENT STATES (LEADS) INDEX**

- The Logistics Ease Across Different States (LEADS) index is a **perception-based index of mobility of goods and efficiency of logistics chain**.
- **LEADS index** is a composite indicator to **assess international trade logistics** across states and Union territories.
- It is based on a stakeholders' survey conducted by Deloitte for the ministry of commerce and industry.

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- LEADS is loosely based on the World Bank's biannual **Logistics Performance Index (LPI)**, on which India was ranked 44 among 160 countries in 2018.

**RATING**

Gujarat has topped LEADS index. Punjab and Andhra Pradesh took the second and third positions, respectively

## ► LOGISTIC PERFORMANCE INDEX (LPI) 2018

World Development Bank released the Logistic Performance Index 2018.

**HIGHLIGHTS**

- LPI ranking of **India has decreased from 35th in 2016 to 44th** in 2018.
- The score of India has reduced significantly for all the LPI six parameters.
- Germany has been ranked first and Sweden stood at second rank under LPI 2018.

**ABOUT THE INDEX**

- It is released by **World bank bi-annually**, by comparing **across 160 countries** on logistic sector performance.
- The index **ranges from 1 to 5**, with a higher score representing better performance.
- Logistic is a **\$4.3 trillion industry**. The 2018 LPI scores countries on how efficiently they move goods across and within borders.
- Logistics Performance Index (LPI) analyses countries through **six indicators**: Custom, International Shipment, Tracking & Tracing of trace consignment, Infrastructure, Logistic Competence, Timeliness of consignment

**LOGISTICS SECTOR IN INDIA**

- Logistics has been given infrastructure status
- Creation of a logistics division in the Department of Commerce, Ministry of Commerce and Industry.

## ► CITY GAS DISTRIBUTION (CGD) PROJECTS

- Foundation stone has been laid for City Gas Distribution (CGD) projects across 129 districts **to boost availability of gas supply** for half of the country's population in 26 states and Union Territories.

- The projects, recently awarded by the **Petroleum and Natural Gas Regulatory Board (PNGRB)** would cover 65 Geographical Areas (GAs) under the 9<sup>th</sup> round of bidding.
- Development of CGD networks has been focused to increase the availability of cleaner cooking fuel (i.e. PNG) and transportation fuel (i.e. CNG) to the citizens of the country. The expansion of CGD network will also benefit to industrial and commercial units by ensuring the uninterrupted supply of natural gas.

## → ABOUT PNGRB

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

## ► STATE ENERGY EFFICIENCY PREPAREDNESS INDEX

State Energy Efficiency Preparedness Index' has been released by **Bureau of Energy Efficiency (BEE) and Alliance for an Energy Efficient Economy (AEEE)**.

**DETAILS**

- The nationwide Index is a joint effort of the **NITI Aayog and BEE**.
- The index assesses state policies and programmes.
- The Index will help in implementing national energy efficiency initiatives in states and meet both State as well as national goals on energy security, energy access and climate change.



## INDUSTRY, EMPLOYMENT, INFRASTRUCTURE &amp; ENERGY

- It has 63 indicators across Building, Industry, Municipality, Transport, Agriculture and DISCOM with 4 cross-cutting indicators.
- The Index examines states' policies and regulations, financing mechanisms, institutional capacity, adoption of energy efficiency measures and energy savings achieved.

**PERFORMANCE OF STATES**

- States are categorised based on their efforts and achievements towards energy efficiency implementation, as **'Front Runner', 'Achiever', 'Contender' and 'Aspirant'**.
- **Front Runner states** are: Andhra Pradesh, Kerala, Maharashtra, Punjab, and Rajasthan based on available data.
- **Achiever states** are: Gujarat, Karnataka, Tamil Nadu and Haryana

**► METHANOL ECONOMY**

The NITI Aayog is working on a roadmap for full-scale implementation of methanol economy in the country in near future.

**ABOUT METHANOL**

- Methanol is a promising fuel as it is **clean, cheaper than fossil fuels** and a good substitute for heavy fuels. Across the world, methanol is emerging as a clean, sustainable transportation fuel of the future.
- India imports methanol from Saudi Arabia and Iran at present.
- Methanol can be used as an energy producing fuel, transportation fuel and cooking fuel, cutting down India's oil import bill by an estimated 20% over the next few years.
- Unlike CNG, using methanol as a transportation fuel would **require minimal alteration in the vehicles**.
- Methanol is a **clean-burning fuel** that produces fewer smog-causing emissions — such as sulphur oxides (SO<sub>x</sub>), nitrogen oxides (NO<sub>x</sub>) and particulate matter — and can improve air quality and related human health issues.
- Methanol is most commonly produced on a commercial scale from natural gas. It can also **be produced from renewable sources such as biomass and recycled carbon dioxide**.

- As a high-octane vehicle fuel, methanol offers **excellent acceleration and power**. It also improves **vehicle efficiency**.

**► INDIA'S STRATEGIC PETROLEUM RESERVE INITIATIVE**

- Abu Dhabi National Oil Company (ADNOC) has shipped the first oil cargo for India's strategic petroleum reserve at Mangalore.
- Indian Strategic Petroleum Reserves Ltd (ISPRL) had then signed an agreement with ADNOC which allows the firm to store 5.86 million barrels of crude in the strategic facility at Mangalore at its own cost.

**ABOUT STRATEGIC PETROLEUM RESERVES (SPR) PROGRAMME**

- To ensure energy security, the Government of India had decided to **set up 5 million metric tons (MMT) of strategic crude oil storages** at three locations namely, **Visakhapatnam, Mangalore and Padur** (near Udupi).
- As per the consumption of 2017-18, the total 5.33 MMT capacity is estimated to provide for about 9.5 days of crude oil requirement.
- These strategic storages would be in addition to the existing storages of crude oil and petroleum products with the oil companies and would serve as a cushion during any external supply disruptions.
- In the 2017-18 budget, it was announced that two more such **underground** caverns will be set up **Chandikhole in Jajpur district of Odisha and Bikaner in Rajasthan** as part of the second phase.
- The construction of the Strategic Crude Oil Storage facilities is being managed by **Indian Strategic Petroleum Reserves Limited (ISPRL)**, a Special Purpose Vehicle, which is a wholly owned subsidiary of Oil Industry Development Board (OIDB) under the Ministry of Petroleum & Natural Gas.

**► WEF ENERGY TRANSITION INDEX**

World Economic Forum (WEF) has released the **energy transition index** as part of the report titled **Fostering Effective Energy Transition**.



## INDUSTRY, EMPLOYMENT, INFRASTRUCTURE &amp; ENERGY

**HIGHLIGHTS**

- The index ranks 114 countries on how well they are able to **balance energy security** and access with environmental sustainability and affordability.
- The overall list was topped by Sweden, followed by Norway at the 2<sup>nd</sup> position and Switzerland at the 3rd rank.

**INDIA'S PERFORMANCE**

- **India has been ranked at 78th**, lower than its emerging market peers like Brazil and China.
- Energy needs in the country are primarily met by **fossil fuels** with implications for environmental sustainability and increasing energy import costs.
- Furthermore, a considerable share of India's population still lacks access to electricity and clean cooking fuel

**► MERIT**

- A web portal- **MERIT (Merit Order Despatch of Electricity for Rejuvenation of Income and Transparency)** was recently launched by the Ministry of Power.
- The portal **has been developed by Ministry of Power in association with Power System Operation Corporation Limited (POSOCO) and Central Electricity Authority.**

**DETAILS**

- The portal displays extensive array of **information regarding the merit order of Electricity procured by State(s).**
- The web-portal also give information regarding reasons for deviation from merit order.

**ADVANTAGES**

- Empowerment of the Consumer and participative governance.
- **Transparent information dissemination** pertaining to marginal variable cost and source wise purchase of electricity.
- Promotes economy and efficiency in operations.
- Optimization of the power procurement costs.
- Indication of supply side reliability, adequacy, and cost of power procurement.

**► WORLD ENERGY OUTLOOK (WEO)**

**India is world's third largest energy consumer** after the US and China.

**BY**

**International Energy Agency (IEA)** releases World Energy Outlook (WEO) and Energy Access outlook.

**ABOUT IEA**

- IEA is an **autonomous agency**, founded in 1974.
- It seeks to **promote energy security** among its member countries and ensure reliable, affordable and clean energy.
- **Its four focus area** includes Energy Security, Economic Development, Environmental Awareness and Engagement Worldwide.
- India is an associated member to IEA.

**► PETROLEUM, CHEMICALS AND PETROCHEMICALS INVESTMENT REGION (PCPIR)**

- Four PCPIRs are proposed to be established in the country.
- Dahej, Gujarat Vishakhapatnam-Kakinada, Andhra Pradesh Paradeep, Odisha, Cuddalore and Nagapattinam, Tamil Nadu
- PCPIRs are established by the Department of Chemicals and Petrochemicals under the Ministry of Chemicals and Fertilizers.

**► PROPOSAL FOR DOMESTIC GAS TRADING HUB**

India has proposed to create domestic gas trading hub.

**WHAT ARE GAS TRADING HUB?**

Gas trading hubs are markets where natural gas can be freely traded and supplied through a market mechanism.

**MAJOR GAS TRADING HUBS ACROSS THE WORLD**

1. Henry Hub: USA (**World's biggest natural gas hub**)
2. National Balancing Point: UK
3. Dutch Title Transfer Facility (TTF): Netherland
4. China is planning Chongqing (their gas trading hub)

## INDUSTRY, EMPLOYMENT, INFRASTRUCTURE &amp; ENERGY

**INDIA'S DOMESTIC GAS PRICING FORMULA**

Domestic gas produced in India is priced on weighted average of 4 global benchmarks:

- Henry Hub (USA)
- Alberta (Canada)
- National Balancing Point (UK)
- Russia gas prices

**MAJOR CRUDE OIL TRADING HUBS ACROSS THE WORLD**

1. Brent Prices: UK
2. WTI (West Texas Intermediate): USA
3. Urals (Russia)

**Indian Crude Oil Basket: It is the weighted average of Dubai, Oman and Brent crude oil prices.**

**► NATIONAL HOUSING BANK (NHB)**

- NHB is an All India financial Institution.
- It is a statutory body created by the National Housing Bank, 1987 act.
- It an apex agency established **to promote housing finance institutions in India.**
- Initially it was entirely owned by RBI, however, consequent to amendment in NHB act and a cabinet decision the ownership of NHB will be transferred to the Central Government, Ministry of Finance.
- A dedicated Affordable Housing Fund has been established in NHB, funded from the priority sector lending shortfall and bonds authorised by the Government of India.

**ABOUT NHB RESIDEX**

- NHB publishes NHB Residex which is the India's first official housing price index. The index was launched in July 2007.
- The index was revamped in 2017. With effect from April 2018, a new series with 2017-18 as new base year has been published.
- **Changes introduced:** NHB Residex has been expanded to include 1) Housing price index 2) Land Price Index 3) Building Material Price Index and also 4) Housing Rental Index
- **Housing Price Index:** Geographical coverage of 50 cities in India including 18 State/UT capitals and 37 smart cities,

which will progressively have expanded to cover 100 cities including all State/UT capitals and smart cities.

- The Index is published on a quarterly basis.

**► NATIONAL URBAN POLICY FRAMEWORK 2018**

Released by the Ministry of Housing and Urban Affairs. It is part of India's commitment to New Urban Agenda.

It has been prepared by a committee headed by Sameer Sharma.

**10 URBAN SUTRAS**

The committee enunciated 10 Urban Sutras or philosophical principles that will guide urbanisation in the country.

- Urban Sutra 1: Cities are Clusters of Human Capital
- Urban Sutra 2: Cities require a 'Sense of Place'
- Urban Sutra 3: Not static Master Plans but evolving Ecosystems
- Urban Sutra 4: Build for diversity
- Urban Sutra 5: Public Spaces that encourage Social Interaction
- Urban Sutra 6: Multi-modal Public Transport Backbone
- Urban Sutra 7: Environmental Sustainability
- Urban Sutra 8: Financially Self-Reliant
- Urban Sutra 9: Cities require Clear, Unified Leadership
- Urban Sutra 10: Cities as Engines of Regional Growth

**► HABITAT III CONFERENCE****ABOUT NEW URBAN AGENDA**

- The New Urban Agenda was adopted at the United Nations Conference on Housing and Sustainable Urban Development (Habitat III) in Quito, Ecuador, 2016.
- The New Urban Agenda represents a shared vision for a better and more sustainable future.
- If well-planned and well-managed, urbanization can be a powerful tool for sustainable development for both developing and developed countries.
- Habitat conferences occurs on a twenty years' basis (1976, 1996, 2016)
- It is organized by UN Habitat.

## INDUSTRY, EMPLOYMENT, INFRASTRUCTURE &amp; ENERGY

**SALIENT FEATURES**

- Embracing urbanization at all levels of human settlements, more appropriate policies can take advantage of urbanization across physical space, bridging urban, peri-urban and rural areas, and assist governments in addressing challenges through national and local development policy frameworks.
- Integrating equity to the development agenda.
- Fostering national urban planning and planned city extensions
- Deciding how relevant sustainable development goals will be supported through sustainable urbanization.
- Aligning and strengthening institutional arrangements with the substantive outcomes of Habitat III, so as to ensure effective delivery of the new Urban Agenda.
- Implementing the urban agenda means: Urban Rules and Regulations, Urban Planning and Design, Municipal finance, National Urban Policies

**QUITO IMPLEMENTATION PLAN**

- It refers to specific commitments by various partners intended to contribute to and reinforce the implementation of the outcomes of Habitat III Conference and the New Urban Agenda.
- Quito Implementation Plan Platform: This platform is a tool for monitoring the implementation of the Habitat III outputs. It will be used as an online tool that will be part of the legacy of the conference.

**► ADDIS ABABA ACTION AGENDA (AAAA)**

The Addis Ababa Action Agenda was adopted at the Third International Conference on Financing for Development in 2015.

**ECONOMIC AND SOCIAL COUNCIL (ECOSOC) ON FINANCING FOR DEVELOPMENT**

It is an intergovernmental process with universal participation mandated to review the AAAA

**INTER-AGENCY TASK FORCE****Functions:**

1. It reports annually on progress in implementing AAAA and other financing for development outcomes and the means of implementation of the 2030 SDGs.

2. Advise the intergovernmental follow-up process on progress, implementation gaps and recommendations for corrective action.

**GLOBAL INFRASTRUCTURE FORUM**

To bridge the infrastructure gap, AAAA established Global Infrastructure Forum, led by multilateral banks.

**► FDI IN E-COMMERCE**

The Department of Industrial Policy & Promotion recently issued a clarification to the existing rules pertaining to Foreign Direct Investment in e-commerce companies.

**BACKGROUND**

- **E-commerce firm will not be allowed to influence the price of a product sold on its portal by giving incentives to particular vendors.**
- E-commerce companies can operate under **two different models in India.**
- The first is the **marketplace model** where the e-commerce firm simply acts as a platform that connects buyers and sellers. **100% FDI** under automatic route **is allowed in e-commerce companies in this model.**
- The second model is **inventory-based** where the inventory of goods sold on the portal is owned or controlled by the e-commerce company. **FDI is not allowed under this model.**

**CHANGES**

- Vendors that have any stake owned by an e-commerce company **cannot sell their products on that ecommerce company's portal.**
- **Any vendor who purchases 25% or more of its inventory from an e-commerce group company** will be considered to be controlled by that e-commerce company, and thereby barred from selling on its portal.
- This provision aims to ensure that vendors in which marketplaces, such as Amazon, have a stake do not sell the bulk of their items to a third-party vendor who then goes on to sell those items on the ecommerce marketplace.
- In other words, **the provision seeks to deny control by the marketplace entity over vendors.**

## INDUSTRY, EMPLOYMENT, INFRASTRUCTURE &amp; ENERGY

**► STATES' START-UP RANKING 2018**

The DPIIT has announced the results of the first ever **States' Start-up Ranking 2018**.

**DETAILS**

- DPIIT began the exercise to review the Start-up ecosystem of the states from January 2016.
- The methodology behind the exercise was aimed at creating a healthy competition environment wherein States were encouraged further to learn, share and adopt good practices.

**HIGHLIGHTS**

- **Top Performers:** Karnataka, Kerala, Odisha, and Rajasthan.
- **Leaders:** Andhra Pradesh, Bihar, Chhattisgarh, Madhya Pradesh, and Telangana.
- **Aspiring Leaders:** Haryana, Himachal Pradesh, Jharkhand, Uttar Pradesh, and West Bengal.
- **Emerging States:** Assam, Delhi, Goa, Jammu & Kashmir, Maharashtra, Punjab, Tamil Nadu, and Uttarakhand.
- **Beginners:** Chandigarh, Manipur, Mizoram, Nagaland, Puducherry, Sikkim, and Tripura.
- **Champions:** 51 officers from States and Union Territories were identified as "Champions", who have made significant contributions towards developing their State's Start-up ecosystem.

**► EASE OF DOING BUSINESS RANKING OF STATES**

DPIIT under the Ministry of Commerce and Industry, has released the final rankings of States in Ease of Doing Business.

**PERFORMANCE OF STATES**

- The top rankers are Andhra Pradesh, Telangana and Haryana. Jharkhand and Gujarat stood fourth and fifth respectively.
- Delhi is placed at 23rd among 34 states and Union territories. Its rank also worsened from 18th in 2016.

**BRAP- 2017**

- The rankings are based on the performance of states in implementing the Business Reform Action Plan (BRAP).
- **DIPP, Ministry of Commerce and Industry in collaboration with the World Bank** conducted an annual reform exercise for all States and UTs under the Business

Reform Action Plan (BRAP). The aim of this exercise is to improve delivery of various Central Government regulatory functions and services in an efficient, effective and transparent manner.

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

**► NATIONAL MISSION ON GEM**

The government has launched the **National Mission on Government eMarketplace (GeM)** for increasing awareness and accelerating the use of GeM.

**DETAILS**

- The National Mission will cover **all central government departments, states and public sector undertakings** in a mission mode.
- It is aimed at creating **awareness about GeM, train the buyers and sellers, get them registered in GeM and increase the procurement through GeM**.
- It also aims to **promote inclusiveness** by empowering various categories of sellers and service providers such as MSMEs, start-ups, domestic manufacturers, women entrepreneurs, and Self-Help Groups.
- The mission also aims to give a boost to **cashless, contactless, paperless transactions** in line with Digital India objectives.

**SWAYATT INITIATIVE**

It is an initiative to promote Start-ups, Women and Youth Advantage through eTransactions on Government e-Marketplace.

**GEM START-UP RUNWAY INITIATIVE**

An initiative of GeM in association with Start-up India to facilitate start-ups registered with Start-up India to access the public procurement market and sell innovative products and services to government buyers.

**ABOUT GOVERNMENT E-MARKETPLACE**

- It is the National public procurement portal. It aims to create a public procurement system that is transparent, efficient and inclusive. It is an end-to-end online

## INDUSTRY, EMPLOYMENT, INFRASTRUCTURE &amp; ENERGY

Marketplace for Central and State governments, CPSUs, Autonomous institutions and local bodies.

- It was created after transforming Directorate General of Supplies and Disposals under the ministry of Commerce and Industry to a digital e-commerce portal for procurement and selling of goods and services.

## ► NATIONAL PRODUCTIVITY COUNCIL

The National Productivity Council observed **National Productivity Day** on February 12th.

It is the 60th Anniversary of the National Productivity Council and celebrated as Diamond Jubilee Year.

### THEME

"Industry 4.0 Leapfrog Opportunity for India".

### INDUSTRY 4.0

- Industry 4.0 or the **fourth industrial revolution**, is emerging globally as a powerful force and is being called as the next industrial revolution.
- It is characterized by the **increasing digitization and interconnection** of products, value chains and business models.
- Industry 4.0 would mean the **convergence of real and virtual worlds** the next phase in bringing together conventional and modern technologies in manufacturing.
- This will result in the **"Smart Factory"**.

### NATIONAL PRODUCTIVITY COUNCIL

- NPC is national level organization to promote productivity culture in India.
- NPC is an autonomous organization under **Department of Industrial Policy & Promotion (DIPP), Ministry of Commerce & Industry** to promote productivity culture in India.
- It was established as registered society in 1958 by Government to stimulate and promote productivity and quality consciousness across all sectors in the country.
- NPC is a constituent of the Tokyo-based **Asian Productivity Organisation (APO)**, an Inter-Governmental Body, of which the Government of **India** is a **founder** member.

### ASIAN PRODUCTIVITY COUNCIL

- It is an intergovernmental body created in 1961 based in Tokyo.

- Its aims to contribute to sustainable development of Asia through enhancing productivity and competitiveness.
- Its **members are**: Iran, India, Pakistan, Nepal, Bangladesh, Sri Lanka, Laos, Thailand, Cambodia, Vietnam, Malaysia, Singapore, Indonesia, Philippines, Fiji, Taiwan, Japan, South Korea and Mongolia.
- Thus, China, Myanmar, North Korea and Central Asian countries are not its members.

## ► MERGER OF PSU NON LIFE INSURERS

Finance minister had proposed a **merger of three PSU general insurers** in the Union Budget.

### DETAILS

The three public sector general insurance companies to be merged are —

- National Insurance (NIC), Oriental Insurance (OIC) and United India**
- Insurance (UII).**

### PURPOSE:

- There are a lot of **operational advantages and savings** that will accrue from this proposed merger.
- To boost up their solvency ratio and divest part of its holding in the market.
- Merger will also stop the unhealthy competition between the government-owned insurers.

## ► COASTAL ECONOMIC ZONE (CEZ)

- The government has given the go-ahead for setting up India's first mega coastal economic zone (CEZ) at the Jawaharlal Nehru Port in Maharashtra.
- The Union Cabinet had last year approved setting up of 14 mega CEZs under the National Perspective Plan of the **Sagarmala Programme**.

### ABOUT CEZ

- CEZs are spatial economic regions comprising a group of coastal districts or districts with a strong linkage to ports in that region to tap into synergies with the planned industrial corridor projects.
- CEZ could extend along **300-500 km of coastline** and around 200-300 km inland from the coastline.



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INDUSTRY, EMPLOYMENT, INFRASTRUCTURE & ENERGY

- The concept is based on China based Shenzhen-style Coastal Economic Zone.

### ► GLOBAL FORUM ON STEEL EXCESS CAPACITY

- It is body formed under the G20.
- OECD acts as the secretariat for the body.
- It has 33 member countries.
- **The body was formed to address the challenge of global glut in steel capacity.**
- India is a member of this body.
- In 2018, India was elected as co-chair of this body.
- It is not a permanent body.
- It has been started with a three-year mandate.

### ► MOVE

- MOVE summit was organised by NITI Aayog.
- **Electric Vehicle Outlook 2018: It is a report published by Bloomberg New Energy and Finance.**
- The report gives an outlook for Electric Vehicle adoption out to 2040 and the impact electrification will have on automotive and power markets, as well as on fossil fuel displacement and demand of key materials.
- **Highlights of the report:**
  - By 2040, 55% of all new car sales and 33% of global fleet will be electric.
  - China is and will continue to be the largest EV market in the world through 2040.

### ► INNOVATE INDIA PLATFORM

- It is a platform launched in collaboration between Atal Innovation Mission and MyGov Portal.
- It will serve as the common point for all the innovation happening across the nation.
- The portal creates the much-needed innovations platform for registering both grassroots and deep-tech innovators at a national level. Those searching for a critical innovation can leverage the portal advantageously for the benefit of the economy as well as national social needs.
- Some of the features of this platform are:

- Citizens can share their/organizations/someone else's innovation on the platform.
- These innovations can also be shared on various social media platforms such as WhatsApp, Facebook, and Twitter
- With the launch of the platform Indians will be able to upload and rate their/organizations innovation on the platform.

### ► NATRIP

- Ministry of Heavy Industries and Public Enterprises is the nodal ministry for NATRIP.
- Ministry of Road Transport and Highways is nodal ministry for setting up and implementing technical regulations for the Automotive Industry through the Central Motor Vehicle Act.
- NATRIP aims at setting up of seven state of the art automotive testing and R&D centres across the country.
- Services offered by NATRIP
  - **Homologation and Certification**
    - Homologation is the process of certifying the vehicles for roadworthiness as per specified criteria laid by government for all vehicles made or imported in the country.

### ► NATIONAL MISSION ON TRANSFORMATIVE MOBILITY AND BATTERY STORAGE

- The mission aims to drive clean, connected, shared, sustainable and holistic mobility initiatives.
- The initiative will be run by Inter-Ministerial Steering Committee, chaired by CEO, NITI Aayog.
- Recommend and drive strategies for transformative mobility and Phased Manufacturing Programs for Electric Vehicles, Electric Vehicle components and batteries.
- Phased Manufacturing Program (PMP) will be launched to localise production across the entire EV value chain.

#### ROADMAP

- A phased roadmap to implement battery manufacturing at Giga scale will be considered with initial focus on large scale module and pack assembly plants by 2019-20, followed by integrated cell manufacturing by 2021-22.



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- Ensure comprehensive growth of battery manufacturing industry in India
- A Roadmap will be prepared for enabling India to leverage upon its size and scale to develop a competitive domestic manufacturing ecosystem for electric mobility.
- A Roadmap for transformative mobility in 'New India' by introducing a sustainable mobility ecosystem and fostering Make-in-India to boost domestic manufacturing and employment generation in the country.

## ► NATIONAL DIGITAL COMMUNICATIONS POLICY – 2018

The policy seeks to unlock the transformative power of digital communications networks, to achieve the goal of digital empowerment and improved well-being

The policy seeks to achieve following objectives by 2022:

- Provision of broadband for all
- 4 million additional jobs in the Digital communication sector
- Enhancing the contribution of the Digital Communication sector to 8% of India's GDP
- Propelling India to the top 50 Nations in the ICT Development Index of ITU from 134 in 2017
- Enhancing India's contribution to Global Value Chains
- Ensuring Digital Sovereignty

The Policy has

1. Connect India:
2. Propel India:
3. Secure India:

### DIGITAL COMMUNICATION COMMISSION

After the operationalisation of 'National Digital Communications Policy-2018', the erstwhile Telecom Communication has been redesignated as Digital Communications Commission.

- The DCC is a non-statutory body created by a resolution of Government of India.
- It consists of a Chairman and four full time members.
- Secretary, Department of Telecommunications is the ex-officio Chairman of the Digital Communications Commission.

### FUNCTIONS

- Formulating the policy of the Department of Telecommunications for approval of the Government.
- Preparing budget for the Department of Telecommunications for each financial year and getting it approved by the Government
- Implementation of Government's policy in all matters concerning telecommunication

## ► KIMBERLEY PROCESS

- India has assumed Chairmanship of the Kimberley Process Certification Scheme (KPCS) from January 1, 2019.
- The working of the KPCS is ensured by the chair country elected on an annual basis at a plenary meeting. A working group on monitoring works to ensure that each participant is implementing the scheme correctly. The working group reports to the Chair.

### WHAT IS KIMBERLEY PROCESS?

- The Kimberley Process (KP) is a multilateral trade regime established in 2003 with the goal of preventing the flow of conflict diamonds. The core of this regime is the Kimberley Process Certification Scheme (KPCS) under which States implement safeguards on shipments of rough diamonds and certify them as "conflict free".

### WHAT ARE "CONFLICT DIAMONDS"?

- The conflict diamonds are defined as: "rough diamonds used to finance wars against governments". Hence, The Kimberley process was set up "to ensure that diamond purchases were not financing violence by rebel movements and their allies seeking to undermine legitimate governments.
- In order for a country to be a participant, it must ensure that any diamond originating from the country does not finance a rebel group or other entity seeking to overthrow a UN-recognized government.

## ► CENTRAL ROAD AND INFRASTRUCTURE FUND, 2000

The fund was established by amending the Central Road Fund Act, 2000 in 2018 to establish Central Road and Infrastructure fund.

## INDUSTRY, EMPLOYMENT, INFRASTRUCTURE &amp; ENERGY

Under the act, a cess is levied and collected on high speed petrol and diesel. The proceeds of the cess are accrued to the Consolidated Fund of India.

**The proceeds of this cess can be utilised for:**

- Development of Rural roads
- Development and maintenance of National Highways
- Development and maintenance of other State Roads including roads of inter-state and economic importance.
- Construction of roads either under or over the railways, erection of safety works at unmanned rail-road crossings, new lines, conversion of existing standard lines into gauge lines and electrification of rail lines.
- Other infrastructure projects which has been given infrastructure status.

**WHAT IS "INFRASTRUCTURE STATUS"?**

The Infrastructure Policy and Finance Division under Department of Economic Affairs, Ministry of Finance maintains Harmonised Master List of Infrastructure Sub-sectors.

Sectors included in Infrastructure sub-sectors are:

1. Transport and Logistics
2. Energy
3. Water and Sanitation
4. Communication
5. Social and Commercial Infrastructure such Educational Institutions, Sports Infrastructure, Hospitals, Tourism infrastructure, Common infrastructure for Industrial Parks, SEZs, food parks, textile parks, agriculture markets, Post-harvest storage infrastructure for agriculture and horticultural produce including cold storage, Terminal markets, Soil-testing laboratories, Cold Chain, Affordable Housing.

**BENEFITS OF INFRASTRUCTURE STATUS:**

- Longer maturity loans
- Eligibility for slightly higher equity ratios
- Advantages and flexibility in floating ECBs
- Eligible for refinancing with specialised lenders like IDFC, IIFCL etc.

**► OTT SERVICES**

The Telecom Regulatory Authority of India (TRAI) has released a consultation paper that aims to analyse and discuss the implications of the growth of Over the Top (OTT) services, the relationship between OTT providers and Telecom service Providers (TSPs).

**WHAT ARE OTT PROVIDERS?**

- The TRAI defines "OTT provider" as an entity that offers Information and Communication Technology (ICT) services, but neither operates a network nor leases network capacity from a network operator.
- Instead, OTT providers rely on the global internet and access network speeds to reach the user, hence going "over - the - top" of a TSP's network.

**WHAT ARE THE SERVICES PROVIDED BY OTT PROVIDERS?**

Based on the kind of service they provide, there are basically three types of OTT apps:

- Messaging and voice services (communication services);
- Application ecosystems (mainly non-real time), linked to social networks, e-commerce;
- Video/audio content.
- **Examples:** Skype, WhatsApp, Chat On, Snapchat, Instagram, Google Talk, Hike, Flipkart, Ola, NetFlix etc

**► EASE OF DOING AGRI-BUSINESS**

The Ministry of Agriculture has proposed to develop an Index for Ease of doing Agri-Business to rank the states.

	AGRICULTURAL MARKETING AND FARM FRIENDLY REFORMS INDEX	EASE OF DOING AGRI-BUSINESS INDEX
<b>Released by?</b>	NITI Aayog	Agriculture Ministry
<b>Parameters</b>	Agricultural marketing, Land lease and Forestry: Liberalized felling and transit of trees.	Marketing reforms (Highest Weightage), Reducing the cost of inputs, Governance and land reforms, Risk mitigation, Increasing production and productivity, Investment in

## INDUSTRY, EMPLOYMENT, INFRASTRUCTURE & ENERGY

		agriculture.
<b>Highest Weightage</b>	Agricultural Marketing Reforms	Agricultural Marketing Reforms
<b>Scope</b>	Narrow in Scope	Broader in scope and covers aspects such as coverage of organic farming, availability of quality seed, access to credit etc

### ► INTERNATIONAL

#### TELECOMMUNICATION UNION (ITU)

India has been elected as a Member of the International Telecommunications Union (ITU) Council for another 4-year term (2019-2022).

- Specialized agency of the United Nations (UN) that is responsible for issues that concern information and communication technologies.
- Based in Geneva, Switzerland.
- Coordinates the shared global use of the radio spectrum, promotes international cooperation in assigning satellite orbits, works to improve telecommunication infrastructure in the developing world, and assists in the development and coordination of worldwide technical standards.
- **Handles 3 sectors** - Radio communication, Telecommunication Standardization, Telecommunication Development.
- Membership of ITU is open to only Member States of the United Nations as well as to private organizations like carriers, equipment manufacturers, funding bodies, research and development organizations and international and regional.

### ► PUBLIC PROCUREMENT POLICY FOR MSME

- This order was first made in 2012 under the Micro, Small and Medium Enterprises Development Act, 2006. It was amended in 2018.
- The objective of the policy is promotion and development of Micro and Small Enterprises by supporting them in marketing of products and services rendered by them.
- Provisions under the order are:-
  - Percentage of procurement of goods and services by Government departments/CPSEs to be at least 25% of their total procurement.

- Minimum 3% reservation for women owned MSEs within the 25% reserved for MSEs.
- 4% reservation out of the 25% is reserved for SC/ST entrepreneurs.
- For the effective implementation and monitoring of the policy **MSME-SAMBANDH portal** has been developed.

### ► NATIONAL SC ST HUB

- It has been set up to provide professional support to SC and ST entrepreneurs to fulfil the obligations under the Central Government Public Procurement Policy for MSME Enterprises.
- It is being implemented by Ministry of MSME through National Small Industries Corporation, a PSU under the ministry of MSME.

# SECTION 3

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# **A**GRICULTURE

# CORE knowledge & related

## Currentaffairs

- Agriculture is a state subject and the State Governments are primarily responsible for the growth and development of agriculture sector in their respective States.
- The GVA growth rate of Agriculture & allied is 3.85% (2017-18).
- The Government supplements the efforts of States through appropriate policy measures and budgetary support.
- Presently the approach of the GOI has shifted from **production centric (raising output) to income centric (raising farmers' income)** platform in the agriculture sector and various schemes are being implemented for making farming viable.

### ► DOUBLING FARMERS' INCOME BY 2022

SEVEN-POINT STRATEGY FOR DOUBLING FARMERS' INCOME		INITIATIVES TAKEN TO ACHIEVE THESE SEVEN POINTS
1	Special focus on <b>irrigation</b> with sufficient budget, with the aim of " <b>Per Drop More Crop</b> ".	A long term irrigation fund with a corpus of Rs 40,000 crore has been set up in NABARD. The "per drop more crop" component of the <b>Krishi Sinchayi Yojana</b> is implemented with the objective of enhancing water use efficiency.
2	Provision of <b>quality seeds</b> and nutrients based on soil health of each field.	<ul style="list-style-type: none"> <li>• The government has initiated the '<b>seed village programme</b>' to upgrade the farmer's saved seeds and provide financial assistance for their distribution.</li> <li>• The government has also provided a push for certified seed production of pulses, oilseeds, fodder, and green manure through seed village.</li> <li>• A National Seeds Policy (2002) is already in place which aims to provide intellectual property protection to new varieties, protect the interest of farmers and encourage conservation of agro-biodiversity.</li> <li>• Soil health card</li> </ul>
3	Large investments in <b>Warehousing and Cold Chains</b> to prevent post-harvest crop losses.	A <b>Mega Food Park scheme</b> is being implemented under which modern infrastructure facilities for food processing including warehouses and cold storage will be set up through a cluster based approach.
4	Promotion of value addition through <b>food processing</b> .	<ul style="list-style-type: none"> <li>• The <b>Kisan SAMPADA Yojana</b> (Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters) has been launched.</li> <li>• An investors portal named '<b>Nivesh BAndhu</b>' has been launched to bring together information about policies and incentives for food processing sector. The sector also comes under the 'Priority Sector Lending' norms.</li> </ul>

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5	<b>Agriculture marketing:</b> Creation of a National Farm Market, removing distortions and e-platform across 585 Stations.	<ul style="list-style-type: none"> <li>India's agriculture market is regulated by <b>Agriculture Produce Market Committee (APMC)</b> Act enacted by state governments.</li> <li>The Act provides for notifying the commodities produced in a particular region and provides that the first sale of these commodities is done under the aegis of APMC through commission agents.</li> <li>Since different states enacted different APMC acts, the Central Government has launched the <b>National Agriculture Market (e-NAM) scheme</b> through an Agri-Tech Infrastructure Fund.</li> <li>This scheme will provide a common e-market platform of regulated wholesale markets in states and UTs.</li> <li>It will provide for expansion of number of APMCs to 585 as well as provide financial assistance to APMCs for establishment of cleaning, grading and packaging facilities.</li> <li>First Inter-state trade between two states took place on the e-NAM portal between Uttar Pradesh and Uttarakhand.</li> </ul>
6	Introduction of a New <b>Crop Insurance</b> Scheme to mitigate risks at an affordable cost.	<b>Pradhan Mantri Fasal Bima Yojana</b> is the flagship scheme for crop insurance.
7	Promotion of <b>ancillary activities</b> like Dairy-Animal husbandry, poultry, beekeeping, Medh Per Ped, Horticulture and Fisheries.	A Dairy Processing and Infrastructure Development Fund would be set up in NABARD with a corpus of Rs 8,000 crores.

## ► RISKS IN AGRICULTURE

- 1. Production risk:** It is caused by factors that adversely affect production such as pests, diseases, shortage of inputs which results low productivity and low yield.
- 2. Weather and disaster related risk:** Since agri sector in India is characterised by high share of rainfed area, low irrigation coverage and poor resilience of farmers to climate change, it results in production losses.
- 3. Price risks:** Most of the farmers receive lower than remunerative prices due to absence of marketing infrastructure and presence of excess profiteering by middlemen.
- 4. Credit risks:** Due to lack of availability of loans, farmers mostly depend on informal sources of credit resulting in absence of stable incomes and indebtedness.
- 5. Market risks:** Due to demand-supply changes in farm products, farmers are prone to losing their market share.
- 6. Policy risks:** Risks arise due to uncertainty in policies and regulations pertaining to agriculture.

## ► INITIATIVES TO BOOST AGRICULTURE OUTPUT AND INCOME

### → ACCESS TO AGRICULTURE CREDIT

- To ensure adequate credit to farmers, the government has provided for 60 days interest waiver in respect of loans taken from cooperative credit structure.
- Government is working on computerization and integration of all 63,000 Primary Agriculture Credit Societies with the district cooperative banks.
- Agriculture loans are provided against Kisan Credit Cards at a reasonable rate to farmers.
- NABARD also plays an important role in providing credit for agriculture through refinancing of cooperative banks.

### → BETTER FOOD MANAGEMENT

- Food management implies procurement of foodgrains from farmers at remunerative prices, distribution of food grains to consumers at affordable prices and maintenance of food buffers for food security.



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- The nodal agency for this is **Food Corporation of India**.
- Procurement of foodgrains is undertaken through the Decentralised Procurement Scheme and buffer norms.
- Distribution/allocation of foodgrains is done through the **National Food Security Act and Targeted Public Distribution Scheme (Targeted-PDS)**.
- The instruments for keeping prices remunerative for farmers are **Minimum Support Price (MSP) and Central Issue Price**.

**→ MINIMUM SUPPORT PRICE (MSP)**

- MSP is the minimum price set by the government at which farmers can expect to sell their produce for the season.
- When market prices fall below the announced MSPs, procurement agencies step in to procure the crop and 'support' the prices.
- The Cabinet Committee of Economic Affairs announces MSP for various crops at the beginning of each sowing season based on the recommendations of the **Commission for Agricultural Costs and Prices (CACP)**.
- The CACP takes into account demand and supply, the cost of production and price trends in the market among other things when fixing MSPs.
- The Cabinet Committee on Economic Affairs has approved the increase in the Minimum Support Prices (MSPs) for all kharif crops for 2018-19.
- **Government announces MSP on 23 crops.** These include seven cereal crops (paddy, wheat, jowar, bajra, maize, ragi and barley), five pulse crops (gram, tur, moong, urad and lentil), seven oilseeds (groundnut, sunflower seed, soyabean, rapeseed, mustard, safflower, nigerseed and seasmum), copra (dried coconut), cotton, raw jute and sugarcane.
- In order to define minimum support prices for farmers, government has decided a new formula. The new formula is different from the C2 cost formula (Favoured by MS Swaminathan). C2 formula factors in a lot of costs like imputed rent on land and interest on capital, which makes the cost of production much higher than the level on which the Commission for Agricultural Costs and Prices bases its recommendations. A2+FL costs formula may be used for fixation of fMSP. A2+FL considers actual cost plus imputed value of family labour in the production of a crop.

**→ DECENTRALISED PROCUREMENT SCHEME:** The scheme ensures that MSP is passed on to the farmers, to enhance the efficiency of procurement by making them available as per the requirements of local taste. The scheme is implemented by the states but funded by Central government.

**→ BUFFER NORMS:** These norms are aimed at meeting the prescribed minimum stocking norms for food security, to ensure release of foodgrains under TPDS and augment supply during emergency situations.

**→ TPDS:** Under TPDS, the Central Government is responsible for procurement, allocation and transportation of foodgrains to designated state depots of Food Corporation of India. States are responsible for distributing foodgrains to eligible beneficiaries through fair price shops.

**→ NATIONAL FOOD SECURITY ACT:** The National Food Security Act 2013 is aimed at food security by making receipts of foodgrains under TPDS a legal right. It provides subsidized foodgrains to rural and urban households under TPDS.

**→ HORTICULTURE:** India witnessed sharper increase in acreage of horticulture (10%) crops compared to food grains (6%) over the last five years. Over the last decade, the area under horticulture increased by about 3.1 per cent per annum and annual production increased by about 6 per cent.

**→ ANIMAL HUSBANDRY, DAIRYING AND FISHERIES:**

- In India's predominantly mixed crop- livestock farming system, dairying has become an important secondary source of income for millions of rural families and has assumed the most important role in providing employment and income generating opportunities particularly for marginal and women farmers.
- India continues to be the largest producer of milk in world.
- India is the second largest producer of fish and also the second largest producer of fresh-water fish in the world.
- The Cabinet Committee on Economic Affairs has given its approval for creation of a Fisheries and Aquaculture Infrastructure Development Fund.

- It will enable creation of fisheries infrastructure, generation of employment opportunities, attracting private investment in creation and management of fisheries infrastructure, adoption of new technologies, augmenting fish production to achieve its target of 15 million tonnes by 2020 set under Blue Revolution. It will provide concessional finance to state governments and UTs to take up investment in fisheries development.

## ► SWAMINATHAN COMMITTEE RECOMMENDATIONS

MS Swaminathan chaired the National Commission on Farmers which focused on causes of farmer distress and the rise in farmer suicides. Its major recommendations are:

### → LAND REFORMS

- Distribute ceiling-surplus and waste lands.
- Prevent diversion of prime agricultural land and forest for non-agricultural purposes.
- Grazing rights and seasonal access to forests to tribals and pastoralists, and access to common property resources.
- National Land Use Advisory Service to link land use decisions with ecological, meteorological and marketing factors.

### → IRRIGATION

- Increasing water supply through rainwater harvesting and making recharge of the aquifer mandatory.
- "Million Wells Recharge" programme, specifically targeted at private wells should be launched.
- Substantial increase in investment in the irrigation sector.

### → PRODUCTIVITY

- The per unit area productivity of Indian agriculture is much lower than other major crop producing countries.
- A national network of advanced soil testing laboratories with facilities for detection of micronutrient deficiencies is recommended.
- Promotion of conservation farming to conserve and improve soil health, water quantity and quality, and biodiversity.
- Increase in public investment in agriculture related infrastructure such as irrigation, drainage, land development, water conservation, research development, etc. to ensure increased productivity.

### → CREDIT AND INSURANCE

- Expanding the outreach of the formal credit system and reducing the rate of interest for crop loans with government support.
- Establishing an Agriculture Risk Fund to provide relief to farmers in the aftermath of successive natural calamities.
- Cover all crops by crop insurance with the village and not block as the unit for assessment.
- Developing an integrated credit-cum-crop-livestock-human health insurance package.
- Creating a Rural Insurance Development Fund to take up development work for spreading rural insurance.
- Institutional development services by strengthening producers' organisations such as self-help groups and water user associations can be taken up.

### → FOOD SECURITY

- The decline in per capita foodgrains availability and its unequal distribution have serious implications for food security in both rural and urban areas.
- Eliminating micronutrient deficiency induced hidden hunger through an integrated food cum fortification approach.
- Formulating a National Food Guarantee Act and continuing the useful features of the Food for Work and Employment Guarantee programmes.

### → FARMERS' SUICIDES

- State level Farmers' Commission with representation of farmers for ensuring dynamic government response to farmers' problems.
- Low risk and low cost technologies to provide maximum income to farmers to cope with the shock of crop failure.
- **Price Stabilisation Fund** in place to protect the farmers from price fluctuations.
- Village Knowledge Centres (VKCs) to serve as guidance centres on all aspects of agricultural and non-farm livelihoods.
- Public awareness campaigns to make people identify early signs of suicidal behaviour.

### → AGRICULTURAL COMPETITIVENESS

- Promotion of commodity-based farmers' organisations such as Small Cotton Farmers' Estates.
- This will combine decentralised production with centralised government services for leveraging

institutional support and facilitating direct farmer-consumer linkage.

- State Agriculture Produce Marketing Committee Acts [APMC Acts] should work for the development of domestic and international markets for local produce, and move towards a Single Indian Market.

#### → EMPLOYMENT

- Despite structural change in the workforce, agriculture still provides the bulk of employment in the rural areas of India.
- Creating productive employment opportunities and improving the quality of employment in several sectors such that real wages rise through improved productivity.
- Emphasizing on relatively more labour intensive sectors.
- Encouraging non-farm employment opportunities by developing particular sectors and sub-sectors.

#### → BIORESOURCES

- Rural people in India depend on a wide range of bioresources for their nutrition and livelihood security.
- Preserving traditional rights of access to biodiversity and encouraging community-based breed conservation.
- Finally, the NCF recommends that Agriculture which is under the State List be inserted in the Concurrent List of the Constitution.

### ► PRICE STABILISATION FUND

- To promote direct purchase from farmers/farmers' association at farm gate/Mandi.
- Maintain a strategic buffer stock that would discourage hoarding and unscrupulous speculation
- Protect consumers by supplying such commodities at reasonable prices through calibrated release of stock.
- Creation of corpus fund and its management by Price Stabilisation Fund Management Committee.
- The corpus of the fund is Rs 500 crore which is used for providing interest free advance towards working capital to eligible proposals from State Governments/Central agencies/CPSUs/Cooperative organisations.
- The fund will be used for Onion, Potato, and Pulses.
- The fund is administered by Department of Consumer Affairs, under the ministry of consumer affairs, food and public distribution.

### ► PROTECTION OF PLANT VARIETIES AND FARMER'S RIGHTS ACT, 2001

- The **act provides** for the establishment of an effective system for protection of plant varieties, the rights of farmers and plant breeders and to encourage the development of new varieties of plants.
- It is considered necessary to recognise and protect the rights of the farmers in respect of their contribution made at any time in conserving, improving and making available plant genetic resources for the development of new plant varieties.
- For accelerated agricultural development in the country, it is necessary to protect plant breeders' rights to stimulate investment for research and development, both in the public and private sector, for the development of new plant varieties.
- Such protection will facilitate the growth of the seed industry in the country which will ensure the availability of high quality seeds and planting material to the farmers.
- India, having ratified the Agreement on Trade Related Aspects of Intellectual Property Rights should, inter alia, make provision for giving effect to sub-paragraph (b) of paragraph 3 of article 27 in Part II of the said Agreement relating to protection of plant varieties.
- The Act provides for the creation of National Register of Plant Varieties.
- The Plant Protection Authority is established by the Protection of Plant Varieties and Farmer's Rights Act, 2001. The functions of the authority are:
  1. Registration of new plant varieties, essentially derived varieties (EDV), extant varieties;
  2. Developing DUS (Distinctiveness, Uniformity and Stability) test guidelines for new plant species;
  3. Developing characterization and documentation of varieties registered;
  4. Compulsory cataloging facilities for all variety of plants;
  5. Documentation, indexing and cataloguing of farmers' varieties;
  6. Recognizing and rewarding farmers, community of farmers, particularly; tribal and rural community engaged in conservation, improvement;
  7. Preservation of plant genetic resources of economic plants and their wild relatives; Maintenance of the

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National Register of Plant Varieties and Maintenance of

National Gene Bank.

► **LIST OF AGRI. REVOLUTIONS**

Name	Product
Protein revolution	Higher agricultural production
Yellow revolution	Oil Seed production
Blue revolution	Fish production
Brown revolution	Non-conventional energy
Golden revolution	Fruits/honey/horticulture
Golden fiber revolution	Jute production
Grey revolution	Fertilizers
Pink revolution	Meat
Silver revolution	Eggs/poultry
Red revolution	Tomatoes
Round revolution	Potato
Green revolution	Food grains
White revolution/operation flood	Milk production

The various colours represent the variety of farm practices such as crop cultivation, horticulture, forestry, fishery, poultry, animal husbandry and food processing industry. The integrated development of these sectors through these revolutions is also termed as **Rainbow Revolution**.

► **LIST OF IMPORTANT GOVERNMENT SCHEMES**

SCHEME	IMPLEMENTING AGENCY	AIM	WHAT DOES IT DO?
<b>PM Annadata Aay Sanrakshan Abhiyan</b>	Ministry of Agriculture and Farmers Welfare	Ensuring remunerative prices to farmers	It comprises three sub schemes: Price Support Scheme; Price Deficiency Payment Scheme; Pilot of Private Procurement and Stockist Scheme
<b>AGRI-UDAAN</b>	Indian Council of Agriculture Research	Promote innovation and entrepreneurship in agriculture	Mentor startups and connect them to potential investors
<b>National Agriculture Market Scheme/e-NAM</b>	Ministry of Agriculture and Farmers Welfare	Transparent sale transactions, harmonisation of quality standards for agri- produce, liberal licensing of traders, create soil testing labs	Pan India electronic trading portal which networks the existing APMC mandis to create a unified national market for agriculture commodities

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<b>Accelerated Irrigation Benefits Programme</b>	Ministry of Water Resources	Improve irrigation	Provide financial assistance and expedite completion of ongoing major/medium irrigation projects
<b>Command Area Development Programme</b>	Ministry of Water Resources	Improve irrigation potential utilisation and optimize agri production through efficient water management	Completion of high priority irrigation projects under Accelerated Irrigation Benefits Programme
<b>Rashtriya Krishi Vikas Yojana-Remunerative Approaches for Agriculture and Allied Sector Rejuvenation</b>	Ministry of Agriculture and Farmers Welfare	Making farming remunerative through strengthening farmer's effort, risk mitigation, promote agribusiness entrepreneurship	Provide funds to states for creation of agri. infrastructure and help in supply of quality inputs
<b>Pradhan Mantri Krishi Sinchayi Yojana</b>	Ministry of Agriculture and Farmers Welfare	Har Khet ko Paani	Expand cultivated area with assured irrigation, reduce wastage of water, improve water use efficiency through micro irrigation
<b>Pradhan Mantri Fasal Bima Yojana/Restructured Weather Based Crop Insurance Scheme</b>	Ministry of Agriculture and Farmers Welfare	Improve insurance penetration	Provide comprehensive crop insurance coverage from pre-sowing to post harvest losses
<b>Paramparagat Krishi Vikas Yojana</b>	Ministry of Agriculture and Farmers Welfare	Promote organic farming	Target clusters to promote organic farming
<b>Soil Health Card</b>	Ministry of Agriculture and Farmers Welfare	Help in improvement of soil fertility	Assist state governments to issue soil health cards to all farmers in the country which provide information to farmers on nutrient status of their soil
<b>Neem-coated Urea</b>	Ministry of Agriculture and Farmers Welfare	Improve soil health and make farming remunerative	Regulate the use of urea, enhance the availability of nitrogen to crops and reduce the cost of cultivation
<b>Interest subvention scheme</b>	Ministry of Agriculture and Farmers Welfare	Improve financial inclusion	Government provides interest subvention/subsidy of 3% on short term crop loans upto Rs 3 lakh
<b>SAMPADA</b>	Ministry of Food Processing Industries	To provide a renewed thrust to the food processing sector and supply chain management	Creation of modern infrastructure through creation of infrastructure for agro-processing clusters, backward and forward linkages etc.
<b>Small Farmers' Agribusiness Consortium (SFAC)</b>	Ministry of Agriculture and Farmers Welfare	Facilitate agri-business ventures	Provide venture capital assistance to agri-businesses in close association with financial institutions and help in formation of farmer producer organisations
<b>Agriculture Export Promotion Scheme of APEDA</b>	Ministry of Commerce and Industry	Boost agri exports	The Agricultural and Processed Food Export Development Authority (APEDA) will run the scheme by providing financial assistance to agri exporters for infrastructure

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			development, market promotion, quality development etc.
<b>Mission for Integrated Development of Horticulture/Green Revolution Krishnnonati Yojana</b>	Ministry of Agriculture and Farmers Welfare	Development of Horticulture and reduce post-harvest losses	Provide assistance for creation of post-harvest management infrastructure (for ex. cold storages) for perishable horticulture goods

### ► NETWORK FOR DEVELOPMENT OF AGRICULTURAL COOPERATIVES (NEDAC) IN ASIA AND THE PACIFIC

- NEDAC was set up in **1991** by the United Nations' Food and Agriculture Organisation (FAO), the International Cooperative Alliance (ICA) and the International Labour Organisation (ILO).
- NEDAC sensitises Governments in the region on the role of agricultural cooperatives in promoting agricultural and rural development to ensure rural food and livelihood security for millions of people in Asia and Pacific.
- NEDAC is a unique organization encompassing mix of Government and non-Government organizations created by FAO for synergizing policies and programmes of government and cooperative institutions at country level.
- The ultimate aim would be to bring about an increase in farmers' income and raise their economic standard by bringing cooperative trade in the mainstream and enhance cooperative professionalism.



# CURRENT affairs & related concepts

## ► OPERATION GREENS

- Operation Greens was announced in Budget 2018-19.
- The scheme is being implemented by Ministry of Food Processing Industries (MoFPI)

### OBJECTIVES:

- Enhance value realisation of tomato, onion and potato (TOP) crop farmers through targeted interventions;
- Stabilise the supply of TOP crops to ensure their availability round the year without price volatility
- Reduction in post-harvest losses by creation of farm gate infrastructure, development of suitable agro-logistics and creation of storage capacity;
- increase value addition in TOP value chain;
- Set-up of market intelligence network to collect and collate real time data on demand and supply of TOP crops.

### STRATEGY

- **Short term Price Stabilisation Measures:**
  - NAFED will be the Nodal Agency to implement price stabilisation measures.
  - MoFPI will provide 50 percent of the subsidy on transportation of Tomato Onion Potato (TOP) Crops from production to storage; and hiring of appropriate storage facilities for TOP Crops.
- **Long Term Integrated value chain development projects:**
  - Capacity Building of FPOs & their consortium.
  - Quality production.
  - Post-harvest processing facilities
  - Agri-Logistics
  - Marketing / Consumption Points.
  - Creation and Management of e-platform for demand and supply management of TOP Crops.

## ► DAIRY PROCESSING & INFRASTRUCTURE DEVELOPMENT FUND (DPIDF)

The government has handed over a Rs 440 crore cheque to the National Dairy Development Board (NDDB) from the Dairy Processing and Infrastructure Development Fund (DPIDF), marking the formal launch of the fund set up to provide soft loans to modernise and raise capacity of dairy cooperatives.

### BACKGROUND

- **NABARD** has set up the DPIDF with a corpus of **Rs 8,004 crore** to bring more **dairy farmers into organised milk marketing through cooperatives**.
- The fund is implemented through **National Dairy Development Board (NDDB) and National Cooperative Development Corporation (NCDC)**.
- The project will be implemented by **NDDB and NCDC** directly through the End Borrowers such as Milk Unions, State Dairy Federations, Multi-state Milk Cooperatives, Milk Producer Companies and NDDB subsidiaries meeting the eligibility criteria under the project.
- An Implementation and Monitoring Cell (IMC) located at NDDB, **Anand**, will manage the implementation and monitoring of day-to-day project activities.

### FUNCTIONS

Focus on building an efficient milk procurement system by setting up of chilling infrastructure & installation of electronic milk adulteration testing equipment, creation/modernization/expansion of processing infrastructure and manufacturing faculties for Value Added Products for the Milk Unions/ Milk Producer Companies.

## ► ZERO BUDGET NATURAL FARMING

Indian Council of Agricultural Research under **Network Project on Organic Farming (NPOF)** and **All India Coordinated Research Projects (AICRP) on Integrated Farming Systems**, has initiated an experiment on "Evaluation of zero budget farming practices in basmati rice-wheat system" to study the zero budget farming practices on productivity, economics and soil health including soil organic carbon and soil fertility.

### WHAT IT IS ?

- It is a method of farming where the cost of growing and harvesting plants is zero.
- Farmers need not purchase fertilizers and pesticides in order to ensure the healthy growth of crops.
- It is a natural farming technique that uses biological pesticides instead of chemical-based fertilizers.
- Farmers use earthworms, cow dung, urine, plants, human excreta and such biological fertilizers for crop protection. It reduces farmers' investment. It also protects the soil from degradation.

### GOVERNMENT INITIATIVES

- GOI has been promoting organic farming in the country through the dedicated schemes of **Paramparagat Krishi Vikas Yojana (PKVY)** since 2015-16 and also through **Rashtriya Krishi Vikas Yojana (RKVY)**.
- In the revised guidelines of RKVY scheme during the year 2018, various organic farming models like **Natural Farming, Rishi Farming, Vedic Farming, Cow Farming, Homa Farming, Zero Budget Natural Farming (ZBNF)** etc. have been included wherein flexibility is given to states to adopt any model of Organic Farming including ZBNF depending on farmer's choice.
- Under the RKVY scheme, organic farming/ natural farming project components are considered by the respective State Level Sanctioning Committee (SLSC) according to their priority/ choice.

### PARTICIPATORY GUARANTEE SYSTEM OF INDIA

- It is a decentralized organic farming system. It is a quality assurance initiative that is locally relevant, emphasise the participation of stakeholders, including producers and consumers and operate outside the frame of third party certification.
- **Structure:** Local Farmers groups group (LGs) -- Regional Councils (RCs) ----- Zonal Councils (RCOFs) -- National Centre of Organic Farming (NCOF) (PGS-INDIA Secretariat) - National Advisory Committee (NAC)

- National Centre of Organic Farming (Located in Ghaziabad, Uttar Pradesh) is the secretariat of PGS-India. It functions under Ministry of Agriculture, Cooperation and Farmer's Welfare.

## ► SOIL MOISTURE MAP

Soil Moisture Map forecast has been prepared by IIT Gandhinagar and IMD, for the first time. It provides a country-wide soil moisture forecast at seven and 30-day lead times.

### TECHNIQUE

- Use of '**Variable Infiltration Capacity**' model to provide the soil moisture prediction.
- The product, termed '**Experimental Forecasts Land Surface Products**', is available on the IMD website. It has been developed using the hydrological model that takes into consideration soil, vegetation, land use and land cover among other parameters.

### IMPORTANCE OF SOIL MOISTURE MAP

- Soil Moisture directly affects crop growth and need for irrigation for the area. It is because crucial information needed for agriculture is not revealed only through rainfall data.
- Soil moisture gives us more information on what is needed for crop growth in different parts of the country. Besides, timely soil moisture forecasts will help target interventions, in terms of seed varieties for better planning in agriculture.

## ► KRISHI KUMBH-2018

Government of Uttar Pradesh in association with the Government of India organised a mega Agriculture Expo called "Krishi Kumbh-2018".

### DETAILS

- Krishi Kumbh-2018 comprised of the National level exhibition, technical sessions around the theme of doubling farmer's income, Business Meet, and host of other engaging activities.
- It aims to provide a common platform to farmers, farmers group, technical experts and entrepreneurs for seamless exchange of knowledge regarding agriculture production food processing and marketing, agriculture mechanization, agro-food processing, high value crops, input and technology management in agriculture etc.

## ► FAO'S FUTURE POLICY GOLD AWARD 2018

Sikkim has been awarded **UN FAO's Future Policy Gold Award (Gold Prize)** for its achievement in becoming the **world's first totally organic agriculture state**.

### BACKGROUND

- Sikkim became the first fully organic state of India in 2016.
- Over the years around 75000 hectares of land in the state has been converted into certified organic farms following the guidelines as prescribed by **National Programme for Organic Production**.
- Within 1.24 million tonnes of organic production in the country around 80000 million is supplied by Sikkim alone.

## ► 11TH GLOBAL AGRICULTURE SUMMIT – 2018

Recently organised by **Indian Council of Food and Agriculture (ICFA)** with support of Ministry of Agriculture and Farmers' Welfare; Ministry of Food Processing Industries and Ministry of Commerce.

### DETAILS

- Global Agriculture Summit is an annual event organized by ICFA to discuss **the broad scenario and trends in agriculture sector, trade, technology, investments and the need for appropriate policy initiatives** on the part of the Government by bringing together eminent personalities of Indian and global agriculture on one platform.
- 11th Global Leadership Awards were announced and the Agriculture Year Book 2018 was launched.
- ICFA has launched 1st World Agriculture Prize and MS Swaminathan Global Dialogue on Climate Change and Food Security to come up with blue print for sustained agriculture growth in changing face of climate and weather extremes.

### ABOUT ICFA

- Apex think tank for addressing policy issues concerning farmers, food and agro industries.
- It is serving as global platform for trade facilitation, partnerships, technology, investments and agribusiness services.

## ► FISHERIES AND AQUACULTURE INFRASTRUCTURE DEVELOPMENT FUND (FIDF)

The Cabinet Committee on Economic Affairs (CCEA) has given its approval for creation of special Fisheries and Aquaculture Infrastructure Development Fund (FIDF).

### DETAILS

- The approval entails fund to be raised by the Nodal Loaning Entities (NLEs),
- NABARD, NCDC and all scheduled Banks shall be the **nodal Loaning Entities**.

### BENEFITS

- Creation of **fisheries infrastructure facilities** both in marine and Inland fisheries sectors.
- **Employment opportunities** to over 9.40 lakh fishers/fishermen/fisherfolk and other entrepreneurs in fishing and allied activities.
- **Attracting private investment** in creation and management of fisheries infrastructure facilities.
- Adoption of new technologies.
- Augmenting fish production to achieve its target of 15 million tonne by 2020 set under the Blue Revolution; and achieving a sustainable growth of 8% -9% thereafter to reach the fish production to the level of about 20 MMT by 2022-23.

### OTHER INITIATIVES IN THE FISHERIES SECTOR

- Creation of a separate department for fisheries in the Ministry of Agriculture, Cooperation and Farmers Welfare.
- Fisheries to be covered in the Kisan Credit Card Scheme

## ► RASHTRIYA KAMDHENU AAYOG

- For conservation, protection and development of cattle population in the country including development and conservation of indigenous breeds.
- Lead to increased growth of livestock sector which is more inclusive, benefitting women, and small and marginal farmers.
- It will be under the Ministry of Agriculture, Cooperation and Farmers Welfare.

## ► LONG TERM IRRIGATION FUND (LTIF)

- A revised Memorandum of Agreement has been signed between **Govt. of India through Ministry of Water Resources, River Development & Ganga Rejuvenation (MoWR, RD & GR), NABARD and National Water Development Agency (NWDA)** for funding of central share of 99 prioritized irrigation projects under Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) through Long Term Irrigation Fund (LTIF).
- The MoU will enable this MoWR to release Central Assistance to prioritized projects under PMKSY as per the requirements from time to time.

### LTIF

- **LTIF is a dedicated fund set up in NABARD with an initial corpus of Rs. 20,000 crores** for funding of Central and State share for the identified ongoing projects under PMKSY (AIBP and CAD).
- Corpus would be raised by way of budgetary resources and market borrowings to fund fast tracking of implementation of incomplete major & medium irrigation projects.

## ► AN INTERNATIONAL YEAR OF MILLETS IN 2023

- The 160th session of the FAO Council approved India's proposal to observe an International Year of Millets in 2023.
- FAO Council also approved India's membership to the Executive Board of the United Nations World Food Program (WFP) for 2020 and 2021.

### DETAILS ABOUT MILLETS

- This international endorsement comes in the backdrop of India celebrating 2018 as the **National Year of Millets** for promoting cultivation and consumption of these nutri-cereals.
- This is further supported by increase in **Minimum Support Prices (MSP)** of millets.
- **Millets consists of Jowar, Bajra, Ragi and minor millets together termed as nutri-cereals.**
- Through the **Department of Food and Public Distribution**, State Governments are allowed to procure jowar, bajra, maize and ragi from farmers at MSP.

### UN'S WORLD FOOD PROGRAM

- It is the food assistance branch of the UN. It was created in 1961.
- World's largest humanitarian organisation addressing hunger and promoting food security.
- It provides food assistance to an average 91.4 million people in 83 countries each year.
- Headquartered in Rome, it is a member of the UN Development Group.
- WFP and India: PDS reforms, Multi-micronutrient fortification of mid day meal scheme, Food insecurity mapping and monitoring.

## ► "ENSURE" PORTAL

**ENSURE portal for National Livestock Mission (NLM)-EDEG component developed by NABARD** and operated under the **Department of Animal Husbandry, Dairying & Fisheries.**

### ENTREPRENEURSHIP DEVELOPMENT AND EMPLOYMENT GENERATION (EDEG)

- Under the NLM's component EDEG, subsidy payment for activities related to poultry, small ruminants, pigs etc., through Direct Benefit Transfer goes directly to the beneficiary's account.
- To make it better, simpler and transparent, the NABARD has developed an online portal "ENSURE" which makes the information related to beneficiary and processing of application readily available.

### POSITIVES

- **Flow of information/funds will be quicker and more accountable.**
- **Burden of extra interest due to delay in the disbursement of the subsidy would now be reduced.**
- Real-time access to information and list of beneficiaries can be easily prepared.

## ► KALIA SCHEME

Odisha cabinet has approved the **Krushak Assistance for Livelihood and Income Augmentation (KALIA) scheme**, worth over Rs. 10,000 crore, for the development of farmers in the state.

**DETAILS**

It has five components:

1. **Comprehensive Assistance for cultivation:** Rs 25,000 per farm family over five seasons will be provided to small and marginal farmers for input costs.
2. **Comprehensive Assistance for Livelihood:** Assistance of Rs 12,500 will be provided to each landless Agricultural household for Agricultural allied activities like for small goat rearing, fishery units, mushroom cultivation etc.
3. **Assistance for Vulnerable Agricultural Household:**
  - a. Vulnerable cultivators/landless agricultural labourers will get financial assistance of Rs. 10,000/- per family per year to enable them to take care of their sustenance. The vulnerable cultivator/landless Agricultural Laborers who are in old age, having disability/ disease and are vulnerable for any other reason.
4. **Life insurance for cultivators and landless agricultural labourers:**
  - a. Life Insurance of Rs 2 lakhs for Rs 330 premium
  - b. Personal Accident Cover of Rs 2 Lakh for Rs 12 annual premium
  - c. For 51-70 years old entire premium will be borne by government of Odisha.
5. **Interest free crop loan:** Vulnerable landless labourers, cultivators, share croppers and agricultural families identified by Gram Panchayats will be provided with cop loans up to Rs 50,000 made available at 0% interest.

**POSITIVES**

Ten lakh landless households will be supported with a unit cost of Rs. 12,500 to take up activities like goat rearing units, mini layer units, duckery units, fishery kits for fishermen and women, mushroom cultivation and bee keeping.

**► SAARC AGRI COOPERATIVE BUSINESS FORUM**

The first SAARC Agri Cooperative Business Forum was held recently in Kathmandu, Nepal.

**THEME**

'Organizing and Strengthening Family Farmers' Cooperatives to attain the **Sustainable-Development-Goals-1 and 2** in South Asia'

**ABOUT**

- Organized by **FAO of United Nations and Asian Farmers' Association** with the support from International Fund for Agricultural Development.

- **Aim:** To provide platform to bring together representatives both from government and non-governmental entities from member states of SAARC as well as from regional and international organizations.

**► PRADHAN MANTRI FASAL BIMA YOJNA (PMFBY) MODIFIED GUIDELINES**

Government modified operational guidelines for Pradhan Mantri Fasal Bima Yojna (PMFBY).

**MODIFICATIONS**

- **Provision of Penalties:** The Government has decided to **incorporate the provision of penalties for States and Insurance Companies for the delay in settlement of insurance claims**
- The farmers will be paid **12% interest by insurance companies** for the delay in settlement claims beyond **two months** of prescribed cut-off date. **State Governments** will have to pay **12% interest** for the delay in release of State share of subsidy beyond **three months** of prescribed cut-off date submission of requisition by insurance companies.
- **Evaluation of Insurance Companies:** The new operational guidelines has made a **Standard Operating Procedure (SOP) for evaluation of insurance companies** and remove them from the scheme if found ineffective in providing services.
- **Horticulture:** The Government has also decided to include perennial horticultural crops under the ambit of PMFBY on a pilot basis.
- **Wild Animal attack:** The scheme provides add on coverage for crop loss due to attack of wild animals, which will be implemented on a pilot basis.
- **Standing crop and post-harvest losses:** Losses due to **localised disasters** (Hailstorm, cloud burst, natural fire, landslide & inundation) and Post-Harvest losses due to specified perils, (Cyclone/Cyclonic rain & Unseasonal rains) shall be assessed at the affected insured field of the individual insured farmer.
- **Definition of major crops:** Definition of Major Crops, Unseasonal rainfall and Inundation incorporated for clarity and proper coverage. For defining a crop as a major crop for deciding the Insurance Unit level, the sown area of that



crop should be at least 25% of Gross Cropped Area in a District/ Taluka or equivalent level

- **Aadhar Number:** Aadhaar number will be mandatorily captured to avoid duplication of beneficiaries.

## ► RYTHU BANDHU SCHEME

Recently, Chairman of India's largest lender State Bank of India (SBI), Rajnish Kumar, said that loan waivers are not a permanent solution; instead, he argued for an investment scheme to increase the income of farmers on similar lines of Telangana's Rythu Bandhu.

### ABOUT RYTHU BANDHU

- In August this year, **Telangana government** launched 'Rythu Bandhu' investment support scheme for farmers.
- **The Rythu Bandhu (Agriculture Investment Support Scheme)** takes care of initial investment needs of every farmer.
- Aimed at relieving farmers of debt burden and cease them from falling into the debt trap again, the scheme provides a grant of Rs 4,000 per acre per farmer each season for the purchase of inputs like seeds, fertilizers, pesticides, labour and other investments in the field operations of farmer's choice for the crop season.

## ► MSP EXTENDED TO MINOR FOREST PRODUCE

- The Ministry of Tribal Affairs has declared inclusion of **17 new minor forest produce (MFP)** under the government's minimum support price scheme.
- The new MFP under the scheme includes **AMahua flowers (dried), Tejpatta (dried) and Kokum (dry)**.
- The Pricing Cell, constituted by the **Tribal Cooperative Marketing Development Federation of India Ltd (TRIFED)**, recommended inclusion of new MFPs under the scheme, given their importance to the economy of local communities.

### MFP

- A Planning Commission report had noted that MFP contributes to 20 to 40 per cent of the income of forest-dependent communities, especially the landless with a dominant population of tribals, and "provides critical subsistence during lean seasons."

- The MFP economy, however, is also known to suffer from unorganised and uncertain market demands, affecting economic returns to these communities.

### ABOUT MSP FOR MINOR FOREST PRODUCE

- The MSP is announced by the Ministry of Tribal Affairs based on the recommendations of Pricing Cell constituted by TRIFED.
- Currently, **MSP is announced for 49 Minor Forest Produce**.
- MSP declared by GOI shall be reference MSP for fixing MSP and State Government shall have latitude of 10% of MSP declared by GOI ie, State can fix MSP upto 10% higher or lower than MSP declared by GOI.
- State is also at liberty to suspend process of procurement or not to do procurement of MFP at all.
- The area of coverage of the scheme has been extended beyond existing 9 Schedule 5 and now scheme is applicable in all states.

## ► SMART PROJECT

Maharashtra Government has launched World Bank assisted **State of Maharashtra's Agribusiness and Rural Transformation (SMART) Project** to transform rural Maharashtra to revamp agricultural value chains, with special focus on marginal farmers across 1,000 villages.

### ABOUT SMART PROJECT

- Aim is to create and support value chains in post-harvest segments of agriculture, facilitate agribusiness investment, stimulate SMEs within the value chain.
- Support resilient agriculture production systems, expand access to new and organized markets for producers and enhance private sector participation in the agribusiness.
- It will cover almost one-fourth of Maharashtra. Its focus is on villages which are reeling under worst agriculture crisis compounded by lack of infrastructure and assured value chains to channelize farm produce.

## ► GM MUSTARD (DMH-11)

- Genetic Engineering Appraisal Committee (GEAC) has asked the developer of GM Mustard, Centre for Genetic Manipulation of Crop Plants of the Delhi University, to undertake "field demonstration" to generate additional data to check whether the transgenic oilseed affects honey



## AGRICULTURE

bees and other pollinators and also whether it negatively impacts soil health.

**ABOUT GEAC**

- GEAC is a non-statutory body under the MOEFCC which looks into appraisal of activities involving large scale use of hazardous micro-organisms and recombinants in research and industrial production from the environmental angle.
- Appraisal of proposals relating to release of genetically engineered organisms and products into the environment including experimental field trials.
- It is chaired by Special Secretary/Additional Secretary of MOEFCC and co-chaired by a representative from the Department of Biotechnology.

**► MICRO IRRIGATION FUND**

Rs 5,000 crore fund to bring more land area under micro-irrigation as part of the objective to boost agriculture production and farmer's income is being set up.

**ABOUT MICRO-IRRIGATION FUND**

- It has been setup with NABARD under Pradhan Mantri Krishi Sinchayee Yojana (**PMKSY**). An allocation of Rs2,000 crores has been made for this fiscal while Rs3,000 crore has been earmarked for the 2019-20 fiscal. NABARD will extend the loan to state governments during this period.
- NABARD will provide this amount to states on concessional rate of interest.
- The lending rate under MIF has been proposed at 3% lower than the cost of raising the fund by NABARD. This cost would be met from the ongoing scheme of PMKSY-PDMC (per drop more crop component) by amending the existing guidelines.

**BENEFICIARIES**

- Supplement the efforts of PMKSY programme and help bring about 10 lakh hectares under micro-irrigation.
- Will facilitate States to mobilise resources for their initiatives, including additional (top up subsidy) in implementation of PMKSY-PDMC to achieve the annual target of about 2 million hectares per year during the remaining period of 14th Finance Commission.
- The states might access this fund for innovative integrated projects, including projects in the Public Private Partnership (PPP) mode and also for incentivizing micro irrigation.
- Farmers Producers Organization (FPO)/Cooperatives/State Level Agencies can also access the funds with state

government guarantee or equivalent collateral. Farmers Co-operatives may access this fund for innovative cluster based community irrigation projects.

**► PM-AASHA**

Union Cabinet has approved a new Umbrella Scheme **"Pradhan Mantri Annadata Aay SanraksHan Abhiyan' (PM-AASHA)**.

**DETAILS**

- The Scheme is aimed at ensuring remunerative prices to the farmers for their produce as announced in the Union Budget for 2018.
- **The umbrella scheme 'PM-AASHA' comprises three sub-schemes:**
  - Price Support Scheme (PSS).
  - Price Deficiency Payment Scheme (PDPS).
  - Pilot of Private Procurement & Stockist Scheme (PPPS).

**→ PRICE SUPPORT SCHEME (PSS)**

- The physical procurement of pulses, oilseeds and Copra will be done by Central Nodal Agencies with the proactive role of the state governments.
- Further, in addition to NAFED, the Food Cooperation of India (FCI) will take up PSS operations in states and districts.
- The procurement expenditure and losses due to procurement will be borne by the Union Government as per norms.

**→ PRICE DEFICIENCY PAYMENT SCHEME (PDPS)**

- Proposes to cover all oilseeds for which MSP is notified.
- Direct payment of the difference between the MSP and the selling/modal price will be made to pre-registered farmers selling his produce in the notified market yard through a transparent auction process. All payments will be done directly into the registered bank account of the farmer.
  - This scheme does not involve any physical procurement of crops as farmers are paid the difference between the MSP price and sale or modal price on disposal in the notified market. The support of the central government for PDPS will be given as per norms.

**→ PILOT OF PRIVATE PROCUREMENT & STOCKIST SCHEME (PPPS)**

- For oilseeds, the states will have the option to roll out PPPS on pilot basis in selected districts and APMC's of district involving the participation of private stockiest.

- The pilot district and selected APMC(s) will cover one or more crop of oilseeds for which MSP is notified.
- Since this is similar to the PSS scheme, as it involves physical procurement of the notified commodity, the scheme shall substitute PSS/PDPS in the pilot districts.
- The selected private agency shall procure the commodity at MSP in the notified markets during the notified period from the registered farmers in accordance with the PPSS Guidelines, whenever the prices in the market fall below the notified MSP and whenever authorised by the state or UT government to enter the market. The maximum service charges up to 15% of the notified MSP will be payable.

### ► KRISHI KALYAN ABHIYAN

Krishi Kalyan Abhiyan was launched by the Ministry of Agriculture and Farmer Welfare.

#### DETAILS

- Aims to **aid, assist and advice farmers** to improve their **farming techniques** and **raise their income**.
- It has been launched from **1st June 2018 till 31st July 2018** during which various activities to **promote best practices** and **enhance agriculture income** will be undertaken in accordance with an action plan formulated by including various departments of the Ministry such as Department of Agriculture, Cooperation & Farmers Welfare (DAC&FW), Animal Husbandry Dairying & Fisheries (DAHD&F) etc.
- It was undertaken in 25 villages with more than 1000 population each in **Aspirational District** as identified in consultation with the Ministry of Rural Development in accordance with the guidelines of NITI Aayog.
- If the number of villages in a district is less than 25 with more than 1000 population then all the villages will be covered.
- The overall coordination and implementation will be done by **Krishi Vigyan Kendra**.

#### ACTIVITIES UNDER THE PROGRAM

- Various activities under the program are –
- Distribution of soil health cards to all farmers
- 100% coverage of bovine vaccination for Foot and Mouth Disease (FMD) in each village
- 100% coverage of Sheep and Goat for eradication of Peste des Petits ruminants (PPR)

- **Artificial insemination** saturation
- Demonstration programmes on **Micro- irrigation and integrated cropping practice** etc.

### ► REVIVAL OF SHUT FERTILIZER UNITS

They are:-

- **Gorakhpur:** Uttar Pradesh (Gas based new Ammonia Urea Plant)
- **Sindri:** Jharkhand (Gas based new Ammonia Urea Plant)
- **Barauni:** Bihar (Gas based new Ammonia Urea Plant)
- **Talcher:** Odisha (Ammonia Urea Plant, will run on Coal Gasification Technology)

### ► AGMARK

The Minister of Agriculture and Farmers' Welfare has launched the online software for Agmark. The application processes related to Agmark certification are being done online by the Directorate of Marketing & Inspection (DMI).

#### DETAILS RELATED TO AGMARK

- Directorate of Marketing & Inspection (DMI) in the Ministry of Agriculture, Cooperation & Farmers Welfare is implementing the provisions of Agricultural Produce (Grading & Marking) Act, 1937.
- The Act empowers the Central Government to make Rules to indicate the quality of agricultural products in a scientific manner.
- The Standards notified as per the provisions of the Act are popularly called AGMARK Standards. These standards differentiate between quality and 2-3 grades are prescribed for each commodity. Grades help farmers to get prices for agricultural commodities as per the quality produced by them and consumers get the desired quality.
- Till date, grade standards have been notified for more than 200 commodities such as food grains, fruits, vegetables, ghee, spices, honey etc.

### ► FARMERS PRODUCE ORGANISATION

- It is an entity formed by primary producers, viz. farmers, milk producers, fishermen, weavers, rural artisans, craftsmen.

- An FPO can be a Producer Company, a Cooperative Society or any other legal form which provides for sharing of profits/benefits among the members.
- The main aim of an FPO is to ensure better income for the producers through an organization of their own. Small producers do not have the large marketable surplus individually (both inputs and produce) to get the benefit of economies of scale.
- In agricultural marketing, there is a long chain of intermediaries who very often work non-transparently

leading to the situation where the producer receives only a small part of the value that the ultimate consumer pays.

- **Small Farmers' Agri-Business Consortium, a society under the Ministry of Agriculture, handles FPOs.**

#### **BENEFITS OF FPOs**

- Exemption from payment of income tax.
- Less burden of compliance
- Aggregation of farmers leads to enhanced capabilities, pooling of resources and greater bargaining power.

# SECTION 4

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**E**XTERNAL SECTOR

**E**CONOMIC INSTITUTIONS

**C**OMMITTEES

**R**EPORTS & **I**NDEXES

# CORE<sub>knowledge&related</sub>

## currentaffairs

### BALANCE OF PAYMENT (BOP)

BOP is an account of total transactions of a country with the outside world in one financial year. The BOP account consists of:

#### ► CURRENT ACCOUNT

- It is an account consisting of all current transactions of an economy with the rest of the world. It mainly includes merchandise exports and imports, trade balance and invisibles (trade in services, transfers/remittances, income (eg.: interest income from foreign investments). The sum of these items is called as current account balance.
- *When exports > imports → current account surplus.*
- *When imports > exports → current account deficit*
- Trade balance/balance of trade = Exports of goods - imports of goods (does not include services)

#### ► CAPITAL ACCOUNT

- It is an account consisting of capital transactions of an economy with the rest of the world. It mainly includes **five items**:
  - 1) External assistance (loans/assistance from foreign countries)
  - 2) External commercial borrowings (external borrowings by corporates for commercial purposes)
  - 3) Short-term credit
  - 4) Banking capital (includes non-resident deposits)
  - 5) Foreign investment (foreign direct investments and foreign portfolio investments). The sum of these items is called as capital account balance.

- *When capital inflows > capital outflows → capital account surplus.*
- *When capital outflows > capital inflows → capital account deficit.*
- **Balance of Payments = Current Account + Capital Account + Official Reserve transactions**
- Balance of payments is said to be in balance when the **sum of current account and capital account is zero.**
- It means that surplus in one account cancels out the deficit in another account.
- For example, current account deficit is cancelled out by the capital account surplus.
- However, this may not always be the case. Surplus/ deficit in one account may exceed deficit/surplus in another account. In this case, official reserve transactions are undertaken to bring BOP in balance.

#### ► OFFICIAL RESERVE TRANSACTIONS

- Official reserve transactions are those transactions that are undertaken by RBI to balance the BOP deficit or surplus. This is done in **2 ways**:
  - (a) Finance the deficit by selling assets to foreign countries or by borrowing from abroad;
  - (b) Balance the surplus by lending abroad or purchasing assets from abroad.
- These transactions will lead to changes in the official reserves of RBI.
- A decrease in official reserves is known as BOP deficit and an increase in official reserves is known BOP surplus.

## EXCHANGE RATE SYSTEM

- Exchange rate refers to the price of one country's currency in terms of another country's currency. For example, say dollar-rupee exchange rate is \$1=Rs 67. It means that price/value of one dollar is equal to Rs 67.
- There are usually 3 types of exchange rate system:
  1. **Fixed exchange rate system:** Here, the price of a country's currency (or exchange rate) is fixed by the government/central bank in terms of another country.
  2. **Flexible exchange rate system:** Here, the exchange rate of a country is based on demand and supply of foreign exchange. For example: Suppose the current exchange rate is \$1=Rs 67. Now suppose, demand for US dollars in the foreign exchange market increases. As a result, dollar will become more valuable and the exchange rate may change to \$1=Rs 70. This means that value of rupee has decreased relative to dollar. Since this change is brought about by change in demand, it is called as flexible exchange rate system.
  3. **Managed floating exchange rate system:** Managed floating exchange rate system is a combination of fixed and flexible exchange rate system. It is a system in which the Central Bank of a country tries to influence exchange directly through buying and selling of foreign currency and indirectly through the monetary policy.

## ► MOVEMENTS IN EXCHANGE RATE

Exchange rate of a country may appreciate or depreciate due change in changes in demand and supply as well as through central government actions.

- **Appreciation:** The increase in value of a country's currency in terms of another currency is known as currency appreciation. For example: Suppose exchange rate is \$1=Rs65. Now suppose demand for rupee increases in the foreign exchange market. As a result, exchange rate changes to \$1=Rs 60. This shows that rupee's value has appreciated i.e. its value has increased relative to dollar.
- **Depreciation:** The loss in value of a country's currency in terms of another currency is known as currency depreciation. For example: Initial exchange rate: \$1= Rs 50. Final exchange rate: \$1=Rs 60. This shows rupee depreciation.

## ► RUPEE DEPRECIATION IN 2018

- The Indian currency has been depreciating against the US dollar due to several reasons such as
  - rising interest rates in US → leads to capital outflow from India causing rupee to depreciate;
  - rise in crude oil prices → India meets a large proportion of oil demand through imports. A rise in price of its imports results in an increase in current account deficit in turn pulling down the value of rupee
  - global trade war fears triggered by US and China's retaliatory tariffs against each other etc.
- In order to prevent further fall in the value of rupee, the government has announced various measures such as **curbs on non-essential imports, boost exports, infuse more dollars into the Indian economy through routes such as external commercial borrowings, foreign portfolio investments, masala bonds etc.**

## → FOREIGN EXCHANGE RESERVES

Foreign exchange reserves comprises Foreign Currency Assets, Gold Reserves, Special Drawing Rights (SDRs) and Reserve Tranche in the IMF.

→ **SDR:** SDR is an international reserve created by International Monetary Fund (IMF) which involves a basket of national currencies. SDRs are allocated by IMF to its member countries and they are used for the purpose of settling international accounts.

→ **RESERVE TRANCHE IN THE IMF:** Each member country of IMF is required to maintain a quota in IMF which can be used by that country for its own use. The reserve tranche portion of the quota is that portion which is accessible at any time to the country.

## → INTERNATIONAL LIQUIDITY/INTERNATIONAL

**RESERVES:** International liquidity is defined as the aggregate stock of internally acceptable assets held by the Central Bank to settle the deficit in a country's BOP. This



## EXTERNAL SECTOR, ECONOMIC INSTITUTIONS, COMMITTEES, REPORT & INDEXES

generally includes gold stock, convertible foreign currencies, SDR, IMF reserve tranche etc.

→ **CURRENCY CONVERTIBILITY:** Currency convertibility is the ease with which the currency of a country can be converted into another currency at the market exchange rate. Currency convertibility can be on **current account** and **capital account**. If rupee is allowed to be converted into any foreign currency for the purpose of current/capital account transactions, it is called as current/capital account convertibility. At present India has full current account convertibility and partial capital account convertibility.

→ **EXTERNAL SECTOR SITUATION OF INDIA:** The external sector situation of India has been improving as reflected by export growth becoming positive, import growth becoming negative and reduction in both trade deficit and current account deficit. This has been brought about by growth in foreign direct investment, accretion in foreign exchange reserves, fall in external debt and successful redemption of **FCNR (B) deposits**.

→ **FCNR (B) DEPOSITS:** FCNR (B) stands for Foreign Currency Non-Resident (Bank) deposits. When in 2013 the India Rupee tumbled, the RBI, in order to bring stability, introduced a swap deal that was meant to encourage banks to attract sizeable dollar inflows in the form of FCNR (B) deposits. Essentially, banks were encouraged to woo their NRI clients to deposit surplus dollars at a fixed interest rate, with the RBI promising to shield banks from the exchange rate risk.

→ **EXTERNAL DEBT:** India Foreign Exchange Reserves increased to 402 USD Billion in March 2019. It external debt has declined over the previous year. The components of its external debt include multilateral, bilateral,

IMF, trade credit, commercial borrowings, NRI deposits and rupee debt.

### → SOURCE OF INDIA'S EXTERNAL

**DEBT (RANKING WISE):** Commercial borrowing > NRI deposits > short term debt (cumulative) > multilateral > bilateral > trade credit > IMF > Rupee debt.

**TABLE: COMPOSITION OF INDIA'S TRADE 2017**

(this is the latest data as economic survey was not published this year)

CATEGORY	RANKING
<b>Ranking of sector in export</b>	Precious stones & metals > Oil & Mineral Fuels > Industrial Machinery > Motor Vehicles & Parts > Organic Chemicals > Pharmaceuticals
<b>Ranking of sector in import</b>	Oil & Mineral Fuels > Precious stones & metals > Electrical Machinery > Industrial Machinery > Organic Chemicals > Plastics
<b>Export- region wise</b>	Asia > America > Europe (19.1%) > CIS & Baltics
<b>Export- country wise</b>	USA > UAE > Hong Kong > China
<b>Import- region wise</b>	Asia > Europe > America > Africa
<b>Import- country wise</b>	China > USA > UAE > Saudi Arabia > Switzerland
<b>Others</b>	India has a trade surplus with USA, UAE, Bangladesh, Hong Kong and Nepal. It runs a trade deficit with China, Switzerland, Saudi Arab, Iraq and Indonesia.

## INDIA'S FOREIGN TRADE

### ► FOREIGN TRADE POLICY (FTP) 2015-20

- The new five-year Foreign Trade Policy, 2015-20 provides a framework for increasing exports of goods and services as

well as generation of employment and increasing value addition in the country, in keeping with the "Make in India".

- The focus of the new policy is to support both the **manufacturing and services** sectors, with a special emphasis on improving the 'ease of doing business'.

- The main provisions of the policy are:

1. It has introduced two new schemes, namely **"Merchandise Exports from India Scheme (MEIS)"** for export of specified goods to specified markets and **"Services Exports from India Scheme (SEIS)"** for increasing exports of notified services, in place of a plethora of schemes earlier. Duty credit scrips (tax incentive to exporters) issued under MEIS and SEIS and the goods imported against these scrips are fully transferable.
2. Measures have been adopted to motivate procurement of capital goods from indigenous manufacturers under the **EPCG scheme**. This will promote the domestic capital goods manufacturing industry. Measures have been taken to give a boost to exports of defense and hi-tech items. At the same time e-Commerce exports of handloom products, books/periodicals, leather footwear, toys and customized fashion garments would also be able to get benefit of MEIS.

→ **EPCG scheme:** Export Promotion Capital Goods (EPCG) scheme allows import of capital goods including spares for pre-production, production and post production at zero duty subject to an export obligation of 6 times of duty saved on capital goods imported under EPCG scheme, to be fulfilled in 6 years reckoned from Authorization issue date.

3. One of the major objectives of this policy is to move towards a 24x7 paperless working environment. A facility has been created to upload documents in exporter/importer profile and the exporters will not be required to submit documents repeatedly. Attention has also been paid to simplify various 'Aayat Niryat' Forms.
4. Manufacturers will now be enabled to self-certify their manufactured goods in phases, as originating from India with a view to qualifying for preferential treatment under various forms of bilateral and regional trade agreements. This "Approved Exporter System" will help these manufacturer exporters considerably in getting fast access to international markets.
5. 108 MSME clusters have been identified for focused interventions to boost exports. Accordingly, 'Niryat Bandhu Scheme' has been galvanized and repositioned to achieve the objectives of 'Skill India'.

### → MID-TERM REVIEW OF FTP 2015-20

1. The FTP review has focused on increasing the incentives for labour intensive MSME sectors. Export incentives under MEIS have been increased by 2% for labour intensive MSME sectors. This is in addition to the already announced increase in MEIS incentives from 2% to 4% for Ready-made Garments and Made Ups in the labour intensive Textiles Sector. Further, incentives under Services Exports from India Scheme have also been increased by 2%.
2. The Export Package has been approved by the GST Council resolving the problem of blockage of working capital. The input credit and IGST refunds for exporters is also expedited.
3. Support to Export Credit Guarantee Corporation is also being enhanced to increase insurance cover to exporters particularly MSME's exploring new or difficult markets.
4. Other provisions include new scheme of Self-Assessment based duty free procurement of inputs required for exports, State-of-the-Art Trade Analytics, ease of trading across borders etc.

### → COUNCIL FOR TRADE DEVELOPMENT AND PROMOTION (CTDP)

- CTDP was constituted in July 2015 in pursuance to the provisions of Foreign Trade Policy statement 2015-20.
- The objective was to ensure a continuous dialogue with the governments of states and Union Territories on measures for providing an international trade enabling environment in the states and to create a framework for making the states active partners in boosting India's exports.
- The body is headed by Union Commerce and Industry minister while Minister in Charge of Trade and Commerce in State Government and UTs are its members.

### ► INDIA'S TRADE AGREEMENTS

- India has signed various trade agreements with many countries to boost bilateral and international trade.
- These trade agreements involve **reducing/eliminating tariffs between the partners to improve trade.**

**► TABLE: TRADE AGREEMENTS**

AGREEMENT	COUNTRIES
India-Sri Lanka Comprehensive Economic Partnership Agreement (CEPA)	Sri Lanka
India-Thailand Comprehensive Economic Partnership Agreement (CEPA)	Thailand
Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Free Trade Agreement (FTA)	Bangladesh, Sri Lanka, Thailand, Bhutan, Nepal, Myanmar
India-Gulf Cooperation Council (GCC) FTA	GCC
India-South African Customs Union (SACU) Preferential Trade Agreement (PTA)	South Africa, Lesotho, Swaziland, Botswana and Namibia
India-Singapore CECA	Singapore
India-Chile PTA	Chile
MERCOSUR PTA	Argentina, Brazil, Paraguay and Uruguay
India-Pakistan Trading Agreement	Pakistan
India-EU Broad Based Trade and Investment Agreement (BTIA)	EU
India-EFTA BTIA	Switzerland, Norway, Iceland and Liechtenstein
Asia Pacific Trade Agreement (APTA)/Bangkok Agreement	Bangladesh, China, Lao PDR, Republic of Korea and Sri Lanka
Regional Comprehensive Economic Partnership (RCEP)	10 ASEAN Member States and ASEAN's free trade agreement (FTA) partners viz. Australia, China, India, Japan, Korea and New Zealand.
India-COMESA PTA	Common Market for East and Southern Africa (COMESA) is Africa's largest economic community

**► DIFFERENT STAGES OF TRADE INTEGRATION**

- Trade integration refers to the mechanism in which there is free movement of goods, services, investment and people across the countries.
- Such trade integration may take place through multiple phases whereby the economies of the countries get integrated.

**→ PREFERENTIAL TRADE AGREEMENT (PTA)**

- It is agreement whereby the countries may decide to reduce the customs duty on commonly agreed goods.

- Usually, the list of goods on which the customs duty is to be reduced is part of Positive List.
- In general PTAs do not cover substantially all trade. Example: India- Afghanistan PTA (2003)

**→ FREE TRADE AGREEMENT (FTA)**

- It is a bilateral agreement whereby the countries may decide to reduce or eliminate the customs duty on commonly agreed goods.
- Usually, the list of goods on which the customs duty is to be reduced is part of negative list.
- Normally, the FTAs cover trade in goods or trade in services.

## EXTERNAL SECTOR, ECONOMIC INSTITUTIONS, COMMITTEES, REPORT &amp; INDEXES

- FTAs can also cover other areas such as intellectual property rights (IPRs), investment, government procurement and competition policy, etc.

The key difference between an FTA and a PTA is that while in a PTA there is a positive list of products on which duty is to be reduced; in an FTA there is a negative list on which duty is reduced or eliminated. Hence, the FTA can be considered to be more broad-based in terms of its coverage of goods as compared to PTA. Example: India-ASEAN FTA in Goods

### → CUSTOM UNION

- In a Customs union, member countries may decide to trade at zero duty among themselves, however they maintain common customs duty against rest of the world.
- An example is Southern African Customs Union (SACU) amongst South Africa, Lesotho, Namibia, Botswana and Swaziland.

### → COMMON MARKET

Integration provided by a Common market is one step deeper than that by a Customs Union. A common market is a Customs Union with provisions to facilitate free movements of labour and capital.

### → ECONOMIC UNION

Economic Union is a Common Market extended through further harmonization of fiscal/monetary policies and shared executive, judicial & legislative institutions among the member countries. European Union (EU) is an example.

### → COMPREHENSIVE ECONOMIC COOPERATION AGREEMENT (CECA)

- CECA involves only “tariff reduction/elimination in a phased manner on listed / all items except the negative list and tariff rate quota (TRQ) items.
- In a comparable economic standing, CECA is considered as the first step or a stepping stone to accomplish CEPA.

### → COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT (CEPA)

- It has the same components of CECA with an additional focus and options in the terms of trade investments and services. It is a wider term than CECA and has the widest coverage.
- The India Japan CEPA is one such example and it covers a broad range of other areas like trade facilitation and customs cooperation, investment, competition, IPR etc.

### → MOST FAVOURED NATION (MFN)

- A most-favored nation (MFN) clause requires a country to provide any concessions, privileges, or immunities granted in a trade agreement to one nation to all other World Trade Organization member countries.
- Although its name implies favoritism toward another nation, it **denotes the equal treatment of all countries**.

### ► FOREIGN DIRECT INVESTMENT

- According to Department for Promotion of Industry and Internal Trade (DPIIT), the total FDI investments in India April-December 2018 stood at US\$ 33.49 billion, indicating that government's effort to improve ease of doing business and relaxation in FDI norms is yielding results.
- Various reforms have been undertaken to promote foreign direct investment as well.
- For instance, **Foreign Investment Promotion Board has been abolished**.
- Most of the sectors have been brought under the **automatic route** except a small negative list comprising atomic energy, manufacture of cigars and tobacco, real estate business, lottery, gambling and chit fund etc.

#### → AUTOMATIC ROUTE OF FDI

The automatic route stands for less restricted or more liberalized regulation. Under the Automatic Route, the foreign investor or the Indian company does not require any approval from the Reserve Bank or Government of India for the investment.

#### → APPROVAL ROUTE OF FDI

Under the approval route or government route, the foreign investor or the Indian company should obtain prior approval of the Government of India agencies or bodies specified.

#### HIGHEST FDI IN SECTOR

- For April-December 2018

## EXTERNAL SECTOR, ECONOMIC INSTITUTIONS, COMMITTEES, REPORT & INDEXES

- o Services sector attracted the highest FDI equity inflow of US\$ 6.59 billion, followed by
- o Computer software and hardware – US\$ 5.00 billion,
- o Trading – US\$ 3.04 billion and
- o Telecommunications – US\$ 2.29 billion.

### HIGHEST FDI BY COUNTRY

- During April-December 2018, India received the maximum FDI equity inflows from

- o Singapore (US\$ 12.98 billion), followed by
- o Mauritius (US\$ 6.02 billion),
- o Netherlands (US\$ 2.95 billion),
- o USA (US\$ 2.34 billion), and
- o Japan (US\$ 2.21 billion).

## INTERNATIONAL ECONOMIC INSTITUTIONS

### ► WORLD BANK

- The World Bank was set up in 1945 following the Bretton Woods agreements.
- The World Bank Group is a family of 5 organisations which gives loans to poor countries.
- It is responsible for the preparation of **World Development Report**.

INSTITUTION	OBJECTIVE	ASSOCIATED FACTS
<b>International Bank for Reconstruction and Development (IBRD)</b>	Works with all institutions of the World Bank Group and the public and private sectors in developing countries to reduce poverty and build shared prosperity.	It was set up in 1949.
<b>International Finance Corporation (IFC)</b>	Lends money to private sector companies of its member countries thereby promoting economic development	<ul style="list-style-type: none"> <li>• It was set up in 1956.</li> <li>• It is also known as Private Arm of World Bank.</li> </ul>
<b>International Development Association (IDA)</b>	Provide loans for infrastructure development and long term lending for development of economic services.	<ul style="list-style-type: none"> <li>• It was set up in 1960.</li> <li>• It is also known as Soft Window of the World Bank.</li> <li>• India has been the biggest beneficiary of the IDA support.</li> </ul>
<b>International Centre for Settlement of Investment Disputes (ICSID)</b>	Settles investment disputes between investing foreign companies and the host countries where investments have been done	<ul style="list-style-type: none"> <li>• It was set up in 1966 under the Convention on the Settlement of Investment Dispute between States and Nationals of other States.</li> <li>• India is not a member of ICSID. Instead, it is a member of Bilateral Investment Promotion and Protection Agreement (BIPA) in order to protect and promote on reciprocal basis investment of the investors.</li> </ul>
<b>Multilateral Investment Guarantee Agency (MIGA)</b>	Encourages foreign investment in developing economies by offering insurance to foreign private investors against loss caused by non-commercial risks.	It was set up in 1988.

## → GLOBAL INFRASTRUCTURE FACILITY

The GIF was launched by the World Bank in 2014 and it is a global, open platform that facilitates the preparation and structuring of complex **infrastructure public private partnerships (PPPs)** to enable mobilization of private sector and institutional investor capital. The GIF platform coordinates and integrates the efforts of Multilateral Development Banks (MDBs), private sector investors and financiers, and governments interested in infrastructure investment in Emerging Markets and Developing Economies (EMDEs).

## ► WORLD TRADE ORGANISATION (WTO)

- WTO came into existence in 1995 as a result of the evolution of the multilateral trading system starting with the establishment of the General Agreement on Tariffs and Trade (GATT). It was formed under the Uruguay round.
- There are six agreements which are associated with WTO.**
- These agreements make various provisions for removing the trade and non-trade barriers, protection of domestic

industries, protection of farmers, protection of intellectual property etc.

### 1. THE AGREEMENT ON AGRICULTURE (AoA)

- It is to establish a fair, transparent and market oriented agricultural trading system and bring **agricultural subsidies/domestic support under international disciplines**.
- AOA was entered into force with the establishment of the WTO in 1995 itself.
- The agreement **does allow governments to support their rural economies**, but preferably through policies that cause less *distortion to trade*.
- It also allows some flexibility in the way commitments are implemented. Developing countries do not have to cut their subsidies or lower their tariffs as much as developed countries, and they are given extra time to complete their obligations.
- The main pillars of AoA are domestic support (**classification of agriculture subsidies into amber box, blue box and green box**), market access (reduction of tariff and non-tariff barriers by members of WTO) and export subsidies (prohibits export subsidies on agri products).

#### GREEN BOX

Subsidies that do not distort trade, or cause minimal disruption.  
No limit.

#### AMBER BOX

Broad range of subsidies.  
Limited to 5% of agricultural production (10% for developing countries)\*.

#### BLUE BOX

Broad range of subsidies allowed but must be designed to minimise trade distortion.  
No limit

- Special Safeguard Mechanism/ special agricultural safeguards (SSGs):** It empowers developing countries to levy additional safeguard duties in the event of an abnormal surge in imports of the entry of unusually cheap imports.

→ **Peace clause:** Under Bali package (2013), the WTO agreed to allow developing countries to provide subsidy on food crops without any punitive action via a so called Peace Clause, which offered four years of immunity against penalties imposed for breaching the farm subsidy cap of 10 per cent under the WTO AoA.

### 2. AGREEMENT ON TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS (TRIPS)

- Sets down minimum standards for many forms of international property regulation as applied to nationals of other WTO members.

### 3. AGREEMENT ON THE APPLICATION OF SANITARY AND PHYTOSANITARY MEASURES (SPS)

- Concerned with the application of food safety and animal and plant health regulations.

### 4. AGREEMENT ON TECHNICAL BARRIERS TO TRADE (TBT)

- To ensure that regulations, standards, testing and certification procedures do not create unnecessary obstacles to trade.



## 5. AGREEMENT ON TRADE RELATED INVESTMENT MEASURES (TRIMS)

- The Agreement on TRIMs of the WTO is based on the belief that there is strong connection between trade and investment.
- Restrictive measures on investment are trade distorting.
- According to the TRIMs provision, countries should not adopt the investment measures which restrict and distort trade.

## 6. GENERAL AGREEMENT ON TRADE IN SERVICES (GATS)

- It aims at creating a credible and reliable system of international trade rules;
- ensuring fair and equitable treatment of all participants (principle of non-discrimination);
- stimulating economic activity through guaranteed policy bindings; and
- promoting trade and development through progressive liberalization in the field of services.

## → WTO-TRADE FACILITATION AGREEMENT (TFA)

- WTO-Trade Facilitation Agreement was entered into force in February 2017. That was a major milestone for the global trading system.
- Under the Doha round of WTO, the developed countries pressurized the developing countries to open their markets further via a so called TFA.
- The TFA would necessitate simplification of **border management procedures and adoption of new transparency measures**, all of which are expected to reduce the transaction cost of imports and exports and facilitate smooth movement of goods across borders.

### → National Committee on Trade Facilitation

- The committee is part of the mandatory, institutional arrangement of the WTO - Trade Facilitation Agreement.
- It is an inter-ministerial body on trade facilitation chaired by the Cabinet Secretary.
- Steering Committee to be chaired by Revenue Secretary and Commerce Secretary
- Its secretariat to be housed in Central Board of Indirect Taxes, Ministry of Finance.

### → National Trade Facilitation Action Plan (2017-2020)

- To transform cross border clearance eco-system through efficient, transparent, risk based, coordinated, digital, seamless and technology driven procedures which are supported by state of-the-art sea ports, airports, land border crossings, rail, road and other logistics infrastructure.
- To bring down the overall cargo release time as below –
  - For imports – Within 3 days for Sea Cargo, within 2 days for Air Cargo & Inland Container Depots and on the same day for Land Customs Stations.
  - For exports – Within 2 days for Sea Cargo and on the same day for Air Cargo, Inland Container Depots & Land Customs Stations.

## ► WORLD CUSTOMS ORGANISATION

- It was established in 1952 as the Customs Co-operation Council (CCC)
- It is an independent intergovernmental body whose mission is to enhance the effectiveness and efficiency of Customs administrations.
- India is a member of this organisation.
- It is headquartered in Brussels, Belgium

## ► INTERNATIONAL MONETARY FUND (IMF)

- IMF is a multilateral institution with its main functions as exchange rate regulation, purchasing short-term foreign currency liabilities of member countries, allotting special drawing rights to the member nations and as the bailor to member economies in the situation of a BoP crisis.
- **International Monetary and Finance Committee (IMFC):** IMFC is a key body providing strategic direction to the work and policies of the IMF. The IMFC advises and reports to the IMF Board of Governors on the supervision and management of the international monetary and financial system, including on responses to unfolding events that may disrupt the system. A number of international institutions, including the World Bank, participate as observers in the IMFC's meetings.
- **World Economic Outlook Report:** The IMF releases the World Economic Outlook Report which ranks over 200

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countries in terms of per capita GDP based on purchasing power parity (PPP).

- **India's Status in IMF:** At present India's quota in IMF stands at 2.7% while voting rights stand at 2.6%. India is among 10 largest members at IMF. Finance Minister is the ex-officio Governor on the Board of Governors of the IMF. RBI Governor is the Alternate Governor at the IMF.

### ► NEW DEVELOPMENT BANK (NDB)

- NDB - headquartered in Shanghai, China
- It is the first Multilateral Development Bank established by developing countries and emerging economies – Brazil, Russia, India, China and South Africa (BRICS) – in accordance with the agreement on New Development Bank signed on 15th July, 2014 in Fortaleza, Brazil.
- The NDB was established aiming to mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries, complementing the existing efforts of multilateral and regional financial institutions for global growth and development.

### ► ASIAN INFRASTRUCTURE INVESTMENT BANK (AIIB)

- Headquartered in Beijing, China
- India, along with 20 other countries, signed the inter-governmental Memorandum of Understanding (MoU) on establishing the AIIB in October, 2014 in Beijing.

- AIIB is a multilateral development bank with a mission to improve social and economic outcomes in Asia and beyond.
- AIIB commenced operations in January 2016. It is aimed at providing finance to infrastructure projects in the Asian region.
- India is not only one of the founding members of AIIB but is also the 2nd largest shareholder in AIIB.

### ► EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

- Headquartered in London, the EBRD is owned by 66 countries plus European Union and European Investment Bank.
- EBRD is an international financial institution founded in 1991 as a multilateral development investment bank to foster growth and innovation and promote countries' transition to market economies.
- It provides project financing for banks, industries and businesses, both new ventures and investments in existing companies.
- Recently, the Union Cabinet approved India's membership to EBRD. It will help in furthering India's economic interests, enhance cooperation, sectoral knowledge, access to international markets and employment opportunities.

# CURRENT affairs & related concepts

## ► INVEST INDIA

Invest India, the country's investment promotion body, has won United Nations (UN) Award for excellence in promoting investments in sustainable development.

### ABOUT INVEST INDIA

- It is the National Investment Promotion and Facilitation Agency of India and acts as the first point of reference for investors in India.
- Invest India is set up as a **non-profit venture under the DPIIT under the Ministry of Commerce and Industries, Government of India.**
- **A joint venture:** Operationalized in early 2010, Invest India is set up as a joint venture company between the **DPIIT, Ministry of Commerce & Industry** (35% equity), **Federation of Indian Chambers of Commerce and Industry (FICCI)** (51% equity), and **State Governments of India** (0.5% each).

### FUNCTIONS OF INVEST INDIA

- It is the National Investment Promotion and Facilitation Agency.
- The **core mandate** of Invest India is investment promotion and facilitation. It provides sector-specific and state-specific information to a foreign investor, assists in expediting regulatory approvals, and offers hand-holding services. Its mandate also includes assisting Indian investors to make informed choices about investment opportunities overseas.
- Country desks in Invest India: KOREA PLUS, Japan Desk, Germany Team, Russia Plus

### INVEST INDIA GRID (IIG)

- It is an initiative of DPIIT, Ministry of Commerce and Industry and Invest India.
- IIG is the first point of contact for investors from around the world.

- It allows them to view, filter and choose from projects across various states, sectors and flagship schemes in India. On the other hand, project owners get a platform to exhibit their projects as viable investment opportunities to an array of potential investors.
- Thus, it aims to boost Investment and streamline project discovery and promotion.
- Additionally, with the help of its various customizable dashboards, it allows sophisticated data analytics and informed decision making.
- It is an interactive and dynamic web portal showcasing information on various projects in India, across States, Sectors and Schemes, in need of investment or technology.

## ► WTO'S DISPUTE SETTLEMENT BODY (DSB)

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

- The General Council convenes as the Dispute Settlement Body (DSB) to deal with disputes between WTO members. Such disputes may arise with respect to any agreement contained in the Final Act of the Uruguay Round that is subject to the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU).
- The DSB has **authority to** establish dispute settlement panels, refer matters to arbitration, adopt panel, Appellate Body and arbitration reports, maintain surveillance over the implementation of recommendations and rulings contained in such reports, and authorize suspension of concessions in the event of non-compliance with those recommendations and rulings.

## ► CLOSE 'RELATIVE' DEFINITION

Outward remittances under maintenance of close relatives shot up to almost \$3 billion in 2017-18 from a mere \$174 million in 2013-14.

### ACTION

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

### LIBERALISED REMITTANCE SCHEME (LRS)

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

## ► FDI CONFIDENCE INDEX

In the FDI confidence index for the year 2018, India is ranked 11<sup>th</sup>, down three notches in the overall ranking from 2017.

### BY

The Foreign Direct Investment Confidence (FDI) Index prepared by **A.T. Kearney** is an annual survey which tracks the impact of likely political, economic, and regulatory

changes on the foreign direct investment intentions and preferences of CEOs, CFOs, and other top executives of Global 1000 companies.

### PERFORMANCE OF OTHER COUNTRIES

- US topped the list, followed by Canada, while Germany dropped to the third place.
- China falls three spots to 5th place this year, the lowest ranking of the country in the history of the Index.
- Switzerland and Italy entered the top 10 for the first time in more than a decade, pushing out India and Singapore to 11th and 12th spots, respectively.

## ► MERCHANDISE EXPORT FROM INDIA SCHEME (MEIS)

The Director General of Foreign Trade has said that the rates enhanced under the Merchandise Exports from India Scheme (MEIS), a scheme to promote exports, would continue beyond June 30, 2019

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

## ► TRANSPORTS INTERNATIONAUX ROUTIERS (TIR) CONVENTION

- The **Convention on International Transport of Goods Under Cover of TIR Convention** is a **multilateral treaty** that was concluded at Geneva on 14 November 1975 to simplify and harmonise the administrative formalities of international road transport.
- The 1975 convention replaced the TIR Convention of 1959, which itself replaced the 1949 TIR Agreement between a number of European countries.

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- The conventions were adopted under the auspices of the **United Nations Economic Commission for Europe (UNECE)**.
- India became the 71st country to ratify the convention.
- The ratification is a part of India's multi-modal transport strategy that aims to integrate the economy with global and regional production networks through better connectivity.

**SIGNIFICANCE**

- TIR is the only **global customs transit system** that provides easy and **smooth movement of goods across borders** in sealed compartments or containers under customs control from the customs office of departure to the customs office of destination.
- It plays an important role in **boosting regional connectivity and facilitating cross-border trade flows**, according to connectivity experts.
- The TIR system has a **globally accepted electronic control system** for integrated transit operations.

**BENEFITS**

- It will have far reaching benefits for trade and **will save significant time and money** by streamlining procedures at borders, reducing administration and cutting border waiting times.
- It will improve cross border road transport, facilitating overland trade integration with both eastern and western neighbours.
- It will also help India in implementing the World Trade Organization's Trade Facilitation Agreement.
- The Convention will help Indian traders to have access to fast, easy, reliable and hassle free international system for movement of goods by road or multi-modal means across the territories of other contracting parties.
- By joining the convention, the need for inspection of goods at intermediate borders as well as physical escorts en route shall be obviated due to reciprocal recognition of Customs controls.

**► GLOBAL FOREIGN EXCHANGE COMMITTEE (GFXC)**

India is to join the **Global Foreign Exchange Committee (GFXC)**, a newly constituted **forum of central bankers**

**and experts** working towards promotion of a robust and transparent forex market.

**DETAILS**

- The Global Foreign Exchange Committee (GFXC) was established in May 2017 with *the aim to promote a robust, liquid, open, and appropriately transparent foreign exchange market*.
- The committee **has been set up under the guidance of the Bank for International Settlements (BIS)**.

**► INDIA HIGHEST RECIPIENT OF REMITTANCES**

The report of the 'One Family at a Time' study by the **UN International Fund for Agricultural Development (IFAD)** talks about the foreign remittances. The study is the first-ever of a 10-year trend in migration and remittance flows over the period 2007-2016.

**DETAILS**

- **India has become the top remittance-receiving country in 2016 followed by China, the Philippines and Pakistan.**
- Indians working across the globe sent home USD 62.7 billion last year.
- Asia remains the main remittance-receiving region.

**► CABOTAGE**

- Cabotage means reserving coastal trade for national flag vessels; in other words, it refers to the practice of imposing restrictions for movement of domestic cargo by foreign flag vessels.
- Cabotage is applied in the coastal trade or the internal trade from one port to another in India, which is generally carried out by ships of lower draft/depth. Coastal movement require the use of smaller sized ships due to draft (depth), waterway width and navigational restrictions, as well as the availability of appropriate loading and handling facility at the port.
- Ministry of Shipping has liberalised cabotage provisions in 2018. This is expected to boost transshipment.

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## ► DIRECTORATE GENERAL OF TRADE REMEDIES (DGTR)

- DGTR has been established inside the Ministry of Commerce and Industry. The recommendations of DGTR for imposition of Anti-dumping, countervailing and Safeguard duties would be considered by Department of Revenue, Ministry of Finance.

### ABOUT DGTR

- Apex National Authority for administering all trade remedial measures including **anti-dumping, countervailing duties and safeguard measures**.

- Directorate General of Anti-dumping and Allied duties (DGAD) and Directorate General of Safeguards (DGS) and Safeguards (QR) will be merged into one single national entity (DGTR).
- Provide trade defence support to domestic industry and exporters in dealing with increasing instances of trade remedy investigations instituted against by other countries.

## ► IMPORTANT COMMITTEES

COMMITTEE	CHAIRMAN
Task Force that is drafting New Direct Tax Legislation (Law)	Akhilesh Ranjan
Competition Law Review Committee to ensure that legislation is in tune with changing business environment.	Injeti Srinivas
improvements in the National Sports Development Code and functioning of Sports Federations	Injeti Srinivas
Amendments to Insolvency and Bankruptcy Code of India, 2016, has submitted its 2nd Report to the Government, which deals with cross border insolvency.	Injeti Srinivas
High Level Committee on Corporate Social Responsibility	Injeti Srinivas
Advisory panel on science, technology and innovation called Prime Minister's Science, Technology and Innovation Advisory Council (PM-STIAC).	K Vijay Raghavan
Reforms in the military and improve financial management.	Lt. Gen. D.B. Shekatkar
Food Safety and Standards Authority of India (FSSAI) has constituted three-member committee to look into draft food labelling and display regulations.	B Sesikaran
High-level committee to deliberate and make recommendations for a separate penal provision on incidents of mob violence(lynching)	Rajiv Gauba
Committee on Corporate Governance	Uday Kotak
High-level task force to identify various items and policy interventions to reduce dependence on imports.	PK Sinha
FRBM Review Committee	N.K Singh
15 <sup>th</sup> Finance Commission Chairman	N.K Singh
Committee for Sub-National Accounts to upgrade the norms for computation of economic data at states and districts level in backdrop of plans to revise.	Ravindra Dholakia
Panel to study the use of social media and other digital platforms are used ahead of polls and make suggestions on how to adapt the Model Code of Conduct to these changes.	Umesh Sinha
Panel to implement "Doubling farmer's income"	Ashok Dalwai



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To study the setting up of a defence procurement organization	Pritam Singh
To suggest measures to strengthen National Cadet Corps (NCC) and National Service Scheme (NSS)	Anil Swarup
For Standardization and Indigenization in Metro Rail	E. Sreedharan
To assess key challenges in logistics development and associated commerce and suggest policy reforms for ease of doing trade in India.	Bibek Debroy
To study the Special Economic Zones (SEZ) Policy of India	Baba Kalyani
To look into the matters related to examination reforms.	M.M. Salunkhe
Committee formed to examine setting up of Asset Reconstruction Company / Asset Management Company for faster resolution of stressed assets of Public Sector Banks	Sunil Mehta
To prepare draft Ganga Act	Justice Shri Girdhar Malviya
To recommends measures for desiltation of river Ganga	Madhav Chitale
To prepare the final draft of National Education Policy	Krishnaswamy Kasturirangan
To look at the stressed assets of the banking sector	Pradeep Kumar
Committee on Data Protection	Justice B N srikrishna
Artificial intelligence(AI) for India's economic transformation	V K Kamakoti
To set up a Public Credit Registry (PCR) as a repository of information regarding loan information of individuals and corporate borrowers.	Y. M Deosthalee
Committee formed to draft the 3rd National Wildlife Action Plan for 2017-2031	J C Kala
High Powered Committee to examine the entire system of conducting Class X and Class XII examination conducted by the CBSE with a view to prevent leakages	Vinay Sheel Oberoi
An expert committee constituted by RBI to classify bad loans	Y H Malegam
Expert committee on Offshore rupee market	Usha Thorat

## ► IMPORTANT REPORTS

REPORT	PUBLISHER
Global Macro Outlook	Moody's investor relations
Monster Salary Index Report	Monster India
Future of Rail Report	International Energy Agency in association with International Union of Railways
Government at Glance Report	OECD
Social Institutions and Gender Index	OECD
RISE (Regulatory Indicators for Sustainable Energy)	World Bank (It focusses on three areas: Energy Access, Energy efficiency and renewable Energy)

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Global Financial Development Report	World Bank
Global Economic Prospects	World Bank
World Development Report	World Bank
Human Development Report	UNDP
World Economic Outlook	IMF
Global Financial Stability Report	IMF
Fiscal monitor	IMF (Launched in 2009 to survey and analyse latest public finance developments)
World Investment Report	UNCTAD
Commodities and Development Report	UNCTAD
Trade and Development Report	UNCTAD
Technology and Innovation Report	UNCTAD
Industrial Development Report	UNIDO
World Economic and Social Survey	UN Department of Economic and Social Affairs
World Economic Situation and Prospects	It is a joint product of UN Department of Economic and Social Affairs, UNCTAD, and five regional commissions of UN for ECA, ECE, ECLAC, ESCAP, ESCWA
World Health report	WHO
World Employment and Social Outlook	International Labour Organisation
Global Wage Report	International Labour Organisation
World Social Protection Report	International Labour Organisation
World Trade Report	World Trade Organisation
Global Risks Report	World Economic Forum
Global Gender Gap Report	World Economic Forum
Global Competitiveness Report	World Economic Forum
The Future of Jobs Report	World Economic Forum
Fostering Effective energy Transition Energy Transition Index (ETI)	World Economic Forum
World Drug Report	UN Office on Drugs and Crime
World Inequality Report	World Inequality Lab at the Paris School of Economics
World Cities Report	UN Habitat

## ► IMPORTANT INDEXES

### ► HUMAN DEVELOPMENT INDEX (HDI)

#### PREPARED BY

United Nations Development Programme (UNDP)

#### INDIA'S RANK

India's ranking went up by one from last year, to 130th among 189 countries

#### LATEST REPORT

2018

#### INDICATORS

A composite index measuring average achievement in three basic dimensions of human development— (1) a long and healthy life, (2) knowledge and (3) a decent standard of living.

#### HIGHLIGHTS OF THE 2018 REPORT

- Within South Asia, India's HDI value is above the average of 0.638 for the region.
- Bangladesh and Pakistan, countries with similar population size, are ranked at 136 and 150, respectively.
- Between 1990 and 2017, India's HDI value increased from 0.427 to 0.640, an increase of nearly 50 per cent and an indicator of the country's remarkable achievement in lifting millions of people out of poverty.
- India is in the medium human development category.
- India's life expectancy increased from 57.9(1990) to 68.8(2017).
- India's per capita income in PPP terms saw an increase of a 267% from \$1,733 to \$6,353 between 1990 and 2017.
- Expected years of schooling went up from 7.6 years (1990) to 12.3 years (2017).

- Development hasn't been spread evenly, with India's income inequality the highest at 18.8% – compared to 15.7% for Bangladesh and 11.6% for Pakistan. In fact, when corrected for inequality India's HDI value falls by 26.8% to 0.468.

### ► HUMAN CAPITAL INDEX (HCI)

#### PREPARED BY

The World Bank has released the first edition of Human Capital Index (HCI) as part of the World Development Report 2019.

#### INDIA'S RANK

India has a HCI score of 0.44 and a rank of 115 among 157 countries

#### LATEST REPORT

2018

#### INDICATORS

The HCI is based on three components:

- **Survival** (measured by Under 5 mortality rates)
- **Expected years of Quality adjusted School which combines information on the quality and quantity of education.**
  - Quality is measured by major international student achievement testing programs such as
    - Program for International Student Assessment (PISA), by OECD
    - Trends in International Mathematics and Science Study (TIMSS), by International Association for the Evaluation of Educational Achievement.
  - Quantity is measured by the number of years of school that a child can expect to obtain by age 18.
- **Health** environment using two proxies
  - Adult survival rates
  - Rate of stunting for children under age 5.

## → DIFFERENCE BETWEEN HDI AND HCI

→ HUMAN DEVELOPMENT INDEX (HDI)	→ HUMAN CAPITAL INDEX
Measured by UNDP	Measured by World Bank
<ul style="list-style-type: none"> <li>• It is a <b>summary measure of average achievement in</b></li> </ul>	<ul style="list-style-type: none"> <li>• It measures the amount of <b>human capital that a child born</b></li> </ul>

## EXTERNAL SECTOR, ECONOMIC INSTITUTIONS, COMMITTEES, REPORT &amp; INDEXES

**key dimensions of human development:** a long and healthy life, being knowledgeable and have a decent standard of living.

- Thus, it measures the present level of Human Development

**today can expect to attain by age 18.**

- Thus, it is more of a potential or future level of Human Development expected from investment in Education and Health.

→ 3 Parameters:

- **Life Expectancy Index:** Measured by Life Expectancy at birth
- **Education Index:** Measured by Expected Years of Schooling and Mean Years of Schooling
- **Standard of Living:** Measured by Per Capita Income

→ 3 Parameters:

- **Survival-:** Measured by under 5 mortality.
- **Expected years of Quality-adjusted school:** Measured by both Quantity and Quality of Education
- **Health environment:** Measured by Adult Survival Rate and Rate of stunting of Children under the age 5

## ► GLOBAL HUMAN CAPITAL INDEX

### PREPARED BY

World Economic Forum

### WHAT DOES IT MEASURE?

This index measures countries' ability to nurture, develop and deploy talent for economic growth.

### INDICATORS

It is based on four key areas of human capital development; **Capacity** (determined by past investment in formal education), **Deployment** (accumulation of skills through work), **Development** (reskilling and continued upskilling of existing workers) and **Know-how** (specialised skills)

### LATEST REPORT

2017

### INDIA'S RANK

103 out of 130

- Top performers are Norway (1), Finland (2), Switzerland (3), United States (4), Germany (6).
- From South Asia, Sri Lanka (70) is the top performer, while Nepal is at 98, Bangladesh at 111 and Pakistan at 125.

## ► GLOBAL MULTIDIMENSIONAL POVERTY INDEX (MPI)

### PREPARED BY

UNDP and the Oxford Poverty and Human Development Initiative (OPHI)

### LATEST REPORT

2018

### DIMENSIONS AND INDICATORS

- Standard of living - Cooking Fuel, Sanitation, Drinking Water, Electricity, Housing, Assets
- Education - Years of schooling, School attendance
- Health - Nutrition, Child mortality

### HIGHLIGHTS

- MPI-2018 covers 105 countries in total, which are home to 75 per cent of the world's population, or 5.7 billion people.
- A total of **1.34 billion people from 105 countries are multi-dimensionally poor** i.e. 23.3% of the people living in these countries. They are deprived in at least one-third of overlapping deprivations in **health, education, and living standards**, lacking such things as **clean water, sanitation, adequate nutrition, or primary education**.
- 83% of multidimensionally poor people (more than 1.1 billion people) live in either **Sub-Saharan Africa or South Asia**.
- Two-thirds of all MPI poor people (nearly 892 million) live in middle-income countries.
- Multidimensional poverty is much **more intense in rural areas than urban areas**; globally there are 1.1 billion people living in multidimensional poverty in rural areas, compared to 0.2 billion people living in multidimensional poverty in urban areas.
- About 612 million people - 46% of those who are multi-dimensionally poor - live in severe poverty, that is, they are deprived in at least half of the weighted indicators in

## EXTERNAL SECTOR, ECONOMIC INSTITUTIONS, COMMITTEES, REPORT &amp; INDEXES

health, education, and living standards. Sub-Saharan Africa accounts for 56% of world's severely poor.

**INDIA AND THE REPORT**

- In India, **271 million people moved out of poverty between 2005-06 and 2015-16**, but the country still has the **largest number of people living in multidimensional poverty in the world** (364 million people). Even so, India has cut its poverty rate from 55% to 28% in ten years.
- After **India, the countries with the largest number of people living in multidimensional poverty are Nigeria (97 million), Ethiopia (86 million), Pakistan (85 million), and Bangladesh (67 million).**

**► SDG INDIA INDEX**

- The NITI Aayog has released the **Baseline Report of the Sustainable Development Goals (SDG) India Index 2018**.
- The index has been developed in collaboration with the Ministry of Statistics & Programme Implementation (MoSPI), Global Green Growth Institute and United Nations in India.
- The aim is to instill competition among States to improve their performance across social indices as the States' progress will determine India's progress towards achieving the set goals by 2030. Using the index, States will be monitored on a real-time basis.

**WHAT DOES IT MEASURE?**

Progress made by India's States and Union Territories (UTs) towards implementation of the 2030 SDG targets.

**INDICATORS**

- The index comprises a composite score for each State and Union Territory based on their aggregate performance across **13 of the 17 SDGs**.
- The score, ranging between 0 and 100, denotes the average performance of the State/UT towards achieving the 13 SDGs and their respective targets.

**LATEST REPORT**

2018

**HIGHLIGHTS**

- According to the SDG India Index, **the nation as a whole has a score of 58**, showing the country has reached a little beyond the halfway mark in meeting the sustainable

development goals adopted by India and 192 other nations in 2015.

- The SDG Index Score for Sustainable Development Goals 2030 ranges between 42 and 69 for States and between 57 and 68 for UTs.
- **Top 3 states** in terms of being on track to achieve the United Nations' Sustainable Development Goals (SDG): **Himachal Pradesh, Kerala, and Tamil Nadu.**
- **Among the UTs, Chandigarh** is the front runner with a score of 68.
- **Kerala's** top rank is attributed to its superior performance in providing good health, reducing hunger, achieving gender equality and providing quality education. Himachal Pradesh ranks high on providing clean water and sanitation, in reducing inequalities and preserving the mountain ecosystem.
- Among the UTs, Chandigarh takes the lead because of its exemplary performance in providing clean water and sanitation to its people. It has further made good progress towards providing affordable and clean energy, generating decent work and economic growth, and providing quality education.
- **The toppers in gender equality, Sikkim and Union territories Andaman and Nicobar Islands and Chandigarh** have crossed the half way mark in reaching the goals.
- Jharkhand, Odisha and Nagaland are also among the states that have a lot more ground to cover in the overall rankings.
- Overall, the average score for the States was the worst when it came to gender equality (36), in creating sustainable cities and communities (39), in enabling industry, innovation, and infrastructure (44), and in eradicating hunger (48).

**► ECONOMIC FREEDOM INDEX****PREPARED BY**

The **Heritage Foundation** has released its Index of **Economic Freedom report 2017**.

**WHAT DOES IT MEASURE?****Economic Freedom**

- Economic freedom is the fundamental right of every human to control his or her own labour and property.

## EXTERNAL SECTOR, ECONOMIC INSTITUTIONS, COMMITTEES, REPORT &amp; INDEXES

- In an economically free society, individuals are free to work, produce, consume, and invest in any way they please.
- In economically free societies, governments allow labour, capital, and goods to move freely, and refrain from coercion or constraint of liberty beyond the extent necessary to protect and maintain liberty itself.

**INDICATORS**

Economic freedom is measured based on **12 quantitative and qualitative factors**, grouped into four broad categories of economic freedom:

1. **Rule of Law** (property rights, government integrity, judicial effectiveness).
2. **Government Size** (government spending, tax burden, fiscal health).
3. **Regulatory Efficiency** (business freedom, labour freedom, monetary freedom).
4. **Open Markets** (trade freedom, investment freedom, and financial freedom).

**LATEST REPORT**

2017

**INDIA'S RANK**

- Economic freedoms within these categories are graded on a scale of 0 to 100.
- India's economic freedom score is 54.5, making its economy the 130th freest in the 2018 Index.

**► INCLUSIVE WEALTH INDEX (IWI)****PREPARED BY**

Inclusive wealth index, as part of the Inclusive Wealth Report 2018 has been released by the **UN Environment and partners**.

**WHAT DOES IT MEASURE**

- It is a tool assessing a nation's ability to look after its wealth in a way that is **sustainable and safeguards** its future generations.
- While GDP measures the size of a country's economy, inclusive wealth index focuses on stocks of manufactured, human and natural capital.
- Provides important insights into long-term economic growth and human well-being.

- The Index measures the wealth of nations through a comprehensive analysis of a country's productive base and the country's wealth in terms of progress, well-being and long-term sustainability.

**INDICATORS**

A countries' natural, manufactured, human and social capital.

**LATEST REPORT**

2018

**INDIA'S RANK**

- The Inclusive wealth (IW) in 135 countries was higher in 2014 compared to the level in 1990 and the global growth rate of IW was 44% over the indicated period, which implies an average growth rate of 1.8% per year.
- However, during the same period the global GDP growth per year was 3.4%, which is close to twofold of the annual growth rate of growth in IW.

**► GLOBAL COMPETITIVE INDEX 4.0****PREPARED BY**

World Economic Forum

**WHAT DOES IT MEASURE**

It is a composite indicator that assesses a set of factors that determine an economy's level of productivity widely considered as the most important determinant of long-term growth.

**INDICATORS**

- 98 indicators, organized into 12 'pillars' or drivers of productivity, to determine how close the economy is to the ideal state or 'frontier' of competitiveness.
- It emphasizes the role of human capital, innovation, resilience and agility, as not only drivers but also defining features of economic success in the 4IR.

**LATEST REPORT**

2018

**INDIA'S RANK**

58 out of 140

**HIGHLIGHTS**

- In the index, U.S. topped the position, followed by Singapore and Germany at the second and the third positions respectively.



## EXTERNAL SECTOR, ECONOMIC INSTITUTIONS, COMMITTEES, REPORT &amp; INDEXES

- Among the BRICS economies, China topped the list at 28th place with a score of 72.6, ahead of India (score of 62.0, ranked 58th), the Russian Federation (65.6, 43rd), South Africa (60.8, 67th), and Brazil (59.5, 72nd).

## ► GLOBAL ENERGY TRANSITION INDEX

### PREPARED BY

World Economic Forum (WEF)

### WHAT DOES IT MEASURE

How well countries are able to balance energy security and access with environmental sustainability and affordability.

### INDICATORS

At its core are two equally weighted system performance index and transition readiness Index.

→ **System Performance Score:** This measures three imperatives of the energy system (Energy Triangle)

- o Economic development and growth
- o Environmental sustainability
- o Security and Access

→ **Transition Readiness Score:** This six enabling dimensions for Energy Transition

- o Capital and Investment
- o Regulation and political commitment
- o Institutions and governance
- o Infrastructure and innovative business environment
- o Human capital and consumer participation
- o Energy system structure

### LATEST REPORT

2019

### INDIA'S RANK

76 out of 115

### HIGHLIGHTS

- Sweden remains on the top followed by Switzerland and Norway.
- India is amongst the countries with high pollution levels and has a relatively high CO<sub>2</sub> intensity in its energy system.
- Despite this, India has made significant strides to improve energy access in recent years, and currently scores well in

the area of regulation and political commitment towards energy transition.

- While India scored low in terms of system performance, it ranks considerably higher when it comes to readiness to adapt to future energy needs. Overall, India has moved up two places from its 78th position in 2018.

## ► DAMOCLES INDEX

### PREPARED BY

Nomura

### WHAT DOES IT MEASURE

The Damocles index summarises macroeconomic and financial variables into a single measure to assess an economy's vulnerability to a currency crisis.

### INDICATORS

- It is based on eight key indicators which help strike a balance between false signals and real crisis signals to assess the risk of an exchange rate crisis up to 12 months in advance.
- A score above 100 suggests a country is vulnerable to an exchange rate crisis in the next 12 months, while a reading above 150 signals that a crisis could erupt at any time.

### LATEST REPORT

2018

### INDIA'S RANK

India's score stood at 25

### HIGHLIGHTS

- Seven countries (out of 30 emerging market economies assessed) are at risk of exchange rate crises.
- As per the index Sri Lanka has a score of 175, followed by South Africa (143), Argentina (140), Pakistan (136), Egypt (111), Turkey (104) and Ukraine (100).

## ► GLOBAL HUNGER INDEX

### PREPARED BY

International Food Policy Research Institute

### WHAT DOES IT MEASURE?

Describes state of hunger situation on regional, national and global level

### INDICATORS

## EXTERNAL SECTOR, ECONOMIC INSTITUTIONS, COMMITTEES, REPORT &amp; INDEXES

(a) Undernourished population (b) Child wasting (c) Infant Mortality rate (d) Child stunting

**LATEST REPORT**

2018

**INDIA'S RANK**

103 of 119

**► GLOBAL FINANCIAL STABILITY REPORT****PREPARED BY**

International Monetary Fund

**WHAT DOES IT MEASURE?**

Assess the stability of global financial markets and emerging market financing

**► GLOBAL ECONOMIC PROSPECTS REPORT****PREPARED BY**

World Bank

**WHAT DOES IT MEASURE?**

This report examines global economic prospects with a special focus on emerging market and developing economies.

**► GLOBAL INNOVATION INDEX****PREPARED BY**

Cornell University, INSEAD and World Intellectual Property Organization

**WHAT DOES IT MEASURE?**

It provides detailed metrics about the innovation performance of countries based on 81 indicators.

**LATEST REPORT**

2018

**INDIA'S RANK**

57 out of 130

**► LOGISTICS PERFORMANCE INDEX****PREPARED BY**

World Bank

**WHAT DOES IT MEASURE?**

It provides feedback on the logistics friendliness of the countries. It is an interactive benchmarking tool created to help countries to identify the challenges and opportunities they face in their performance on trade logistics.

**INDICATORS**

Customs, infrastructure, international shipments, logistics quality and competence, tracking and tracing, and timeliness

**LATEST REPORT**

2018

**INDIA'S RANK**

44

**► SUSTAINABLE DEVELOPMENT GOALS INDEX****PREPARED BY**

Sustainable Development Solutions Network and Bertelsmann Stiftung

**WHAT DOES IT MEASURE?**

It assesses the performance of countries towards achieving the ambitious Sustainable Development Goals.

**LATEST REPORT**

2018

**INDIA'S RANK**

116

**Highlights**

- India is ranked 116th on the index with a score of 58.1, behind countries such as Nepal, Iran, Sri Lanka, Bhutan and China. Pakistan is ranked 122.
- Sweden leads the list, followed by Denmark and Finland.
- The countries which are closest to fulfilling the goals are not the biggest economies but comparably small, developed countries.
- Many of the richest countries in the world are nowhere near achieving the global policy objectives but also deteriorate the implementation process for poorer countries because of negative spillover effects.

**► CORRUPTION PERCEPTION INDEX****PREPARED BY**

Transparency International

**WHAT DOES IT MEASURE?**

## EXTERNAL SECTOR, ECONOMIC INSTITUTIONS, COMMITTEES, REPORT &amp; INDEXES

It ranks countries on a scale of 0 (highly corrupt) to 100 (very clean) based on their perceived levels of corruption in the public sector

**LATEST REPORT**

2018

**INDIA'S RANK**

78 out of 175

**► GLOBAL CYBER SECURITY INDEX****PREPARED BY**

UN telecommunications agency International Telecommunication Union (ITU)

**WHAT DOES IT MEASURE?**

It measures the commitment of nations across the world cyber security

**INDICATORS**

Legal, technical and organizational institutions, educational and research capabilities, cooperation in information sharing networks

**LATEST REPORT**

2017

**INDIA'S RANK**

23 out of 165

**► INCLUSIVE DEVELOPMENT INDEX****PREPARED BY**

World Economic Forum

**WHAT DOES IT MEASURE?**

It is an annual assessment of 103 countries' economic performance that measures how countries perform on eleven dimensions of economic progress in addition to GDP.

**INDICATORS**

It has 3 pillars; growth and development; inclusion and; intergenerational equity – sustainable stewardship of natural and financial resources.

**LATEST REPORT**

2018

**INDIA'S RANK**

62 out of 103

**► LIVEABILITY INDEX****PREPARED BY**

Ministry of Housing and Urban Affairs

**WHAT DOES IT MEASURE?**

Liveability index is tool that aims to measure quality of life in 99 smart cities, capital cities and those with a population of over one million. It will be funded by World Bank.

**INDICATORS**

It will assess cities on comprehensive set of 79 parameters. These parameters include local governance, education, employment, social infrastructure, health, safety, physical infrastructure such as housing, availability of open spaces, security, land use, energy, availability of water, solid waste management etc.

**► GLOBAL MANUFACTURING INDEX****PREPARED BY**

World Economic Forum

**WHAT DOES IT MEASURE?**

It measures how well positioned 100 countries will shape and benefit from changing nature of production through adoption of emerging technology.

**LATEST REPORT**

2018

**INDIA'S RANK**

30 out of 100

**► ICT (INFORMATION AND COMMUNICATION TECHNOLOGY) DEVELOPMENT INDEX****PREPARED BY**

- The index is published by the **United Nations International Telecommunication Union** based on internationally agreed information and communication technologies (ICT) indicators.

**WHAT DOES IT MEASURE?**

## EXTERNAL SECTOR, ECONOMIC INSTITUTIONS, COMMITTEES, REPORT &amp; INDEXES

- It is a valuable tool for benchmarking the most important **indicators for measuring the information society**. This can also be used to measure **digital divide**.

**INDICATORS**

- It uses **11 indicators** classified into three heads of:
  - ICT Access (0.40 weightage)

- ICT Usage (0.40 weightage)
- ICT Skills (0.20 weightage)

**LATEST REPORT**

2017

**INDIA'S RANK**

134

**► MISCELLANEOUS****► NOBEL PRIZE IN ECONOMICS**

American economists William Nordhaus and Paul Romer have been awarded the Nobel Prize for their work on understanding how economies can grow sustainably, by integrating innovation and climate with economic growth.

**WILLIAM NORDHAUS**

- Nordhaus believes that climate change can be addressed by ensuring correct pricing of polluting resources like fuel through government interventions e.g. higher taxes on petrol, diesel.
- His models that integrated population growth, fossil fuel use, income growth, and global warming became the basis for most calculations of the costs and benefits of various anti-global warming interventions.

**PAUL ROMER**

- Technological innovation and skilling of workforce are the real sources of sustainable growth.
- Proposes the "endogenous growth model" where technological progress is seen as the outgrowth of businesses and other entities investing in research and development.
- He recommended the use of subsidies, patents and other forms of government intervention to encourage economic growth through increased investment in technology

**► COMMON DATABASE FOR ECONOMIC INDICATORS**

A committee on analytics under IIT-Mumbai professor **NL Sarda** has told the government to set up a **National Integrated Data System (NIDS)**, citing lack of metadata or

additional contextual information as a major deficiency for all indicators.

**BENEFIT**

- Give more credibility to data:** It will give credibility to India's growth numbers and improve the consistency of key statistics by checking it for coherence and transparency and alignment with each other.
- Overcome the current shortcomings:** The system is expected to overcome the shortcomings of the current compilation method wherein the establishment-based data of Annual Survey of Industries and enterprise-level data of MCA21 are not integrated.
- Give deeper insight into functioning of economy:** This is intended to give deeper insight into the functioning of corporate sector with respect to national income accounting.
- Provide a single view of data available in official statistical system:** NIDS is being considered as an integrating framework that would enable users of official statistics to have a single view of data available in the official statistical system irrespective of the fact that underlying databases are distributed and managed by different central and state departments.
- Significantly reduce "time to release" of data** for policy makers and general public.

**► BUREAU OF INDIAN STANDARDS (BIS) ACT 2016****WHY**

A new Bureau of Indian standards (BIS) Act 2016 has been brought into force with effect from 12th October, 2017. It will replace the BIS Act of 1986.

**HIGHLIGHTS**

Bureau of Indian Standards (BIS) will be the National Standards Body of India.

- Compulsory certification of any goods considered necessary in the public interest or for the protection of human, animal or plant health, safety of the environment, or prevention of unfair trade practices or national security.
- Hallmarking of the precious metal articles is mandatory.
- Allowing simplified conformity assessment schemes including self-declaration of conformity against a standard which will give simplified options to manufacturers to adhere to the standards and get certificate of conformity.
- Central Government to appoint any authority/agency, in addition to the BIS, to verify the conformity of products and services and issue certificate of conformity.
- Provision for repair or recall, including product liability of the products bearing Standard Mark.

**► INDIAN ACCOUNTING STANDARDS (IND AS)**

RBI has deferred the implementation of the Indian Accounting Standards (Ind AS) by one year as many banks are not prepared to migrate to the new accounting system.

The earlier deadline for banks to switch to the Ind AS was from April 1 2018.

**ABOUT INDAS**

- Ind AS or Indian Accounting Standards to **govern the accounting and recording of financial transactions** as well as the **presentation of statements** such as profit and loss account and balance sheet of a company.
- Ind AS has been evolved as a compromise formula that tries to harmonise Indian accounting rules with the International Financial Reporting Standards (IFRS).
- The implementation of IndAS for **public sector banks** requires an **amendment to the Banking Regulation Act**.
- The schedule in BR Act relating to financial statement disclosures needs to be changed to the IndAS format.
- Section 29 of the BR Act deals with the accounts and balance sheets of public sector banks.
- **Private sector banks are covered by the Companies Act**, which is based on the new accounting standards.

**► SEBI PANEL ON CORPORATE GOVERNANCE**

A **corporate governance committee** was formed by the **SEBI** in June 2017, under the chairmanship of **Uday Kotak**.

**MAJOR RECOMMENDATION****→ Independent directors (ID):**

- SEBI brought in the concept of IDs which deals with corporate governance norms for listed companies.
- An ID is a director on a company's Board other than a managing director, whole-time director or a nominee director.
- They act as **trustees of shareholders**, especially minority shareholders. They are expected to take an outsider's view and **ensure checks and balances**.

**→ Under Companies Act, 2013:**

- An ID should not be a promoter or related to promoter of the company, its subsidiary or associates.
- Must not have been an employee of the company.
- Should also have not had any pecuniary relationship with the company in the two preceding financial years or in the current year.

**► LIMITED LIABILITY PARTNERSHIP (LLP)**

Ministry of Corporate Affairs has launched a process re-engineering by making incorporation of Limited Liability Partnership (LLP) through a complete online system- titled "RUN-LLP (Reserve Unique Name - Limited Liability Partnership)".

**WHAT IS LLP?**

- LLP is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership. The LLP can continue its existence irrespective of changes in partners. It is capable of entering into contracts and holding property in its own name.
- **The LLP is a separate legal entity**, is liable to the full extent of its assets but liability of the partners is limited to their agreed contribution in the LLP. Further, no partner is liable on account of the independent or un-authorized actions of other partners, thus individual partners are

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shielded from joint liability created by another partner's wrongful business decisions or misconduct.

- Mutual rights and duties of the partners within a LLP are governed by an agreement between the partners or between the partners and the LLP as the case may be. The LLP, however, is not relieved of the liability for its other obligations as a separate entity. **Since LLP contains elements of both 'a corporate structure' as well as 'a partnership firm structure' LLP is called a hybrid between a company and a partnership.**

### ► DISTRICT MINERAL FUND (DMF)

- The object of DMF shall be to work for the interest and benefit of people and areas affected by mining related operations.
- The DMF is funded in the following manner:
- **For Major minerals**
  - 10% of royalty paid in terms of 2<sup>nd</sup> Schedule to the MMDR Act, 1957 for mining leases granted on or after 12<sup>th</sup> January, 2015.
  - 30% of royalty paid in terms of the Second Schedule in respect of mining leases granted before 12<sup>th</sup> January, 2015.
- **For minor minerals:** State governments have the power to prescribe the payment by all holders of concessions related to minor minerals of amounts to the DMF of the district in which the mining operations are carried on.

In terms of total Amount Collected:

Odisha>Chhattisgarh>Jharkhand.

### PM KHANIJ KHSETRA KALYAN YOJANA (PMKKKY)

- PM Khanij Khsetra Kalyan Yojana has been launched to spend the amount of royalty collected under the District Mineral Fund. It will be implemented by District Mineral Fund.
- It is being run by Ministry of mines.
- High Priority Areas: At least 60% of PMKKKY funds to be utilised under these heads:
  - Drinking Water Supply
  - Environment Preservation and Pollution control measures
  - Health care
  - Education

- Welfare of Women and Children
- Welfare of aged and disabled people
- Skill Development
- Sanitation

**OTHER PRIORITY AREAS:** Upto 40% of PMKKKY to be utilised under these: Physical Infrastructure, Irrigation, Energy and Watershed Development, Other measures for enhancing environmental quality in mining.

### ► WHITE SHIPPING

- It refers to exchange of relevant advanced information on the identity and movement of commercial non-military merchant vessels.
- Since the entire world is connected through the ocean, this poses a security threat as anyone can move from one location to other. Therefore, information about the identity of the vessels is necessary to tackle any potential threat from sea routes.
- There is a particular color code for ships –
  - White for commercial ships;
  - Gray for military vessels; and
  - Black for illegal ships

### ► GIG ECONOMY

It is an economy, which has increasing reliance of informal jobs and contractual jobs. This is due to the lack of permanent jobs, rapid changes in technology and reduced social security architecture.

### ► CIRCULAR ECONOMY

Circular Economy is an alternative to a traditional linear economy (make, use, dispose) in which we keep resources in use for as long as possible. It focuses on reuse, resource efficiency, recycle.

### ► 3R (REDUCE, REUSE & RECYCLE) REGIONAL FORUM

- The Forum aims to address how 3R and resource efficiency measures can provide complementary benefits in making cities and countries clean, smart, liveable and resilient.
- It was launched in 2009.



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- Japan has co-sponsored the forum, together with the government of the host countries and the UN Centre for Regional Development (UNCRD).
- Its members include central governments, international agencies, aid agencies, private sector entities, research bodies, NGOs etc.
- India is one of the participating countries in the body.
- The 8th regional forum in Asia and Pacific was organised in Indore in 2018.
- Indore 3R Declaration of Asian Mayors on Achieving Clean Land, Clean Water and Clean Air in Cities was adopted for achieving the vision of Mission Zero Waste.

### ► NATIONAL FINANCIAL REPORTING AUTHORITY (NFRA)

- NFRA is an Indian body proposed in Companies Act 2013 for the **establishment and enforcement of accounting and auditing standards and oversight of the work of auditors**.
- NFRA consists of **one chairman, three full-time members and one secretary**. The Centre has appointed former IAS officer **Rangachari Sridharan as chairperson of NFRA**. Other positions are vacant.

#### NFRA IS RESPONSIBLE FOR

- recommending accounting and auditing policies and standards in the country,
- undertaking investigations,
- imposing sanctions against defaulting auditors and
- audit firms in the form of monetary penalties and debarment from practice for up to 10 years.

→ DIFFERENCE BETWEEN

#### ► CENTRALLY SPONSORED SCHEMES

**Funding** by both centre and state in pre-determined ratio such as 90:10, 70:30, 60:40 etc

Normally formulated on

#### ► CENTRAL SECTOR SCHEMES

**Funding** entirely borne by centre Government

Normally formulated on

**subjects** placed under the State List

**Implementation Agency** - State Government

Eg.- MGNREGA, National Social Assistance Program, Pradhan Mantri Krishi Sinchai Yojana etc

**subjects** placed under the Union List

**Implementation Agency** - Central Government

Eg.- Pradhan Mantri Mudra Yojana, BharatNet, Namami Gange etc

### ► NATIONAL BIOPHARMA MISSION

- The program named **Innovate in India (i3)** i.e. the **National Biopharma Mission** was recently launched by the government.
- This is the **first ever Industry-Academia mission to accelerate biopharmaceutical development** in India.
- It aspires to create an enabling ecosystem to promote entrepreneurship and indigenous manufacturing in the sector.

#### BY

- As a flagship program of the Government of India in **collaboration with World Bank**, it promises to boost the growth curve for domestic biopharma in India.
- The Mission to be implemented by **Biotechnology Industry Research Assistance Council (BIRAC)**, a Public Sector Undertaking of Department of Biotechnology

### ► CENTRAL DRUG STANDARD'S CONTROL ORGANISATION (CDSCO)

- The Central Drugs Standard Control Organization (CDSCO) is the Central Drug Authority for discharging functions assigned to the Central Government under the Drugs and Cosmetics Act.
- It functions under Directorate General of Health Services, Ministry of Health and Family.
- Functions of the body are:
  - Approval of new drugs and clinical trials
  - Import registration and licensing
  - License approving of Blood banks, Vaccines, r-DNA products and some Medical devices
  - Banning of drugs and cosmetics
  - Grant of test license, Personal license, NOCs for export

- o Testing of New drugs
- o Oversight and market surveillance through inspectorate of centre over and above the state authority.

### ► NATIONAL PHARMACEUTICAL PRICING AUTHORITY (NPPA)

The prices of bulk drugs and the formulations are included in the Government of India as per the Drugs (Prices Control) Order under the Essential Commodities Act.

#### ABOUT NPPA:

- It is a non-statutory executive body formed by resolution of Ministry of Chemicals and Fertilisers.
- Functions under Ministry of Chemicals and Fertilisers.
- Its functions are:
  - o Can fix/revise the prices of controlled bulk drugs and formulations
  - o Recovering amounts overcharged by manufacturers for the controlled drugs from the consumers.
  - o Monitor prices of decontrolled drugs in order to keep them at reasonable level.
  - o To implement and enforce Drugs (Price Control) order in accordance with the powers delegated to it
  - o To monitor availability of drugs, identify shortages, in any, and to take remedial steps
  - o To collect/maintain data on production, exports and imports, market share of individual companies, profitability of companies for bulk drugs and formulations
- It has created Pharma Jan Samadhan for registration of complaints
- Pharma Sahi Daam for searching the prices of medicines.

### ► NATIONAL LIST OF ESSENTIAL MEDICINES (NLEM)

- NLEM is recommended by Ministry of Health and Family Welfare.
- WHO releases WHO Essential Medicine List at the global level. This is a model list.
- However, based on 'priority health care needs' specific to a country each country releases its own National List of Essential Medicines.

- Considerations for framing NLEM are:- Essentiality, Affordability, Efficacy and Safety, Changing Disease Burden, Comparative Cost-effectiveness etc.

### ► FINANCIAL ACTION TASK FORCE (FATF)

- It is an inter-governmental body which sets standards, and develops and promotes policies to combat money laundering and terrorist financing.
- The forty recommendations of FATF provide a complete set of counter measures against money laundering, counter financing of terrorism and its proliferation.
- India became a member of FATF in June 2010.

#### HIGH RISK AND OTHER MONITORED JURISDICTIONS

- On the basis of the review by the International Co-operation Review Group (ICRG), FATF identifies jurisdictions with strategic Anti Money laundering and Counter Terror Financing deficiencies that are issued three times a year. It maintains a list of high risk and other monitored jurisdictions.
- Countries in FATF black list (Call for Action)
  - o North Korea
  - o Iran
- Countries in FATF grey list (monitored jurisdictions)
  - o Bahamas, Botswana, Cambodia, Ethiopia, Ghana, Pakistan, Serbia, Sri Lanka, Syria, Trinidad and Tobago, Tunisia, Yemen.

### ► FINANCIAL INTELLIGENCE UNIT INDIA

- It is the Central National Agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions.
- Responsible for coordinating and strengthening efforts of national and international intelligence, investigation and enforcement agencies in pursuing the global efforts against money laundering and related crimes.
- It is an independent body reporting directly to the Economic Intelligence Council headed by the Finance Minister.

## EXTERNAL SECTOR, ECONOMIC INSTITUTIONS, COMMITTEES, REPORT &amp; INDEXES

- Cabinet has given approval for the model MOU for cooperation between FIU-Ind with its counterpart Financial Intelligence Units for exchange of information. The revised MoU was drafted on Egmont Group Secretariat revised model MOU 2014.

**EGMONT GROUP**

- It is a unified body of 159 Financial Intelligence Units (FIUs).
- It provides a platform for the secure exchange of expertise and financial intelligence to combat money laundering and terrorist financing.
- India became a member of this body in 2007.

**APG GROUP (ASIA PACIFIC GROUP ON MONEY LAUNDERING)**

- It is an inter-governmental organisation, consisting of 41 member jurisdictions
- It is focused on ensuring that its members effectively implement the international standards against money laundering, terrorist financing and proliferation financing related to weapons of mass destruction.
- India became a member of this body in 1998.
- 11 members of APG are also members of FATF.

**► SUSTAINABLE DEVELOPMENT GOALS****HIGH LEVEL POLITICAL FORUM**

- The establishment of the United Nations High-level Political Forum on Sustainable Development (HLPF) was mandated in 2012 by the outcome document of the United Nations Conference on Sustainable Development (Rio+20), "The Future We Want".
- High Level Political Forum on SDGs
- The Forum meets annually under the auspices of the Economic and Social Council for eight days, including a three-day ministerial segment and every four years at the level of Heads of State and Government under the auspices of the General Assembly for two days.
- The Forum's first meeting was held on 24 September 2013. It **replaced the Commission on Sustainable Development, which had met annually since 1993.**
- The HLPF is the main United Nations platform on sustainable development and it has a central role in the follow-up and review of the 2030 Agenda for Sustainable

Development the Sustainable Development Goals (SDGs) at the global level.

- Assessment is based on:
  - Voluntary national reviews that it receives from member states
  - Annual progress report on SDGs is prepared by the Secretary-General of the UN.
  - HLPF is also informed by the **Global Sustainable Development Report (GSDR)**, which aims to strengthen the science-policy interface at the HLPF. Published every 4 years.

**MEMBERSHIP:**

- All State Members of UN and States members of specialised agencies

**STRUCTURE:**

- Every 4 years at the level of Heads of State and Government under the auspices of the General Assembly for two days
- Every year under the auspices of ECOSOC for a period of 8 days, including three day ministerial segment.
- The organisations of UN system, including the Bretton Woods institutions and other relevant intergovernmental organisations, including the WTO are invited to contributed to the discussions of the forum.
- The Office for Intergovernmental Support and Coordination for Sustainable Development of ECOSOC serves as the Secretariat of HLPF.

**MONITORING OF SDGS**

- SDGs are not legally binding. Nevertheless, countries are expected to take ownership and establish a national framework for achieving the 17 goals. Countries have the primary responsibility to follow-up and review implementation of SDGs.

**GLOBAL INDICATOR FRAMEWORK:**

- For global monitoring of the SDGs, US Statistical Commission constituted an Inter-Agency and Expert Group on SDGs (IAEG-SDG) with 28 member countries in 2015. India is a member of IAEG-SDGs. Based on the recommendation of IAEG-SDG, the UN Statistical Commission adopted a Global Indicator Framework. It consists of 232 unique indicators.
  - Sustainable Development Goals in India

## EXTERNAL SECTOR, ECONOMIC INSTITUTIONS, COMMITTEES, REPORT &amp; INDEXES

- o MOSPI has developed **National Indicator Framework** for monitoring of various SDG goals at the national level.
- o It consists of 306 statistical indicators. Statistical indicators of National Indicator Frameworks (NIF) will be the backbone of monitoring of SDGs at the national and state level and will scientifically measure the outcomes of the policies to achieve the targets under different SDGs.
- o SDG Unit has been created in Social Statistics Division (SSD) of Central Statistics Office.

**17 SUSTAINABLE DEVELOPMENT GOALS**

1. No poverty
2. Zero Hunger
3. Good Health and Well Being
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Affordable Clean Energy
8. Decent Work and Economic growth
9. Industry, Innovation and Infrastructure
10. Reduced Inequalities
11. Sustainable Cities and Communities
12. Responsible Consumption and Production
13. Climate Action
14. Life Below Water
15. Life on Land
16. Peace Justice and Strong Institutions
17. Partnerships for the Goals

Division for Sustainable Development Goals in the UNDESA provides substantive support and capacity building for the SDGs and their related thematic issues.

**TECHNOLOGY FACILITATION MECHANISM (TFM)**

- 2030 Agenda for Sustainable development announced the launch of a 'Technology Facilitation Mechanism' in order to support the implementation of SDGs.

- The TFM has three components:
  - o United Nations Interagency Task Team on Science, Technology and Innovation for the SDGs (IATT), including the 10-Member Group of representatives from civil society, the private sector and the scientific community
  - o Collaborative Multi-stakeholder Forum of Science, Technology and Innovation for the SDGs (**STI Forum**)
  - o **Online Platform** as a gateway for information on existing STI initiatives, mechanisms and programs.

**NITI AAYOG AND SDGS**

- NITI Aayog has been entrusted with the role to co-ordinate SDGs.

**► NEW GDP SERIES**

The government has released the GDP growth estimates for previous years based on the new method of calculation and base year it had adopted in 2015.

Base year of National Accounts is periodically revised to account for the structural changes that take place in an economy. The base year is used to measure real GDP growth by estimating the macro-economic data at the prices prevailing prices of the base year. This is called GDP at current prices.

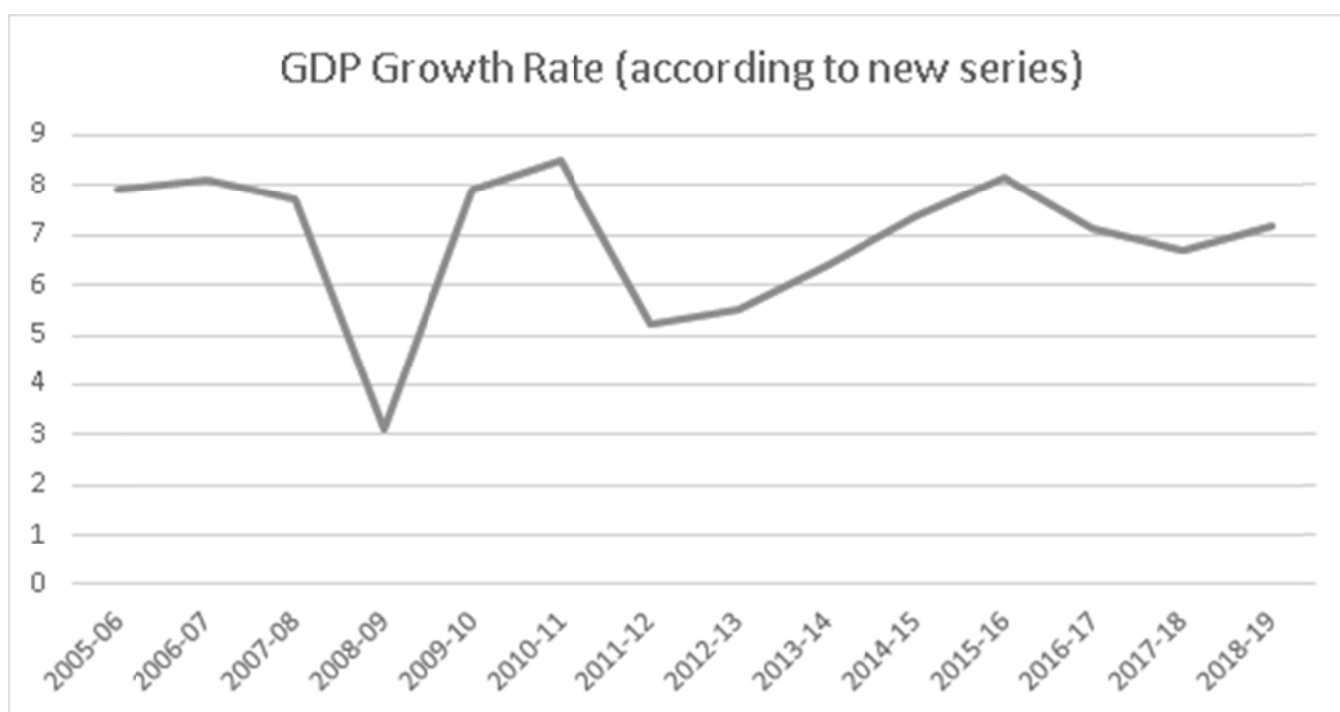
**The base year was updated to 2011-12 replacing the old series from 2004-05.**

**The new series has many methodological improvements as it:**

- 1) takes into **account the recommendations of the UN System of National Accounts** (SNA 2008).
- 2) takes into account **new data sources** which had become available such as corporate sector data from MCA21 database, enlarged coverage of financial sector, incorporating results of latest consumption surveys, employment and enterprises.

**This GDP data is released by Central Statistics Office, Ministry of Statistics and Program Implementation.**

## EXTERNAL SECTOR, ECONOMIC INSTITUTIONS, COMMITTEES, REPORT &amp; INDEXES



# SECTION 5

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## **B**UDGET



# CORE<sub>knowledge</sub>

## BUDGET DOCUMENTS

Besides the Budget Speech, the Finance Minister presents the following documents on the floor of the House:

### ► ANNUAL FINANCIAL STATEMENT - ARTICLE 112

- The Annual Financial Statement (AFS), under Article 112 shows the estimated receipts and expenditure of the Government of India for 2018-19 in relation to estimates for 2017-18.
- The receipts and disbursements are shown under three parts in which Government accounts are kept namely (i) The Consolidated Fund of India, (ii) The Contingency Fund of India and (iii) The Public Account of India.
- The Annual Financial Statement distinguishes the expenditure on revenue account from the expenditure on other accounts, as is mandated in the Constitution of India. The Revenue and the Capital sections together, therefore make the Union Budget.

### ► DEMAND FOR GRANTS - ARTICLE 113

- Article 113 mandates that the estimates of expenditure from the Consolidated Fund of India included in the Annual Financial Statement and required to be voted by the Lok Sabha, be submitted in the form of Demands for Grants.
- The Demands for Grants are presented to the Lok Sabha along with the Annual Financial Statement. Generally, one Demand for Grant is presented in respect of each Ministry or Department.
- With regard to Union Territories without Legislature, a separate Demand is presented for each of such Union Territories.

### ► APPROPRIATION BILL - ARTICLE 114

- All the demands for grants voted upon and charged expenditure is introduced in the Lok Sabha as Appropriation Bill. The Bill gives legal authority to the government to appropriate expenditure from CFI.
- After the Bill is passed by Lok Sabha, the Speaker of Lok Sabha certifies it as Money Bill and then transmits it to Rajya Sabha. No money can be withdrawn from the CFI except under an Appropriation Act passed by the Parliament.

### ► FINANCE BILL- ARTICLE 117

- At the time of presentation of the Annual Financial Statement before the Parliament, a Finance Bill is also presented in fulfillment of the requirement of Article 110 (1)(a) of the Constitution, detailing the imposition, abolition, remission, alteration or regulation of taxes proposed in the Budget.
- It also contains other provisions relating to Budget that could be classified as Money Bill. A Finance Bill is accompanied by a Memorandum explaining the provisions included in it

### ► MEMORANDUM EXPLAINING THE PROVISIONS IN THE FINANCE BILL

- To facilitate understanding of the taxation proposals contained in the Finance Bill, the provisions and their implications are explained in the document titled Memorandum Explaining the Provisions in the Finance Bill.

## → FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT (FRBM) ACT, 2003

### OBJECTIVES OF THE ACT

- Long term macro-economic stability
- Inter-generational equity in fiscal management

- Counter cyclical as it introduces escape clause and fiscal deficit tightening in case of better than expected growth

#### **4 DOCUMENTS MANDATED BY THE ACT TO BE LAID BEFORE PARLIAMENT:**

### **1) MACRO-ECONOMIC FRAMEWORK STATEMENT**

- It is presented to Parliament along with Annual Financial Statement.
- It contains an assessment of the growth prospects of the economy along with the statement of specific underlying assumptions.
- It also contains an assessment regarding the GDP growth rate, the domestic economy and the stability of the external sector of the economy, fiscal balance of the Central Government and the external sector balance of the economy.

### **2) FISCAL POLICY STRATEGY STATEMENT**

- It is presented to Parliament along with Annual Financial Statement.
- It contains the policies of the Central Government for the forthcoming financial years relating to taxation, expenditure, market borrowings and other liabilities, lending and investments, pricing of administered goods and services, securities and description of other activities such as underwriting and guarantees which have potential budgetary implications.
- Strategic priorities of the Central government for the coming financial year
- Key fiscal measures and rationale for any major deviation in pertaining to taxation, subsidy, expenditure etc.

### **3) MEDIUM TERM FISCAL POLICY STATEMENT**

- It is presented to Parliament along with Annual Financial Statement.
- It sets forth a three-year rolling target for five specific fiscal indicators in relation to GDP at market prices, namely (i) Revenue Deficit, (ii) Fiscal Deficit, (iii) Effective Revenue Deficit (iv) Tax to GDP ratio and (v) Total outstanding Central Government Liabilities at the end of the year.

- It will look into sustainability of use of capital receipts including market borrowings for generating productive assets.

### **4) MEDIUM TERM EXPENDITURE FRAMEWORK**

- It is presented before the Parliament, in the immediately following session of Parliament in which the Annual Financial statement is presented
- It sets forth a three year rolling target for prescribed expenditure indicators with assumptions and risks involved.
- Expenditure commitment of major policy changes involving new service, new instruments of service, new schemes and programmes.
- Explicit contingent liabilities, which are in the form of stipulated annuity payments over a multi-year time frame.

#### **ACCORDING TO THE FRBM ACT, CENTRAL GOVERNMENT WILL**

- limit its fiscal deficit to 3% of GDP by end of financial year, 2021
- Ensure that general Government debt does not exceed 60% of the GDP by the end of financial year 2024-25
- Central Government does not exceed 40% of the GDP by the end of financial year 2024-25.
- Not give additional guarantees with respect to any loan on security of the Consolidated Fund of India in excess of one-half
- Escape clause from annual target for reduction of fiscal deficit can be invoked in case of the following:
  - o Grounds of national security
  - o Act of war
  - o National calamity
  - o Collapse of agriculture severely affecting farm output and incomes
  - o Structural reforms in the economy with unanticipated fiscal implications
  - o Decline in real output growth of a quarter by at least three percent points below its average of the previous four quarters
- However, this deviation from fiscal deficit target will not be more than 0.5% of GDP in a year.

- Counter-cyclicality: In case of increase of output growth of a quarter by at least three percent above its average of the previous four quarters, fiscal deficit should be reduced by at least 1% of GDP in a year.
- CAG will periodically review the compliance of the provisions of this Act.

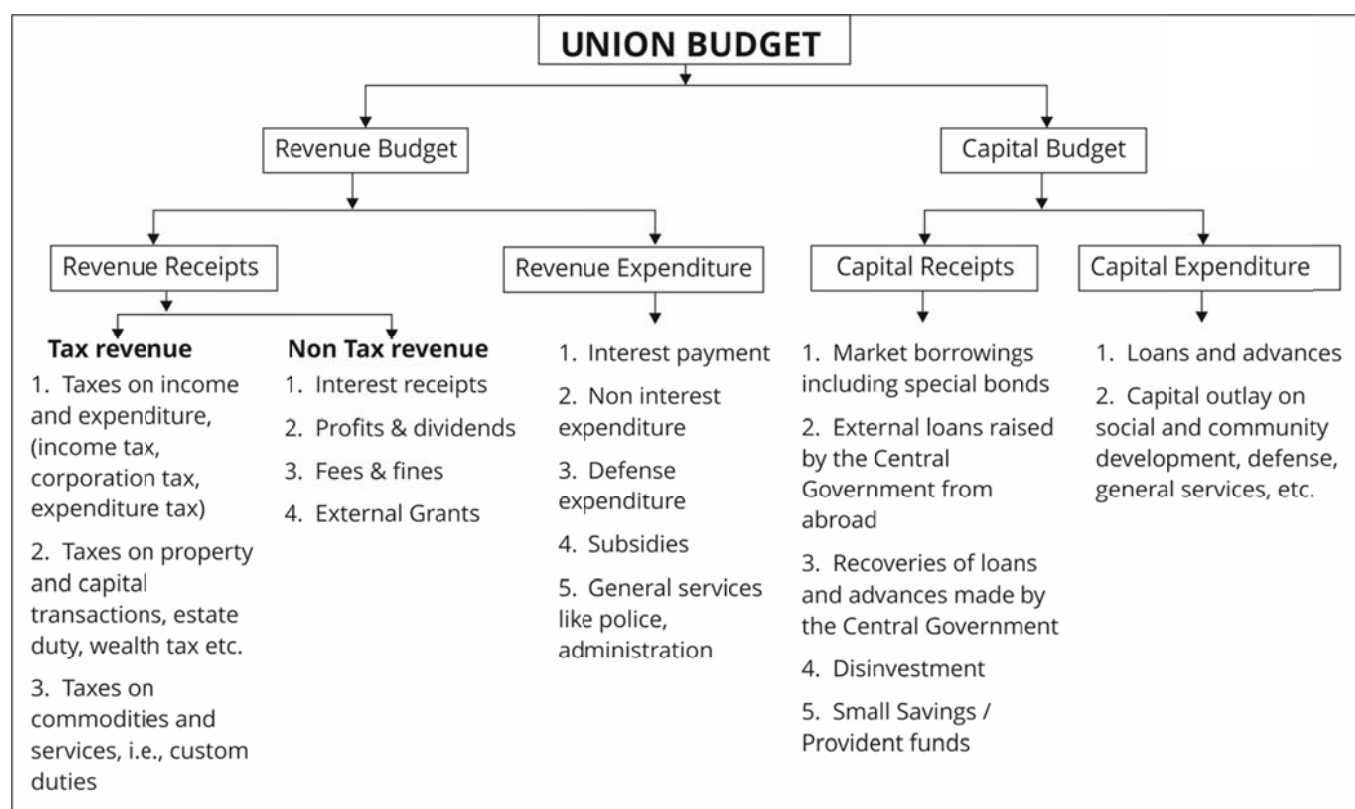
#### → FISCAL INDICATORS

- Under the **FRBM Act**, the Government was required to reduce the **fiscal deficit to 3.3% for the year 2018-19**

and bring it further down to 3.1% in 2019-20 and ensure that it remains at 3% in 2020-21.

- However, the government has not been able to maintain its FD target for the year 2018-19.
- The FD for the current financial year stands at 3.4%.
- According to the revised targets, the government would contain FD at 3.4% for 2019-20 and bring it down to 3% by 2020-21.

### ► ANATOMY OF BUDGET & KEY TERMS



### ► BALANCED BUDGET

The annual financial statement of the government which has total expenditures equal to taxes and other receipts.

### ► REVENUE BUDGET

The part of the budget which deals with the income and expenditure of revenue by the government.

### ► REVENUE RECEIPTS

Revenue receipts of a government comprise tax revenue receipts and non-tax revenue receipts.

### ► REVENUE DISBURSEMENT/ EXPENDITURE

Revenue expenditure is for the normal running of Government departments and various services, interest

payments on debt, subsidies, etc. Broadly, the expenditure which does not result in creation of assets for Government of India is treated as revenue expenditure.

### ► CAPITAL BUDGET

It consists of capital receipts and capital payments.

### ► CAPITAL RECEIPTS

The capital receipts are loans raised by Government from public, called market loans, borrowings by Government from Reserve Bank and other parties through sale of Treasury Bills, loans received from foreign Governments and bodies, disinvestment receipts and recoveries of loans from State and Union Territory Governments and other parties.

### ► CAPITAL DISBURSEMENT/ EXPENDITURE

Capital payments consist of expenditure on acquisition of assets like land, buildings, machinery, equipment, as also investments in shares, etc., and loans and advances granted by Central Government to State and Union Territory Governments, Government companies, Corporations and other parties.

### ► RECEIPTS BUDGET

Estimates of receipts included in the Annual Financial Statement are further analysed in the document "Receipts Budget". The document provides details of tax and non-tax revenue receipts and capital receipts and explains the estimates.

### ► EXPENDITURE BUDGET

The provisions made for a scheme or a programme may be spread over a number of Major Heads in the Revenue and Capital sections in a Demand for Grants. In the Expenditure Budget, the estimates made for a scheme/programme are brought together and shown on a net basis on Revenue and Capital basis at one place.

### ► FISCAL

The term fiscal means purse or treasury, hence fiscal generally denotes something related to:- public revenues (by taxation), public spending, debt, or finance.

### ► FISCAL YEAR (FY)

- It is a period that a government uses for accounting purposes and preparing financial statements. A fiscal year may not be the same as a calendar year like in India (April 1 to March 31).
- The Shankar Acharya Committee recommended shifting the Fiscal year from April to January time period. But plan to change the financial year cycle from April-March to January-December has been put on hold.

### ► FISCAL BUDGET

A Fiscal budget is an estimation of the revenue and expenses over a specified future period of time.

### ► FISCAL POLICY

It is the means by which a government adjusts its spending levels and tax rates to monitor and influence a nation's economy. It is the sister strategy to monetary policy through which a central bank influences a nation's money supply. These two policies are used in various combinations to direct a country's economic goals.

## ► DEFICITS

### ► FISCAL DEFICIT

It is the **difference between total revenue and total expenditure** of the government. It is an indication of the total borrowings needed by the government. Generally fiscal deficit takes place either due to revenue deficit or a major hike in capital expenditure. It is usually financed through borrowing from either the central bank of the country or raising money from capital markets by issuing different instruments like treasury bills and bonds.

### ► REVENUE DEFICIT

The excess of expenses over receipts on revenue account is called revenue deficit. Revenue deficit = **Revenue Expense - Revenue Receipts**.

### ► GROSS PRIMARY DEFICIT

It is Gross Fiscal Deficit less interest payments. Net Primary Deficit is Net Fiscal Deficit minus net interest payments. Net interest payment is interest paid minus interest receipt.

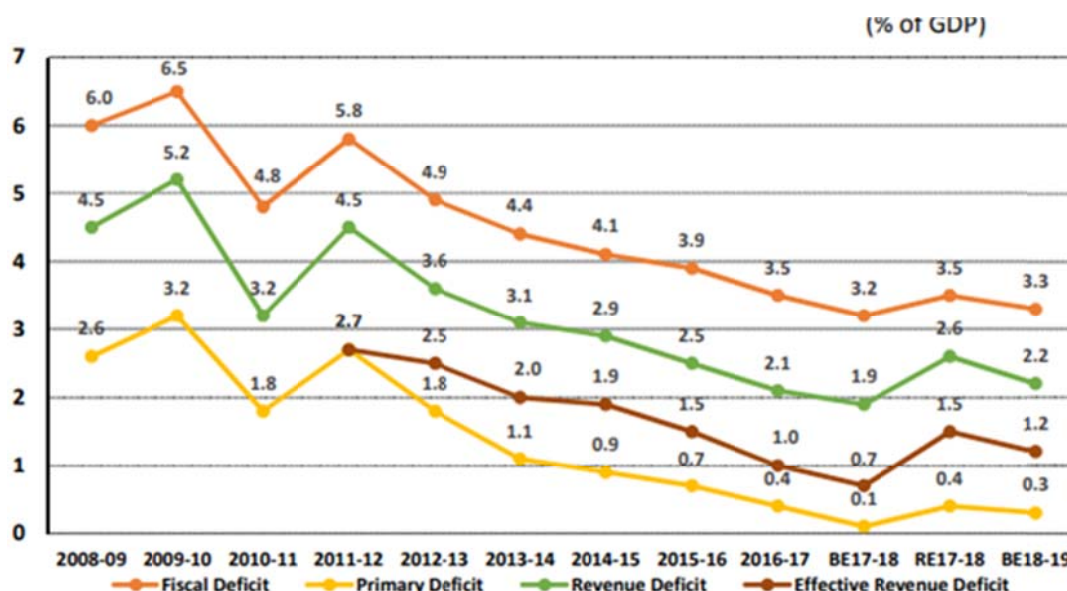
### ► BUDGETARY DEFICIT

It is the sum of revenue account deficit and capital account deficit. If revenue expenses of the government exceed revenue receipts, it results in revenue account deficit. Similarly, if the capital disbursements of the government exceed capital receipts, it leads to capital account deficit. Budgetary deficit is usually expressed as a percentage of GDP.

### ► EFFECTIVE REVENUE DEFICIT

It is the difference between revenue deficits and the grants for creation of capital assets.

### ► DEFICIT TRENDS



### ► SOURCE OF DEFICIT FINANCING

1. Market borrowings (Government securities + treasury bills)
2. Securities against small savings
3. State Provident Funds
4. Other receipts (Reserve Fund, Deposits and Advances)
5. External debt
6. Draw down of cash balance

## ► FORMS OF BUDGET

### ► OUTCOME BUDGET

- The Outcome Budget broadly indicates the outcomes of the financial budget of a Ministry/Department, indicating actual deliverables linked with outlays targeted during the year and in the medium term.
- With effect from Financial Year 2007-08, the Performance Budget and the Outcome Budget were merged and presented as a single document titled "Outcome Budget" in respect of each Ministry/Department.
- From Financial Year 2017-18 onwards, the Outcome Budget of all Ministries has been combined into one single document and is brought out by the Ministry of Finance in collaboration with the NITI Aayog.

### ► GENDER BUDGETING

- Gender Budgeting (GB) is a powerful tool for achieving gender mainstreaming so as to ensure that benefits of development reach women as much as men. It is not an accounting exercise but an ongoing process of keeping a gender perspective in policy/ programme formulation, its implementation and review.
- GB entails dissection of the Government budgets to establish its gender differential impacts and to ensure that gender commitments are translated in to budgetary commitments.
- The rationale for gender budgeting arises from recognition of the fact that national budgets impact men and women differently through the pattern of resource allocation. Women, constitute 48% of India's population, but they lag behind men on many social indicators like health, education, economic opportunities, etc. Hence, they warrant special attention due to their vulnerability and lack of access to resources.
- The way Government budgets allocate resources, has the potential to transform these gender inequalities. In view of this, Gender Budgeting, as a tool for achieving gender mainstreaming, has been propagated.

## → STAGES IN THE ENACTMENT OF THE BUDGET

### 1) PRESENTATION OF BUDGET

Since 2017 the budget is presented on the First day of February. The Finance Minister presents the General Budget with a speech known as the 'budget speech'. At the end of the speech in Lok Sabha, the budget is laid before the Rajya Sabha, which can only discuss it and has no power to vote on the demands for grants.

### 2) GENERAL DISCUSSION

The general discussion on budget begins a few days after its presentation. It takes place in both the Houses of Parliament and lasts usually for three to four days.

### 3) SCRUTINY BY DEPARTMENTAL COMMITTEE

After the General Discussion on the budget is over, the houses are adjourned for three to four weeks. During this gap period, the 24 departmental standing committees of Parliament examine and discuss in detail the demands for grants of the concerned ministries and prepare reports on them. These reports are submitted to both the house of parliament.

### 4) VOTING ON DEMANDS FOR GRANTS

In light of the reports of Departmental Standing Committees, the Lok Sabha take up 'Voting on demands for grants'. The demands are presented ministry-wise. A demand becomes a grant after it has been duly voted. It is to be noted that at this stage the members of Parliament can move motions to reduce any demand for grant. Such motions are called 'cut motions', which are of three kinds:

#### Policy Cut Motion

It represents the disapproval of the policy underlying the demand. It states that the amount of the demand be reduced to Re 1. The members can also advocate an alternative policy.

#### Economy Cut Motion

It states that the amount of the demand be reduced by a specified amount.



**Token Cut  
Motion**

It states that the amount of the demand be reduced by Rs 100.

**5) PASSING OF APPROPRIATION BILL**

After voting on demands for grants, an appropriation bill is introduced to provide for the appropriation out of the consolidated fund of India. At this stage, no amendments can be proposed in either house of the Parliament.

**6) PASSING OF FINANCE BILL**

The Finance Bill is introduced to give effect to the financial proposals of the Government of India for the following year. Unlike the Appropriation Bill, the amendments (seeking to reject or reduce a tax) can be moved in the case of finance bill.

# CURRENT affairs & related concepts

## ► INTERIM BUDGET 2019-20

### → UNION BUDGET

- Under **Article 112** of the Indian Constitution, the Government is required to present **annual financial statement** before both the houses of the Parliament. The annual financial statement is essentially a statement of the estimated receipts and expenditure of the Government of India for that year. **It is important to note that the Constitution of India does not use the word 'budget'.**
- The Union Budget contains **Appropriation Bill** and **Finance Bill**. The Appropriation Bill deals with the expenditure side of the Budget and authorises the Government to withdraw money from the Consolidated Fund of India. On the other hand, the Finance Bill deals with the receipts of the government and includes amendments to various taxation laws such as Income Tax.
- The Full Union Budget is applicable for the entire financial year.

### → INTERIM BUDGET VS. UNION BUDGET

- There are many parliamentary practices that do not find a place in the text of the Constitution of India but have been followed by successive governments over the years making them "constitutional conventions".
- The interim budget is a good example of such a constitutional convention.
- The **Interim Budget** is essentially a budget which is announced in an election year by the incumbent government. The Interim Budget would be applicable until the new government takes over after the General

Elections. Hence, unlike the Union Budget, the Interim Budget would be applicable for a part of financial year.

- More importantly, **there is no provision in the Constitution that prohibits the Government from announcing new schemes or making amendments to the taxation in the Interim Budget.** However, as per the established parliamentary convention, generally, the incumbent government does not announce new schemes and programmes. Similarly, on the revenue side of the budget, no tax proposals are made. **Thus, normally the Interim Budget does not contain Finance Bill and Economic Survey.**
- This is because a full budget would be presented by the newly elected government after Lok Sabha polls. Hence, it would be improper for the outgoing government to impose policy changes or budgetary constraints on its successor who may or may not accept them.

### → INTERIM BUDGET VS. VOTE-ON-ACCOUNT

- Even though the words Interim Budget and vote-on-account are used interchangeably, they are not same.
- The Government needs approval from the Parliament to withdraw money from the Consolidated Fund of India to meet its day-to-day expenses. Hence, the incumbent government presents the vote-on-account in order to seek approval from the parliament for withdrawing money to meet its expenditure needs until the new government takes over.
- However, the Interim Budget is an estimate of the both receipts and expenditure of the Government.

## BUDGET

- Thus, while the Vote-on-account deals only with the expenditure of the Government while the Interim Budget deals with both the revenue and expenditure.
- It is to be noted that the Interim Budget for the financial year 2019-20 has introduced a vote-on-account wherein the government has sought approval for the expenditure, which is likely to be incurred during April to July, 2019.

**► STATE OF INDIAN ECONOMY**

- If one looks at the global economy, countries such as China are facing economic slowdown. For instance, China has **recently** registered its lowest ever GDP growth rate since 1990. However, if one looks at macro-economic indicators in India, the Indian Economy seems to be in a sweet spot and could well emerge as the engine for the growth of the entire Asia.
- Recently, India has become the **6<sup>th</sup> Largest Economy in the world** by overtaking France. The other countries that have bigger economic size than India include USA, China, Japan, Germany, and Britain. According to IMF projection, India is expected to overtake UK to become **5<sup>th</sup> largest economy in 2019**.
- The rate of Inflation (as measured by CPI) which was around 10% in 2014 has now got reduced to around **4%**.
- The twin deficits i.e. Fiscal Deficit and CAD have also registered a decline. The Fiscal Deficit which was hovering around 6% in 2014 has now got reduced to 3.4% in 2018-19. The CAD has got reduced to 2.5% of the GDP.
- Further, India has continued to be favourable destination for the FDI. India was able to attract massive amount of Foreign Direct Investment (FDI) worth \$240 billion in the last 5 years.

**► INITIATIVES FOR THE AGRICULTURE SECTOR****→ PRADHAN MANTRI KISAN SAMMAN NIDHI (PM-KISAN)**

- **Objective:** Provide direct income support at the rate of Rs 6,000 per year.
- **Eligibility Criteria:** Vulnerable landholding farmer families having cultivable land up to 2 hectares.

- **Funding:** 100% Funded by the Central Government
- **Mechanism:** Income support to be transferred directly to the accounts of the beneficiary farmers in three equal installments of Rs 2,000 each.
- **Implementation:** Effective from **1st December 2018** and the first installment for the period up to **31st March 2019** would be paid during this year itself.
- **Total Allocation:** Rs 75,000 Crores

**→ ANIMAL HUSBANDRY**

- Livestock plays an important role in the socio- economic life of India. Livestock sector contributes 4.11% GDP and 25.6% of total Agriculture GDP.
- In order to further fillip to livestock rearing, the government has decided to establish "**Rashtriya Kamdhenu Aayog**". The Aayog would be involved in up-scaling sustainable genetic up-gradation of cow resources and to enhance production and productivity of cows. The Aayog will also look after effective implementation of laws and welfare schemes for cows.
- Further, the government has increased the allocation for **Rashtriya Gokul Mission** to Rs 750 crore in the current year.

**→ FISH PRODUCTION**

- The **Blue revolution** launched by India has proved to be quite successful and India has emerged as the **second largest producer of fish** in the world after China.
- India presently accounts for 6% of the global production. To provide sustained and focused attention towards development of this sector, the Government has decided to create a **separate Department of Fisheries**.

**→ AGRICULTURE CREDIT**

- Timely and adequate agriculture credit forms an important component for boosting agricultural productivity. Hence, in order to boost agricultural credit, the Govt has proposed to provide the benefit of **2% interest subvention** to the farmers pursuing the activities of animal husbandry and fisheries, who avail loan through Kisan Credit Card.

- Further, in case of timely repayment of loan, they will also get an **additional 3% interest subvention**.

## ► INITIATIVES FOR LABOUR WELFARE

### → PRADHAN MANTRI SHRAM-YOGI MAANDHAN' SCHEME

- The Government has launched a mega pension Yojana namely '**Pradhan Mantri Shram-Yogi Maandhan**' for the unorganized sector workers with **monthly income up to Rs 15,000**.
- This pension Yojana shall provide them an assured monthly pension of **Rs 3,000 from the age of 60 years** on a monthly contribution of a small affordable amount during their working age. An unorganised sector worker joining pension Yojana at the age of 29 years will have to contribute only Rs 100 per month till the age of 60 years.
- A worker joining the pension yojana at 18 years will have to contribute as little as Rs 55 per month only. The Government will deposit equal matching share in the pension account of the worker every month.
- It is expected that at least 10 crore labourers and workers in the unorganised sector will avail the benefit of 'Pradhan Mantri Shram-Yogi Maandhan' within next five years making it **one of the largest pension schemes of the world**.

### → DE-NOTIFIED, NOMADIC AND SEMI NOMADIC COMMUNITIES

- A **Committee under NITI Aayog** will be set up to complete the task of identifying De-notified, Nomadic and Semi Nomadic communities not yet formally classified.
- The Government will also set up a **Welfare Development Board** under the Ministry of Social Justice and Empowerment specifically for the purpose of implementing welfare and development programmes for De-notified, Nomadic and Semi-Nomadic communities.
- The Board shall ensure that special strategies are designed and implemented to serve these hard-to-reach communities.

### WHO ARE THESE COMMUNITIES?

- De-notified tribes are those that were notified under the **Criminal Tribes Acts** enforced during British Rule, whereby entire population was branded criminals by birth. In 1952, the Act was repealed and the communities were de-notified.
- The **Nomadic tribes** maintain constant geographical mobility while **semi-nomads** are those who are on the move but return to a fixed habitations once a year.

### NEED FOR PROTECTION OF THESE COMMUNITIES

- A large number of De-notified, Nomadic and Semi-Nomadic Tribes have not been included in the categories of SCs, STs or OBCs.
- In spite of their vulnerability, they are treated on par with General category.
- Marginalization, neglect and oppression of the Communities.
- Unable to get government benefits such as Reservation.

## ► POOR AND BACKWARD CLASSES

The Interim Budget has stated that certain schemes such as **Aspirational Districts Programme, Saubhagya Yojana, Ayushman Bharat, Pradhan Mantri Gram Sadak Yojana** etc. have brought about a transformative change in the lives of the poor and vulnerable people. In this regard, let us look at some of these important schemes.

### → SAUBHAGYA YOJANA

- **Objective:** Provide Universal Household Electrification by end of Mar 2019.
- **Eligibility:** All Rural Households and urban poor Households. (Non-Poor Urban Households excluded)
- **Benefits:** Free electricity connection.
- **Ministry:** Ministry of Power
- **Nodal Agency:** Rural Electrification Corporation (REC)

**Note:** In 2014, Ministry of Power launched the **Deendayal Upadhyaya Gram Jyoti Yojana** (DDUGJY). While DDUGJY has focused on the village as the principal unit to measure electrification, **Saubhagya Yojana** shifts the targets to household electrification.

## →ASPIRATIONAL DISTRICTS PROGRAMME

- **Objective:** Effectively transform some of India's most underdeveloped districts.
- **Criteria for the Identification of Districts:**
  - Deprivation enumerated under Socio-Economic Caste Census
  - Key health and education performance indicators
  - State of basic infrastructure
- **Nodal Agency:** NITI Aayog
- **Strategy:**
  - Convergence of central and state schemes
  - Collaboration of central, state level 'Prabhari' (in-charge) officers and district collectors
  - Competition among districts

## →AYUSHMAN BHARAT

- **Objective:** Insurance cover up to Rs 5 lakh per family per year for secondary and tertiary hospitalization.
- **Eligibility:** 10 crore poor and vulnerable families identified as per the latest Socio-Economic Caste Census (SECC) data.
- **Hospitals Covered:** All public hospitals and empaneled private health care facilities.
- **Health Services covered:** Hospitalization expenses, day care surgeries, follow-up care, pre and post hospitalization expense benefits and new born child/children services.

## →PRADHAN MANTRI GRAM SADAK YOJANA

- PMGSY was launched on 25th December 2000 as a fully funded Centrally Sponsored Scheme to provide all weather road connectivity in rural areas of the country.
- The programme envisages connecting all habitations with a population of 500 persons and above in the plain areas and 250 persons and above in hill States, the tribal and the desert areas.
- Recently, The Government of India and the World Bank has signed a \$500 million loan agreement to provide

additional financing for the Pradhan Mantri Gram Sadak Yojana (PMGSY) Rural Roads Project, implemented by Ministry of Rural Development.

## ►WOMEN EMPOWERMENT

The Interim budget has highlighted that the government would make a paradigm shift in women empowerment from **Women's development to women led development**. The Interim budget has made special mention about 2 schemes of the government that had transformative effect on the life of women in India.

## →UJJWALA YOJANA

- **Objective:** Free LPG Connection to the Households
- **Eligible beneficiaries:** Adult woman member of a BPL family identified through the Socio-Economic Caste Census (SECC).
- **Benefits:** Deposit-free LPG connection with financial assistance of Rs 1,600 per connection by the Centre.
- **Implementation Agency:** Ministry of Petroleum and Natural Gas.

## →PRADHAN MANTRI MATRU VANDANA YOJANA

- **Objective:** Provide Maternity benefit in form of cash transfer to compensate the wage loss to the women during childbirth and childcare.
- **Benefits:** Conditional cash transfer of Rs 5,000 for the birth of first child.
- **Eligible Beneficiaries:** Available to all Pregnant Women & Lactating Mothers (PW&LM) except those in regular employment with the Central Government or State Government or Public Sector Undertaking
- **Implementation Agency:** Ministry of Women and Child Development

## ►INFRASTRUCTURE DEVELOPMENT

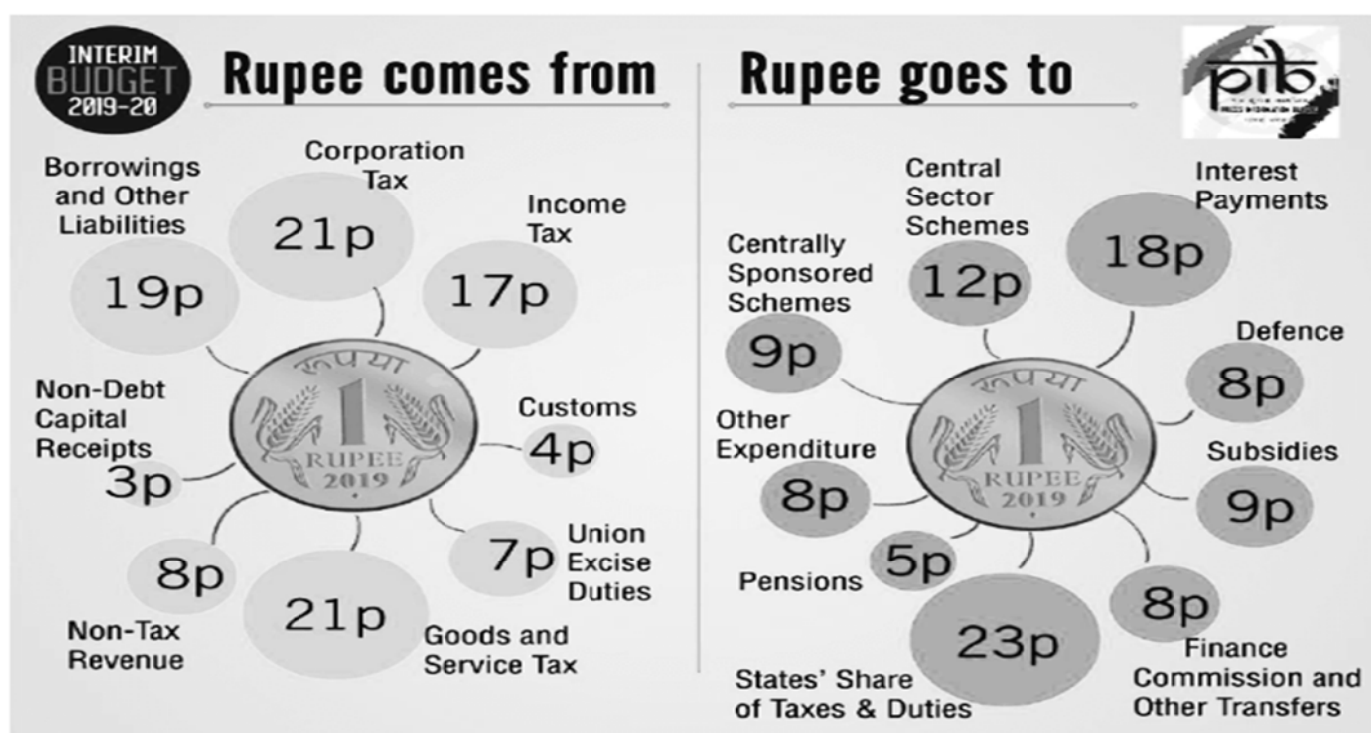
- The **UDAN scheme** has turned out to be a success as the **domestic air traffic passengers have doubled** during the last five years. The number of operational airports

has crossed 100 with the commissioning of the **Pakyong airport in Sikkim**.

- Arunachal Pradesh came on the air map recently and Meghalaya, Tripura and Mizoram have come on India's rail map for the first time.
- India has become the **fastest highway developer in the world** with 27 kms of highways built each day.
- Ministry of civil aviation has released '**PASSENGER CHARTER**'. It specifies the rights of air travelers. If a domestic flight is expected to be delayed by more than 6 hours then the airline would offer an option of 'alternate flight' to the passenger within that time, or it will refund full price of the ticket.

- '**OPEN SKY Policy**': Open Sky Policy: An open sky agreement allows for airlines from the two countries to have an unlimited number of flights as well as seats to each other's jurisdictions. As per National Civil Aviation Policy, 2016 government will enter into Open Sky on a reciprocal basis with SAARC countries and countries with territory located entirely beyond a 5000 km radius from New Delhi.
- The container freight movement has started on inland waterways from Kolkata to Varanasi. The Government is set to introduce **container cargo movement** to the North East by improving the navigation capacity of the Brahmaputra river.

## ► GLIMPSE INTO THE GOVERNMENT FINANCES



## ► TAXATION PROPOSALS

### → INCREASE IN THE TAX REBATE

- The interim Budget has proposed to increase the **income tax rebate (tax refund)** to Rs 12,500 for the taxpayers whose annual income is up to Rs 5 lakhs.
- Presently, as per the existing income tax slabs, the taxpayers whose annual income is up to Rs 5 lakhs are required to pay 5% as Income tax. Accordingly, the

maximum income tax payable in this tax slab is Rs 12,500 (5% of Rs 2.5 Lakhs). Now, these tax payers are eligible to claim tax rebate up to Rs 12,500 which means that there would be no tax burden on them.

- **However, it is to be noted that the tax rebate would be applicable only to the tax payers whose annual income is up to Rs 5 lakhs. The tax payers in the higher income tax slabs are not eligible to claim tax rebate.**



- Further, it is to be noted that the Interim budget has not introduced any changes to the Income Tax Slabs.

### →HOUSE PROPERTY INCOME

- As per the current laws, if the taxpayer owns more than one house property for personal use the rest of the properties are considered as deemed rented and income tax is levied on a notional rental value.
- It has been proposed to extend the exemption limit to two house properties owing to issues faced by the middle class having to maintain a family at two locations on account of job movements.

### →CHANGES IN CAPITAL GAINS

- The current laws provide the seller of a residential property with relief from capital gains tax, if the proceeds from the sale are used to acquire another residential property.
- The benefit of roll-over of capital gains has been proposed to be increased from investment in one residential house to two residential houses for a taxpayer having capital gains up to Rs 2 crore. This benefit can be availed only once in a taxpayer's lifetime.

### →STANDARD DEDUCTION

- The **Standard Deduction** is a deduction allowed as per the Income Tax irrespective of the expenses met or the investment made by the individual. An individual need not disclose any investment proofs or expense bills for this purpose.
- The Interim Budget has proposed to increase the Standard deduction from Rs 40,000 to Rs 50,000.

### →TAX REVENUE

- The **Gross tax revenue as % of the GDP** for the year 2018-19 stands at 11.9%.
- It is expected to increase to 12.1% of GDP in 2019-20.
- It is to be noted that the **share of direct taxes (6.4%) is higher than the share of indirect taxes (5.5%)**. Among the direct taxes, the highest share is that of corporate tax followed by Income Tax. Among the indirect taxes, the highest share is that of GST.

# SECTION-6

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**M C Qs**

**A**NSWER KEY

## MCQs ANSWER KEY

**Q1.** With reference to banking sector, the Prompt Corrective Action framework of RBI is applicable to:

1. Public sector banks
2. Private commercial banks
3. Co-operative banks

Select the correct answer using the code given below.

- (a) 1 and 2 only (b) 2 and 3 only  
(c) 1 and 3 only (d) 1, 2 and 3

**Q2.** Which of the following services are provided by the India Post Payment Bank?

1. Domestic Remittance Service
2. Direct Benefit Transfer
3. Savings Account Service

Select the correct answer using the code given below.

- (a) 1, 2 and 3 (b) 2 and 3 only  
(c) 1 and 2 only (d) None

**Q3.** Which of the following schemes have been implemented for the development of MSME sector?

1. Trade Receivables e-Discounting System
2. Government e - Marketplace
3. MUDRA yojana

Select the correct answer using the code given below.

- (a) 2 only (b) 2 and 3 only  
(c) 1 and 3 only (d) 1, 2 and 3

**Q4.** Consider the following statements about E-commerce sector in India:

1. Marketplace model is where goods sold on the portal is owned or controlled by the E-commerce company.
2. Inventory-based model is where the E-commerce firm simply acts as a platform that connects buyers and sellers.
3. FDI is allowed in E-commerce companies in marketplace model.

Which of the above statements is/are correct?

- (a) 1 and 2 only (b) 3 only  
(c) 2 and 3 only (d) 1, 2 and 3

**Q5.** Consider the following statements about GSTN:

1. The Goods and Services Tax Network (GSTN) was a non-government, private limited company.
2. The Centre individually and states collectively are the largest stakeholders of the GSTN.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q6.** Which of the following factors can have an adverse impact on Indian rupee valuation?

1. A huge current account deficit (CAD).
2. Outflow of FPI.
3. Inflow of FDI
4. Low economic growth
5. High Inflation

Choose the correct code

- (a) 1 and 4 only (b) 1 and 2 only  
(c) 1, 3 and 5 only (d) 1, 2, 4 and 5

**Q7.** The day of formation of the 'National Productivity Council' is celebrated every year as the 'National Productivity Day' and the following seven days as the 'National Productivity Week'. Consider the following statements in this context:

1. NPC is an autonomous organisation under the administrative control of the Ministry of Commerce and Industry.
2. NPC is a constituent of the intergovernmental Asian Productivity Organisation, of which India is a founder member.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q8.** Construction of the Zojila tunnel, the Silkyara Bend-Barkot Tunnel, and some other strategic roads in India is the responsibility of

- (a) National Highways Authority of India  
(b) National Highways & Infrastructure Development Corporation Ltd.  
(c) Border Roads Organisation  
(d) None of the above

**Q9.** Which among the following is **not** one of the indicators used to calculate the Multidimensional Poverty Index?

- (a) Annual income (b) School attendance  
(c) Improved sanitation (d) Cooking fuel

**Q10.** Y M Deosthalee committee is associated with

- (a) Corporate Social Responsibility  
(b) Electoral Reforms

## MCQs ANSWER KEY

- (c) Digital Payments
- (d) Public Credit Registry

**Q11.** The objectives of the recently approved Agriculture Trade Policy, 2018 include

1. To double agricultural exports in value terms by 2022 from present levels.
2. To double India's share in world agri-exports by integrating with the global value chain.
3. To create a common national agricultural market to facilitate exports.

Select the correct answer using the code given below:

- (a) 1 only
- (b) 2 and 3 only
- (c) 1 and 2 only
- (d) 1, 2 and 3

**Q12.** Consider the following statements about RYTHU BANDHU scheme:

1. Scheme is proposed by the government of Andhra Pradesh.
2. It provides grant of Rs. 4,000/- per acre per farmer each season for purchase of inputs like Seeds, Fertilizers, and Pesticides.
3. The scheme covers Horticulture crops also.

Which of the above statements is/are correct?

- (a) 1 only
- (b) 2 and 3 only
- (c) 1 and 2 only
- (d) 1, 2 and 3

**Q13.** World Energy Outlook is released by

- (a) OPEC
- (b) World Bank
- (c) International Energy Agency
- (d) United Nations

**Q14.** Consider the following statements about Small Finance Banks (SFBs):

1. India Post has been given small finance bank license.
2. Urban cooperative banks can convert into SFBs but these will then be subject to regulation by both State Governments as well as RBI
3. SFBs are subject to such norms and regulations of RBI as are applicable to existing commercial banks like CRR and SLR

Which of the statements given above is/are correct?

- (a) 1 and 3 only
- (b) 2 and 3 only
- (c) 3 only
- (d) 1, 2 and 3

**Q15.** A 'Bad Bank', sometimes in the news, refers to

- (a) A bank which has more than 5 percent of its loans categorised as Non-Performing Assets.
- (b) A Public Sector Bank which has more than 5 percent of its loans categorised as Non- Performing Assets.
- (c) A variant of an Asset Reconstruction Company.
- (d) The bank – whether private or public – which contributes the most to the pile of stressed assets within the Indian economic system.

**Q16.** Consider the following statements about the recently launched Krishi Kalyan Abhiyaan:

1. It will be undertaken in some villages located only in aspirational districts.
2. It will run till farmers incomes are doubled.
3. The overall coordination and implementation of the action plans for each district will be the responsibility of NITI Aayog.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 1 and 2 only
- (c) 3 only
- (d) 2 and 3 only

**Q17.** The 'Startup India Yatra' is an initiative that is related to

- (a) Development of startup ecosystems in villages.
- (b) The search for entrepreneurial talent in Tier-2 and Tier-3 cities.
- (c) Awareness workshops on the Startup India Initiative being held at technical universities across the country.
- (d) Startup India Hub's international bilateral cooperation with countries having strong startup ecosystems.

**Q18.** Under the Liberalised Remittance Scheme:

1. Remittances up to USD 250,000 per financial year for some current or capital account transactions is permitted.
2. Hindu Undivided Families, Trusts and resident individuals can freely remit money subject to the annual cap.

Select the correct answer using the code given below:

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

**Q19.** The parameters that are measured for the purpose of the World Bank's Logistics Performance Index does **not** include

## MCQs ANSWER KEY

- (a) Timeliness of deliveries  
(b) Ability to track and trace consignments  
(c) Competence and quality of logistics services  
(d) Safety and security of cargo movement
- Q20.** To calculate production cost in agriculture for the purpose of fixing Minimum Support Prices of crops, two broad concepts are used – A2 and C2. Which one of the following costs is included in calculation of **both** cost concepts?
- (a) Imputed cost of family labour  
(b) Interest on working capital  
(c) Interest on fixed capital  
(d) Rental value of owned land
- Q21.** Sometimes in the news, 'Anchor Investors' are most appropriately associated with
- (a) Initial Public Offerings  
(b) Startups  
(c) Small and Medium Enterprises  
(d) Foreign Portfolio Investors
- Q22.** Consider the following statements about the Inter-Creditor Agreement:
- Under it, if two-third of the lenders in terms of aggregate exposure approve, then the resolution plan is binding on all the lenders.
  - It was framed under the aegis of the RBI.
  - Public, private and foreign banks have signed it.
  - NBFCs are not allowed to be a part of this agreement.
- Which of the statements given above is/are correct?
- (a) 1, 2 and 3 only (b) 1 and 3 only  
(c) 2 and 4 only (d) 1, 2, 3 and 4
- Q23.** Which of the following statements about the Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI) is correct?
- (a) Foreign investment greater than 10 percent of the paid up capital of a company can be considered as the FDI.  
(b) FDI is more liquid asset for an investor than FPI.  
(c) FPI investors are active investors and take controlling positions in the domestic firms.  
(d) All the statements (a), (b) and (c) are correct.
- Q24.** The term 'Asian premium' which is seen in news refers to
- (a) a world famous rice variety found in Asia.  
(b) a type of insurance contract leading to slowdown in Asian financial markets.  
(c) Asian countries being charged high oil prices by Gulf suppliers.  
(d) highly educated skilled workers from Asia.
- Q25.** Which one of the following statements is **not** correct about Business Correspondents (BCs)?
- (a) Only individuals like retired bank employees, teachers and government employees can be designated as BCs  
(b) A BC can be a BC for more than one bank  
(c) The distance between the place of business of a BC and the base branch – the specific bank branch that is designated so – should not ordinarily exceed 30kms in rural areas  
(d) A BC is prohibited from charging any fee to the customers directly for services rendered by them on behalf of the bank
- Q26.** With reference to taxation system, Pigovian Tax refers to a tax imposed on
- (a) market activities that have negative externalities.  
(b) FII's to stop their speculative gains.  
(c) the entry of goods and services in a local area.  
(d) the amount distributed as dividend, by the companies.
- Q27.** Which of the following is/are correct with reference to the National Investment and Infrastructure Fund (NIIF)?
- It invests in funds engaged in infrastructure sectors.
  - It aims at attracting both domestic and foreign investors.
- Select the correct answer using the code given below.
- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2
- Q28.** 'AaykarSetu' sometimes seen in news is
- (a) A scheme for building infrastructure in high terrain areas of the north-east India.  
(b) An app that helps users carry out basic tax-related tasks using a smartphone.  
(c) An ancient bridge related to the Indus Valley Civilisation found in western Rajasthan.  
(d) A new all-terrain road linking Kashmir and Jammu.

## MCQs ANSWER KEY

**Q29.** Which of the following statements is/are correct with respect to Monetary Policy Committee (MPC)?

1. It is constituted by the Reserve Bank of India (RBI).
2. It sets the inflation target to be achieved by RBI.

Select the correct answer using the code given below.

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q30.** Which of the following statements is/are correct with respect to Minimum support Price?

1. It is the minimum price paid to sugarcane farmers by the Sugar Mills and is announced each year by the Centre.
2. It is approved by the Cabinet Committee on Economic Affairs.

Select the correct answer using the code given below.

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q31.** What are the likely impacts of reducing the Cash Reserve Ratio (CRR)?

1. Reduction in interest rates
2. Rise in inflation
3. Flight of foreign capital
4. Reduction in fixed deposits.

Select the correct answer using the code given below.

- (a) 1 and 2 only (b) 2, 3 and 4 only  
(c) 1, 3 and 4 only (d) 1, 2, 3 and 4

**Q32.** With reference to Customs Convention on International Transport of Goods (TIR Convention), consider the following statements:

1. The convention facilitates seamless movements of goods within and amongst the parties to the Convention.
2. It is managed by International Road Transport Union.
3. Recently, India has ratified the Convention.

Which of the statements given above is/are correct?

- (a) 2 and 3 only (b) 1 and 3 only  
(c) 1, 2 and 3 (d) 1 only

**Q33.** With reference to Debt Recovery Tribunals (DRTs), consider the following statements:

1. They have been established with the objective of providing expeditious adjudication and recovery of debts due to banks and financial institutions.

2. They were set up under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q34.** Which of the following is/are correct with reference to the External Benchmarking of Lending rate?

1. It will lead to transparency in pricing of loans.
2. It will lead to better transmission of RBI rate cuts.
3. Repo rate maintained by the RBI will be the only external benchmark.

Select the correct answer using the code given below.

- (a) 1 only (b) 1 and 2 only  
(c) 2 and 3 only (d) 1 and 3 only

**Q35.** With reference to National Bank for Agricultural and Rural Development (NABARD), consider the following statements:

1. It was created through an executive order.
2. It provides funds to State governments for undertaking developmental and promotional activities in rural areas.
3. It is under the supervision of RBI.

Which of the statements given above are correct?

- (a) 1 and 2 only (b) 2 and 3 only  
(c) 1 and 3 only (d) 1, 2 and 3

**Q36.** Consider the following statements with respect to Strategic Oil Reserves in India:

1. They are constructed in underground rock caverns.
2. The storage facilities are maintained by Oil and Natural Gas Corporation of India.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q37.** India's largest 'floating treatment wetland (FTW)' on Nekkampur Lake was inaugurated on February 2, World Wetlands Day. Several plants on this FTW will help clean the lake by absorbing nutrients such as excess nitrates and oxygen present in the water. The Cleaning agents planted on the FTW include hibiscus, tulsi, ashvagandha etc. Which of the following cities hosted the wetland discussed in the above passage?



## MCQs ANSWER KEY

- (a) Bengaluru (b) Hyderabad  
(c) Kochi (d) Bhopal

**Q38.** Which of the following statements is/are true about Base Erosion and Profit Sharing (BEPS)?

1. It refers to tax avoidance strategies adopted by Multinational companies to artificially shift profits to low or no-tax locations.
2. OECD has developed an action plan on BEPS.

Select the correct answer using the code given below.

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q39.** Which of the following measures result in an increase in money supply in the Indian economy?

1. Sale of government security by the Central Bank to public.
2. Increasing Statutory Liquidity Ratio by the Central Bank.
3. Sale of treasury bills by the government to the Central Bank.

Select the correct answer using the code given below.

- (a) 3 only (b) 1, 2 and 3  
(c) 2 and 3 only (d) 1 only

**Q40.** In the context of economy, Lorenz curve is used to measure:

- (a) Female labour force participation  
(b) Income inequality  
(c) Rate of unemployment  
(d) Inflation

**Q41.** Consider the following statements regarding Commercial Papers:

1. It is issued by corporate sectors to raise short term funds from the investors.
2. These Commercial papers are non-tradable in money market.
3. It is a type of equity instrument.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 and 3 only  
(c) 1 and 3 only (d) 1, 2 and 3

**Q42.** The term 'Co-location facility', often seen in news, refers to

- (a) a system of solid waste management using various techniques of in-situ remediation.  
(b) a practice of housing privately-owned servers and networking equipment in a third party data centre.  
(c) a method of ex-situ conservation of multiple animal species.  
(d) a method using multiple geo-stationary satellites to monitor a location.

**Q43.** Which of the following statements is/are correct with respect to Engineering, Procurement and Construction (EPC) model deployed in development of highways?

1. The government agency is responsible for acquisition of land for the project.
2. The private player is responsible for collection of tolls.

Select the correct answer using the code given below.

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q44.** With reference to the Unorganised sector in India, consider the following statements:

1. An enterprise in unorganised sector must have more than 20 employed workers.
2. It includes both urban and rural labour.
3. It contributes less than 10% to the GDP of the country.

Which of the statements given above is/are correct?

- (a) 1 and 2 only (b) 2 only  
(c) 1, 2 and 3 (d) None

**Q45.** With reference to the Hydrocarbon Exploration and Licensing Policy (HELP), consider the following statements:

1. It provides for a uniform licensing system to cover all hydrocarbons.
2. It adopts fiscal system of Revenue Sharing Contract.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q46.** 'Energy Transition Index' is released by which of the following organizations?

- (a) United Nations Environment Programme  
(b) European Bank for Reconstruction and Development  
(c) World Economic Forum  
(d) International Energy Agency

## MCQs ANSWER KEY

**Q47.** With reference to Indian banking system, which of the following comes under the Priority sector lending?

1. Social Infrastructure
2. Agriculture
3. Micro, Small and Medium Enterprises(MSMEs)

Select the correct answer using the code given below.

- (a) 1 only (b) 1 and 2 only  
(c) 2 and 3 only (d) 1, 2 and 3

**Q48.** With respect to Micro, Small & Medium Enterprises(MSME), consider the following statements:

1. The MSME are classified on the basis of the number of people employed.
2. Both manufacturing and service enterprises are include under MSME.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q49.** With reference to the Participatory Note (P-Note), consider the following statements:

1. It is issued by a SEBI registered Foreign Institutional Investor in overseas market.
2. The investor in P-Note are the real owners of the Indian securities in which they invest.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2.

**Q50.** Consider the following statements about Tax buoyancy:

1. It refers to the changes in tax revenue vis-a-vis GDP growth.
2. Tax buoyancy in direct taxes has increased consistently since year 2015-16.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 and 2

**Q51.** Consider the following statements regarding inflation targeting:

1. It is a strategy used by the central government to stabilize the economy.
2. The benchmark used for targeting inflation in India is based on Consumer Price Index.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q52.** Which of the following statements about the Pradhan Mantri Fasal Bima Yojana (PMFBY) is/are **not** correct?

1. Its objective is to stabilize the income of farmers to ensure their continuance in farming.
2. Under the scheme only food crops damages are covered.
3. The scheme covers post-harvest losses due to hail storms and unseasonal rainfall.

Select the correct answer using the code given below.

- (a) 2 only (b) 1 and 2 only  
(c) 1, 2 and 3 (d) 1 and 3 only

**Q53.** KALIA scheme launched by the government of Odisha, sometimes seen in the news, is related to:

- (a) Incentivisation of adoption of solar power pumps for irrigation.
- (b) Providing financial assistance to cultivators and landless agricultural labourers.
- (c) Promotion of non-timber based economy, especially in tribal areas.
- (d) Promotion of agro-forestry as an alternative source of income for farmers.

**Q54.** Which of the following is the correct description of GDP deflator?

- (a) It is the ratio between the nominal GDP and real GDP.
- (b) It is the ratio between the GDP in the current year and GDP in the base year.
- (c) It is the relation between the change in GDP and the corresponding change in employment rates.
- (d) It is the measure used to compare GDPs of different countries

**Q55.** Consider the following statements with respect to 'Limited Liability Partnerships':

1. It is a scheme of RBI for reworking the financial structure of big corporate entities.
2. It is a corporate structure that combines the flexibility of a partnership and the advantages of limited liability of a company at a low compliance cost.
3. FDI in Limited Liability Partnerships is not allowed but they can raise money from financial markets.

Which of the statements given above is/are correct?

## MCQs ANSWER KEY

- (a) 1 and 2 only (b) 2 only  
(c) 3 only (d) 1, 2 and 3

**Q56.** Consider the following statements about Masala bonds, recently in the news:

- These are issued by Indian firms in dollar denomination to attract funds from abroad so as to bypass the problem of volatility of the Indian rupee.
- The International Finance Corporation was the first to issue a 'Green Masala Bond', meant to address climate change in India.

Which of the statements given above is/are correct ?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q57.** Within the new and overarching policy of PM-AASHA, pulses can be procured under

- Price Support Scheme
- Price Deficiency Payment Scheme
- A scheme for procurement by private agencies

Select the correct answer using the code given below:

- (a) 1 only (b) 1 and 2 only  
(c) 2 and 3 only (d) 1, 2 and 3

**Q58.** Consider the following statements about INVEST INDIA:

- It is a private company set up to facilitate investment promotion in India.
- It is set up for both foreign and Indian investors.
- Make in India venture is managed by Invest India.

Which of the statements given above is/are correct?

- (a) 1 only (b) 1 and 2 only  
(c) 2 and 3 only (d) 1, 2 and 3

**Q59.** For which of the following purpose Uday Kotak committee was constituted?

- To look into the issues of Corporate governance.
- To regulate online news websites and entertainment sites.
- To look into rising incidence of fraud in the Indian banking system.
- To review the enforcement of Corporate Social Responsibility provisions.

**Q60.** With reference to the International Financial Service Centre (IFSC), consider the following statements:

- It caters to customers outside the jurisdiction of the domestic economy.
- It provides financial services in a currency other than the domestic currency.
- No IFSC has been set up in India yet.

Which of the statements given above is/are correct?

- (a) 2 only (b) 3 only  
(c) 1 and 2 only (d) 1 and 3 only

**Q61.** Consider the following statements:

- The Logistics Performance Index (LPI) is a publication of the World Bank.
- In the LPI, India's ranking declined in 2018 when compared to its position in the previous edition of the report.
- India's logistics cost is at about 10 per cent of the GDP.

Which of the statements given above is/are correct?

- (a) 1 only (b) 1 and 2 only  
(c) 3 only (d) 1 and 3 only

**Q62.** Which of the following are the advantages of implementing Insolvency and Bankruptcy Code (IBC)?

- Quicker insolvency resolution of corporate debtors.
- Enhancing the viability of credit in the hands of banks.
- Decreasing the Non-Performing Assets (NPA) of banks.

Select the correct answer using the code given below.

- (a) 1 and 2 only (b) 2 and 3 only  
(c) 1 and 3 only (d) 1, 2 and 3

**Q63.** With reference to Financial Stability and Development Council (FSDC), consider the following statements:

- It aims to enhance inter-regulatory coordination among financial sector regulatory authorities.
- It will focus on financial literacy and financial inclusion.
- It is chaired by the Finance Minister of India.

Which of the statements given above is/are correct?

- (a) 1 only (b) 1 and 2 only  
(c) 2 and 3 only (d) 1, 2 and 3

**Q64.** Which among the following is/are the major objectives of setting up of Special Economic Zones?

- To attract Foreign Direct Investment
- To create employment opportunities
- To boost export of goods and services

Select the correct answer using the code given below.

- (a) 1 only (b) 1 and 3 only

## MCQs ANSWER KEY

- (c) 2 and 3 only (d) 1, 2 and 3
- Q65.** As per the latest Agricultural Census:
1. The total number and cumulative area of small land holdings showed an increase in 2015-16 compared to 2010-11.
  2. The total number and area of medium as well as large landholdings declined in 2015-16 compared to 2010-11.
- Which of the statements given above is/are correct?
- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2
- Q66.** Inverted Duty Structure, which adversely impacts manufacturing, refers to
- (a) Taxation of imported finished goods at rates lower than on similar domestically produced finished-goods.
  - (b) Inputs being taxed at higher rates than on finished products.
  - (c) A taxation system that the World Trade Organisation requires developing countries to adopt.
  - (d) None of the above
- Q67.** A worsening fiscal gap
1. May pose inflationary risks
  2. May indicate ineffectiveness of fiscal consolidation policies undertaken by Governments
- Select the correct answer using the code given below:
- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) None of the above
- Q68.** Benefits accruing from the implementation of NABH Nirman scheme will help with the promotion of which one of the following?
- (a) Project Sashakt
  - (b) UDAN scheme
  - (c) PM Jan Dhan Yojana
  - (d) PM Gram Sadak Yojana
- Q69.** In the context of the International Banking fora, 'SWIFT' is
- (a) A messaging network that financial institutions use to securely transmit information
  - (b) A Bank for International Settlements (BIS) programme to help member country-banks improve the quality and speed of Credit Appraisal Procedures
- (c) A model policy of the International Monetary Fund which provides guidelines on ways and means to recover loans  
(d) None of the above
- Q70.** The Budget 2018-19 has proposed a Long Term Capital Gains Tax on equities without offering any 'indexation benefit'. What does the term 'indexation benefit' mean?
- (a) Investors will be eligible for tax exemption on capital gains to the extent of taxable income on the value of any prior capital loss.
  - (b) Investors can save taxes by clubbing all capital gains and losses incurred by them in their equity investments during any financial year.
  - (c) It allows investors to adjust the purchase price for inflation thereby bringing down taxable gains.
  - (d) None of the above
- Q71.** Legal tender in India includes
1. Currency notes and coins
  2. Cryptocurrencies
  3. Cheques
- Select the correct answer using the code given below:
- (a) 1 only (b) 2 and 3 only  
(c) 1 and 3 only (d) 1, 2 and 3
- Q72.** Letters of Undertaking and Letters of Credit have recently been in the news in the context of affairs related to
- (a) Imports and exports
  - (b) Credit guarantees for MSMEs
  - (c) Non-Performing Assets in NBFCs
  - (d) e-NAM
- Q73.** The annual Global Liveability Index is released by
- (a) The World Bank
  - (b) The Economist Intelligence Unit
  - (c) The World Economic Forum
  - (d) UN Habitat Secretariat
- Q74.** The Narasimhan Committee is sometimes mentioned in the news in the context of affairs related to
- (a) Financial sector reforms
  - (b) Cryptocurrency regulation
  - (c) Defence indigenisation and modernisation
  - (d) Structural reforms for Army overhaul

## MCQs ANSWER KEY

**Q75.** O-SMART is an umbrella scheme recently approved for implementation by the Union Cabinet. It will help address issues directly relating to

- (a) SDG 11 (b) SDG 12  
(c) SDG 13 (d) SDG 14

**Q76.** Consider the following statements:

1. India is the third-biggest consumer of crude oil.
2. Globally, the share of natural gas as an energy resource has increased in the past few years.
3. Globally, the share of nuclear energy as an energy resource has increased in the past few years.

Which of the statements given above is/are correct ?

- (a) 1 and 2 (b) 2 only  
(c) 2 and 3 (d) 3 only

**Q77.** India jumped 23 ranks in the World Bank's Ease of Doing Business Index 2018 to 77. However, there are some parameters on which India's ranking deteriorated. Among which one of the following parameters did India not witness a drop in its ranking?

- (a) Paying taxes  
(b) Enforcing contracts  
(c) Registering property  
(d) Resolving insolvency

**Q78.** Which of the following statement correctly describes 'depreciation'?

- (a) It is a monthly allowance for wear and tear of a capital good.  
(b) It is based on the demand and supply of consumer goods in market.  
(c) It is calculated as the cost of good divided by number of years of its useful life.  
(d) It accounts for sudden destruction of capital caused due to natural calamities.

**Q79.** Which of the following is not a flow variable?

- (a) Capital formation during a year  
(b) Income  
(c) Profits  
(d) Labour force

**Q80.** Which of the following is/are the components of trade balance?

1. Trade in goods

2. Trade in services

3. Net transfers

Select the correct answer using the code given below.

- (a) 1 only (b) 1 and 2 only  
(c) 2 and 3 only (d) 1, 2 and 3 only

**Q81.** Consider the following statements in the context of the demonetisation exercise, undertaken two years ago:

1. Currency in circulation today is more than what it was just before demonetisation.
2. The value of mobile banking transactions today have nearly doubled in comparison to the period just before demonetisation.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q82.** Consider the following statements with regard to the Reserve Bank of India:

1. It is the lender of last resort for the commercial banks.
2. It acts as a banker to both central and state governments.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q83.** With reference to Nominal Effective Exchange Rate, consider the following statements:

1. It is a weighted average rate of exchange of a country's currency for a basket of multiple foreign currencies.
2. It accounts for the inflation rate of the home country relative to the inflation rate of its trading partners.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q84.** Which of the following best describes the "Double coincidence of wants"?

- (a) A situation where two economic agents have complementary demands for each other's surplus production.  
(b) An economic situation where two economic agents have desire for similar goods.  
(c) An economic situation in which aggregate demand is assumed to be infinitely elastic.

## MCQs ANSWER KEY

- (d) An economic situation where the total demand in the economy is two times the supply in the economy.

**Q85.** Which of the following items are part of 'current account' in Balance of Payments?

1. Interest on loans
2. Tourist expenditure
3. Banking and insurance charges
4. Software services

Select the correct answer using the code given below.

- (a) 1, 2, 3 and 4                      (b) 2, 3, and 4 only  
(c) 1 and 3 only                      (d) 1, 2 and 4 only

**Q86.** Inclusive Development Index (IDI) is published by

- (a) UNDP  
(b) World Bank  
(c) World Economic Forum  
(d) IMF

**Q87.** Which of the following is/are likely to strengthen the corporate bond market in India?

1. Allowing banks to issue masala bonds.
2. Making government securities more accessible to retail investors.

Select the correct answer using the code given below.

- (a) 1 only                              (b) 2 only  
(c) Both 1 and 2                      (d) Neither 1 nor 2

**Q88.** With reference to Human Development Index (HDI), consider the following statements:

1. It is based on life expectancy at birth and GDP per capita income only.
2. It is published by World Economic Forum.

Which of the statements given above is/are correct?

- (a) 1 only                              (b) 2 only  
(c) Both 1 and 2                      (d) Neither 1 nor 2

**Q89.** Disinvestment of Public Sector Undertakings is considered an important step towards adoption of Economic Reforms. Which of the following are possible advantages of Disinvestment?

1. To raise finances for the government
2. To make enterprises more efficient
3. Reducing public debt
4. Labour welfare and to create employment.

Select the correct answer using the codes given below:

- (a) 1 and 2 only  
(b) 3 and 4 only  
(c) 1, 2 and 3 only  
(d) 1, 2, 3 and 4

**Q90.** The government also has a variety of social security programmes to help a few specific groups. National Social Assistance Programme is one such programme initiated by the central government.

1. Under this programme, elderly people who do not have anyone to take care of them are given pension to sustain themselves.
2. Poor women who are destitute and widows are also covered under this scheme.

Which of the above statements is/are correct?

- (a) 1 only                              (b) 2 only  
(c) Both 1 and 2                      (d) Neither 1 nor 2

**Q91.** With reference to the Real Estate Investment Trusts (REITs), consider the following statements:

1. They are mutual fund like institutions that enable investments into the real estate sector.
2. They are regulated by Securities and Exchange Board of India (SEBI).

Which of the statements given above is/are correct?

- (a) 1 only                              (b) 2 only  
(c) Both 1 and 2                      (d) Neither 1 nor 2

**Q92.** In lending, MUDRA gives priority to enterprises set up by:

1. Scheduled caste/Scheduled tribe (SC/ST) groups
2. First generation entrepreneurs
3. Existing small businesses

Select the correct answer using the code given below.

- (a) 1, 2 and 3                              (b) 1 and 2 only  
(c) 1 and 3 only                              (d) 2 and 3 only

**Q93.** GDP of a country accounts for the values of which of the following components?

1. Final goods
2. Final services
3. Intermediate goods
4. Income from abroad

Select the correct answer using the code given below.

- (a) 1, 2, 3 and 4                              (b) 1 and 2 only  
(c) 2 and 3 only                              (d) 1, 3 and 4 only



## MCQs ANSWER KEY

**Q94.** Which among the following factors have led to increase in outsourcing of jobs to India?

1. Growth of fast modes of communication
2. Availability of skilled manpower in India
3. Low wage rates of workers in India

Select the correct answer using the code given below.

- (a) 1 and 2 only                      (b) 2 and 3 only  
(c) 1 and 3 only                      (d) 1, 2 and 3

**Q95.** Which of the following is levied on imported goods to offset subsidies made to producers in the exporting country?

- (a) Import Duty                      (b) Export Duty  
(c) Excise Duty                      (d) Countervailing Duty

**Q96.** Consider the following statements regarding Priority Sector Lending (PSL):

1. It is mandated at 40% of the total bank credit for all the banks.
2. The extent of shortfall in the PSL target is to be invested in municipal bonds.
3. It aids in achieving financial inclusion.

Which of the statements given above is/are correct?

- (a) 1 only                              (b) 2 and 3 only  
(c) 3 only                              (d) 1, 2 and 3

**Q97.** Which among the following statements is correct with respect to Green GDP?

- (a) It is a term used for GDP after adjusting for environmental damage.  
(b) It is a measure to check the growth of Greenhouse effect in the ecosystem.  
(c) It is the portion of GDP which is used for afforestation efforts.  
(d) It calculates the economic consequences of loss of biodiversity in GDP form.

**Q98.** The term 'Fugitive Economic Offender' frequently seen in news, refers to:

- (a) A person fleeing the country to avoid criminal prosecution for defaulting loans to banks.  
(b) A person transferring goods illegally from one state to other to avoid tax.

- (c) A citizen of India against whom economic sanctions are imposed by other nation.  
(d) A person found guilty of tax evasion.

**Q99.** With reference to the National Agriculture Market (NAM), consider the following statements:

1. It is a pan-India electronic trading portal for agriculture produce.
2. It will be implemented as a Central Sector Scheme.
3. It will be binding on all States.

Which of the statements given above is/are correct?

- (a) 1 and 2 only                      (b) 1 only  
(c) 2 and 3 only                      (d) 1, 2 and 3

**Q100.** With reference to the Systemically Important Financial Institutions, consider the following statements:

1. These are institutions whose failure will cause disruption in the wider financial system and economy.
2. These institutions enjoy an implicit sovereign guarantee against failure.
3. In India, RBI has declared ICICI and SBI banks as domestic systemically important banks.

Which of the statements given above are correct?

- (a) 1 and 2 only                      (b) 2 and 3 only  
(c) 1 and 3 only                      (d) 1, 2 and 3

**Q101.** Which among the following are the components of Indradhanush plan for revamping the Public Sector Banks (PSBs) in India?

1. Setting up of Bank Board Bureau
2. Capitalisation of the Banks
3. Disinvestment of Public Sector Banks
4. Reducing the NPAs (Non-Performing Assets) of Banks

Select the correct answer using the code given below:

- (a) 1 and 2 only  
(b) 1, 2 and 4 only  
(c) 2 and 4 only  
(d) 1, 2, 3 and 4

**Q102.** The "ASIAN PREMIUM", which was in news recently, deals with

- (a) Additional cost incurred by the Asian countries to counter climate change.  
(b) Additional cost being collected by Organisation of the Petroleum Exporting Countries (OPEC) from Asian countries when selling oil.

## MCQs ANSWER KEY

- (c) Provision of additional quota in the International Monetary Fund (IMF) to India and China.
- (d) Additional privileges given by World Trade Organisation (WTO) to the Asian Countries.

**Q103.** With reference to Global Liveability Index, 2018, which of the following statements is/are correct?

1. It is published annually by the Economist Intelligence Unit.
2. It ranks the world cities on the parameter of safety and incidence of crimes.
3. Pune was ranked the best city in to live in India.

Select the correct answer using the code given below:

- (a) 1 only (b) 1 and 3 only  
(c) 2 and 3 only (d) 1, 2 and 3

**Q104.** Which among the following are considered to be "Twin Deficits" in an economy?

1. Fiscal Deficit
2. Revenue Deficit
3. Current Account Deficit
4. Capital Account Deficit

Select the correct answer using the code given below:

- (a) 1 and 2 only (b) 2 and 3 only  
(c) 1 and 3 only (d) 2 and 4 only

**Q105.** Which among the following goods are covered under the Index of Industrial Production (IIP)?

1. Primary goods
2. Construction goods
3. Intermediate goods
4. Consumer non-durables

Select the correct answer using the code given below:

- (a) 1 and 2 only (b) 1, 2 and 3 only  
(c) 1, 2 and 4 only (d) 1, 2, 3 and 4

**Q106.** Consider the following statements regarding 10<sup>th</sup> Agricultural census:

1. State-wise data from the survey showed that Maharashtra accounted for the largest number of operational holdings.
2. The percentage share of female land holders has been increased.
3. The average size of operational holding is highest in Nagaland and lowest in Kerala.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) 1 and 2 (d) 2 and 3

**Q107.** Consider the following statements related to Multidimensional Poverty Index (MPI):

1. The MPI measures multiple deprivations suffered by individuals in terms of education, health and Standard of Living.
2. The MPI uses 10 indicators and those found to face deprivations in at least one-fourth of the MPI's indicators are multidimensional poor.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q108.** Consider the following statements about the Purchasing Managers' Index (PMI):

1. The Purchasing Managers' Index (PMI) is an indicator of economic health for manufacturing sectors only.
2. The PMI is compiled and released monthly by the Institute for Supply Management (ISM).

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q109.** Which among the following policy measures can be taken by the Reserve Bank of India in order to increase money supply in the Economy?

1. Decrease in the Repo rate
2. Increase in the Reverse Repo rate
3. Decrease in the Bank Rate
4. Selling of Government Bonds under Open Market operations (OMOs)

Select the correct answer using the code given below:

- (a) 1 and 2 only (b) 2 and 3 only  
(c) 1 and 3 only (d) 2 and 4 only

**Q110.** Which of the following is gauged by Global Burden Disease (GBD)?

1. The number of people dying prematurely due to a particular disease.
2. The number of years spent by people in a state of 'disability' owing to the disease.

Select the correct answer using the code given below:

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

## MCQs ANSWER KEY

**Q111.** Consider the following statements related to Goods and Service Tax (GST):

1. It is a destination based direct tax with the facility of Input tax credit.
2. It has replaced large number of taxes which were levied on production/sale of goods and services.
3. The implementation of GST would lead to higher tax compliance and give boost to India's GDP.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 and 3 only  
(c) 1 and 3 only (d) 1, 2 and 3

**Q112.** Consider the following statements related to "Calibrated Tightening" Monetary policy stance of the RBI:

1. Under this policy stance, the repo rate either remains unchanged or increases.
2. This policy stance is adopted to increase the money supply in the economy.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q113.** Which among the following indicators are considered by the World Bank in its report for "Ease of Doing Business" Index?

1. Starting a Business
2. Getting Credit
3. Trading across Borders
4. Enforcing contracts

Select the correct answer using the code given below:

- (a) 1 and 2 only (b) 2 and 3 only  
(c) 1, 2 and 3 only (d) 1, 2, 3 and 4

**Q114.** Consider the following statements related to certification of diamonds:

1. The International Gemological Institute (IGI) provides certificate to the genuine diamonds, coloured stones and jewellery.
2. The Kimberley Process Certification Scheme (KPCS) aims to reduce flow of rough diamonds which may be used to finance wars against governments.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q115.** Consider following statements with respect to the recently launched 'Project Sashakt' by Government of India:

1. It is launched to deal with non-performing assets.
2. It aims to strengthen the credit capacity, credit culture and credit portfolio of public sector banks.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q116.** Rythu Bandhu Scheme is related to which of the following states?

- (a) Andhra Pradesh (b) Tamil Nadu  
(c) West Bengal (d) Telangana

**Q117.** With reference to WTO's Sanitary and Phytosanitary Measures Agreement, consider the following statements:

1. It enables the member countries to take measures to protect human, animal or plant life from risks arising from international trade in goods.
2. It ensures that strict health and safety regulations are not being used as an excuse for imposing trade barriers.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q118.** Which of the following statements about the Bharat Broadband Network Limited (BBNL) is/are correct?

1. BBNL has been set up for the establishment, management and operation of the National Optical Fibre Network.
2. BBNL aims to provide high speed digital connectivity only in the mega cities of urban India.
3. BBNL caters to facilitate proliferation of broadband services to foster socio-economic development in line with the vision of 'Digital India' Programme.

Select the correct answer using the code given below:

- (a) 1 and 3 only (b) 3 only  
(c) 2 and 3 only (d) 1, 2 and 3

**Q119.** 'Mission Indradhanush', launched by the Government of India, pertains to

- (a) immunization of children and pregnant women.  
(b) construction of smart cities across the country.

## MCQs ANSWER KEY

- (c) India's own search for the Earth-like planets in outer space.
- (d) The New Educational Policy.

**Q120.** The Fair and Remunerative Price (FRP) of sugarcane is approved by the

- (a) Cabinet Committee on Economic Affairs.
- (b) Commission for Agricultural Costs and Prices.
- (c) Directorate of Marketing and Inspection, Ministry of Agriculture.
- (d) Agricultural Produce Market Committee.

**Q121.** Consider the following statements related to the Central Board of Directors of the Reserve Bank of India (RBI):

- 1. The Central Board has a maximum number of 21 directors and is headed by Governor of the RBI.
- 2. The Board for Financial Supervision (BFS) acts as a committee of the Central Board of Directors of the RBI.
- 3. The Central Board of Directors does not have any representatives of the Central Government.

Which of the statements given above are correct?

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

**Q122.** Consider the following statements related to the 'Safeguard Duty':

- 1. Safeguard Duty is a form of temporary relief which is used when imports of a particular product increase unexpectedly to a point that they adversely affect the domestic producers.
- 2. The imposition of Safeguard Duty is completely prohibited by the World Trade Organization (WTO).

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

**Q123.** Consider the following statements related to the National Financial Switch:

- 1. It is one of the largest networks of shared ATMs in India.
- 2. It is owned and operated by the Reserve Bank of India (RBI).

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

**Q124.** Consider the following statements related to the Serious Frauds Investigation Office (SFIO) in India:

- 1. The SFIO is a statutory corporate fraud investigating agency under the Ministry of Finance.
- 2. The SFIO has been empowered to issue Look-out Circular (LOC) against a suspect to prevent him/her from leaving the country.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

**Q125.** Consider the following statements about the Governor of the Reserve Bank of India (RBI):

- 1. He shall hold office for such term not exceeding five years as per the Reserve Bank of India Act, 1934.
- 2. He shall head the Monetary Policy Committee.
- 3. He is appointed as Official Director of Central Board by the Central Government.

Which of the statements given above is/are correct?

- (a) 2 only
- (b) 1 and 2 only
- (c) 2 and 3 only
- (d) 1, 2 and 3

**Q126.** Consider the following statements about 'Food Sustainability Index' report:

- 1. Despite the increase in food production, the Food Sustainability Index ranks India 83rd among 200 countries in 2018.
- 2. China does better than India, while other BRICS partners are rated poorly.
- 3. This report was published by the Economist Intelligence Unit and Barilla Centre for Food and Nutrition.

Which of the statements given above is/ are correct?

- (a) 1 only
- (b) 2 only
- (c) 2 and 3 only
- (d) 1, 2 and 3

**Q127.** Consider the following statements related to Bullet Train Project being presently implemented in India:

- 1. This Project passes through 2 states and one Union Territory.
- 2. This project is being funded and implemented by the Japan International Cooperation Agency (JICA)

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

**Q128.** Capital Investment Subsidy (CIS) under Amended Technology Upgradation Fund Scheme (ATUFS) shall be available for investment on technology upgradation in which of the following segments?

1. Weaving, weaving preparatory and knitting
2. Processing of fibres, yarns, fabrics, garments and made-ups
3. Handloom Sector
4. Silk Sector
5. Jute Sector

Select the correct answer using the code given below:

- (a) 2, 3 and 4 only (b) 1, 2 and 5 only  
(c) 3, 4 and 5 only (d) 1, 2, 3, 4 and 5

**Q129.** Which of the following is/are the objective(s) of the Agriculture Export Policy, 2018?

1. To diversify our export basket, destinations and boost high value and value added agricultural exports including focus on perishables.
2. To promote novel, indigenous, organic, ethnic, traditional and non-traditional Agri products exports.
3. To enable farmers to get benefit of export opportunities in overseas market.

Select the correct answer using the code given below:

- (a) 1 only (b) 2 only  
(c) 2 and 3 only (d) 1, 2 and 3

**Q130.** Consider the following statements:

1. Food and Agriculture Organisation (FAO) Council approved India's proposal to observe an International Year of Millets in 2019.
2. This international endorsement comes against the backdrop of India celebrating 2018 as the National Year of Millets for promoting cultivation and consumption of these nutri-cereals.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q131.** Consider the following statements about Multi-Dimensional Poverty Index (MPI):

1. It was first published by World Bank in its 2010 World Development Report.
2. It was first developed by Oxford Poverty and Human Development Initiative (OPHI).

3. It measures multiple deprivations at the individual level.

Which of the following statements given above is/are correct?

- (a) 1 and 2 only (b) 1 only  
(c) 2 only (d) 2 and 3 only

**Q132.** Consider the following statements about Goods and Services Tax, recently introduced in India:

1. Composition scheme of the GST is a simple scheme under GST for small tax payers.
2. National Anti-Profitteering Authority is a constitutional body to check unfair profit-making.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q133.** Consider the following statements about the Insolvency and Bankruptcy Code, 2016:

1. It solves the exit problem in the Indian economy.
2. It envisages strict timelines for resolution of bankruptcy.
3. The RBI is the regulator and facilitator for the insolvency process under the law.

Which of the statements given above is/are correct?

- (a) 1 and 2 only (b) 2 and 3 only  
(c) 1 and 3 only (d) 1, 2 and 3

**Q134.** Consider the following statements about the Global Forum for Steel Excess Capacity:

1. It is body formed by the World Bank.
2. India is co-chairman of this body since 2018.

Which of the statements given above is/are correct?

- (a) 1 only  
(b) 2 only  
(c) Both 1 and 2  
(d) Neither 1 nor 2

**Q135.** Consider the following pairs:

1.	Baba Kalyani Committee	-	To reform SEZ policy
2.	Ravindra Dholakia Committee	-	To upgrade norms for state, district level norms for economic data collection
3.	Nandan Nilekani	-	To suggest steps to

## MCQs ANSWER KEY

	Committee		deepen payments	digital
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Which of the pairs given above are correctly matched?

- (a) 1 and 2 only (b) 2 and 3 only  
(c) 1 and 3 only (d) 1, 2 and 3

**Q136.** What is meant by 'Cabotage'?

- (a) It is special tax imposed on the shipping sector.  
(b) It refers to pollution caused by bunker oil in ships.  
(c) It is the name of the cruise ship launched between Mumbai and Goa.  
(d) It refers to reserving coastal trade for national flag vessels.

**Q137.** Consider the following statements about PFMS (Public Financial Management System):

1. It aims to facilitate a sound Public Financial Management System for Government of India.
2. It is developed and implemented under Department of Financial Services, Ministry of Finance.
3. Its mandate includes Direct Benefit Transfer and digitisation of accounts.

Which of the statements given above are correct?

- (a) 1 and 2 only  
(b) 1 and 3 only  
(c) 2 and 3 only  
(d) 1, 2 and 3

**Q138.** Consider the following statement about GST compensation for states:

1. The legal provision for compensation to states towards losses in revenue on account of GST is constitutionally mandated.
2. Compensation assumes nominal growth rate of 14 percent for revenue of states from the base year.
3. Compensation has been constitutionally mandated to be paid for a period as decided by GST council.

Which of the statements given above are correct?

- (a) 1 and 2 only (b) 2 and 3 only  
(c) 1 and 3 only (d) 1, 2 and 3

**Q139.** Consider the following statements about District mineral fund:

1. It is a statutory fund.

2. It works for the interest and benefit of persons and areas affected by mining related operations in such manner as prescribed by the State Government.
3. As of Nov 2018, Chhattisgarh has received most contribution in DMF followed by Jharkhand and Maharashtra.

Which of the statements given above are correct?

- (a) 1 and 2 only (b) 2 and 3 only  
(c) 1 and 3 only (d) 1, 2 and 3

**Q140.** Consider the following statements about CriSindex:

1. It is composite index launched by Crisil and Mudra Bank.
2. It tracks the business sentiment for agriculture enterprises.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q141.** Consider the following statements about SATAT initiative:

1. It is initiative that aims to set up Compressed Bio Gas plants across the country.
2. This initiative was launched by Ministry of Rural Development.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q142.** Consider the following statements about Ethanol Blending Program:

1. The Ministry of New and Renewable energy is the nodal ministry for the program.
2. It is being implemented on a Pan-India basis.
3. In 2017-18, highest blend percentage in the history of Ethanol Blending Program was achieved.

Which of the statements given above is/are correct?

- (a) 1 and 2 only (b) 3 only  
(c) 1 and 3 only (d) 1, 2 and 3

**Q143.** Consider the following statements about Star rating of mines:

1. Star rating of mines is carried over by CPCB (Central Pollution Control Board) for the efforts and initiatives taken for implementation of sustainable development framework.



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2. It is done for both major and minor mineral leases.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q144.** Consider the following statements related to the Labour force Participation rate (LFPR):

1. The LFPR refers to the total percentage of the working-age population which is presently employed in an economy.
2. The LFPR of the males is higher than the LFPR of the females in India.
3. The LFPR of the rural females is higher than the LFPR of the urban females in India.

Which of the statements given above is/are correct?

- (a) 1 only (b) 1 and 2 only  
(c) 2 and 3 only (d) 1 and 3 only

**Q145.** Consider the following statements related to UDAN Scheme:

1. Both the centre and states provide subsidy to the airline companies for operating flights to certain Tier-II and Tier-III cities in India.
2. The airlines are required to sell all the seats at the rate fixed by the Government for the UDAN Routes.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q146.** With reference to National Agriculture Market (eNAM), consider the following statements:

1. The National Agriculture Market (eNAM) is a Pan-India electronic trading portal which seeks to network the APMCs and Gramin Agriculture Markets (GrAMs) to create a unified national market for agricultural commodities.
2. The Small Farmers' Agribusiness Consortium (SFAC) is the lead agency for implementing eNAM.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q147.** Consider the following statements related to "Limitation of Benefits" (LOB) Clause provided under the amended Double Taxation Avoidance Agreement (DTAA) between India and Mauritius:

1. It has been introduced in order to ensure that the shell companies do not misuse the provision of the DTAA.

2. This provides that the benefits of the DTAA would be applicable only to the citizens of Mauritius.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q148.** Consider the following statements related to Universal Basic Income (UBI):

1. The UBI provides for cash transfers to all the individuals in a country irrespective of their socio-economic status in order to provide basic needs.
2. The concept of the Universal Basic Income has been derived from the concept of Helicopter Money.
3. Switzerland has become the first country in the world to implement UBI.

Which of the statements given above is/are correct?

- (a) 1 only (b) 1 and 2 only  
(c) 1 and 3 only (d) 2 and 3 only

**Q149.** Which among the following categories of goods are used for the calculation of the Index of Industrial Production (IIP)?

1. Primary Goods
2. Capital Goods
3. Infrastructure Goods
4. Intermediate Goods
5. Consumer Durables
6. Consumer Non-Durables.

Select the correct answer using the code given below:

- (a) 1, 2 and 3 only  
(b) 1, 2, 3 and 4 only  
(c) 1, 2, 3, 4 and 5 only  
(d) 1, 2, 3, 4, 5 and 6

**Q150.** Consider the following statements related to Open Market Operations (OMOs) and Repo Rate used by the RBI:

1. Both OMOs and Repo rate involve buying/selling of G-Secs in order to control the money supply in the economy.
2. Unlike Repo rate, OMOs involve outright purchase/sale of G-Secs.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only

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- (c) Both 1 and 2 (d) Neither 1 nor 2

**Q151.** Consider the following statements related to Market Intervention Scheme (MIS):

1. It is a price support mechanism for procurement of perishable and horticultural commodities.
2. It is provided under the newly launched PM-AASHA Scheme.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q152.** Consider the following statements about 'Domestic Council for Gems and Jewellery':

1. It functions under the Ministry of MSME (Ministry of Micro, Small and Medium Enterprises)
2. Parichay card is issued to labourers of the gems and jewellery sector.

Which of the statements given above is/are incorrect?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q153.** Consider the following statements related to Remittances into India:

1. The Remittances into India includes the payment arising only from temporary movement of people to other economies and not from the permanent movement of people.
2. The Remittances are accounted under the Current Account of the Balance of Payments (BoP).

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q154.** Consider the following pairs:

	Proposed Ports	State
1.	Enayam	: Karnataka
2.	Vadhavan	: Maharashtra
3.	Tajpur	: West Bengal
4.	Sirkazhi	: Andhra Pradesh
5.	Belekeri	: Odisha

Which of the pairs given above are correctly matched?

- (a) 1, 4 and 5 only (b) 2, 3 and 5 only  
(c) 2 and 3 only (d) 1 and 5 only

**Q155.** Consider the following statements about the Petroleum, Chemicals and Petrochemical Investment Regions (PCPIRs):

1. The PCPIR Policy is implemented by the Ministry of Petroleum and Natural Gas.
2. PCPIRs are being established in Gujarat, Maharashtra, Andhra Pradesh and Tamil Nadu.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q156.** Consider the following statements about the Performance Grading Index, launched recently:

1. It is an initiative of the NITI Aayog for grading States and UTs on their performance on school education.
2. Third party validation of data for the Index will be done by UNICEF.
3. The grading will take into account 'outcomes' and 'governance' processes and will have 70 indicators.

Which of the statements given above are correct?

- (a) 1 and 2 only (b) 2 and 3 only  
(c) 1 and 3 only (d) 1, 2 and 3

**Q157.** The "GAFA tax" -- named after Google, Apple, Facebook and Amazon -- to ensure the global giants pay a fair share of taxes on their massive business operations, this tax has been introduced by which of the following countries?

- (a) India (b) France  
(c) Japan (d) China

**Q158.** Consider the following statements related to Goods and Services Tax Appellate Tribunal (GSTAT):

1. The Goods and Services Tax Appellate Tribunal (GSTAT) has been set up by the Central Government based upon the recommendations of the GST Council.
2. There is no provision for setting up of GSTAT under the central GST Act.
3. The GSTAT would act as first common forum of GST dispute resolution between Centre and States.

Which of the statements given above is/are correct?

- (a) 1 only (b) 1 and 2 only  
(c) 1 and 3 only (d) 2 and 3 only

**Q159.** Consider the following statements about the Enabling Trade Index:

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1. It is published by the World Economic Forum and the World Bank.
2. It assesses the extent to which economies have in place the factors facilitating the free flow of goods over borders and to their destinations.
3. It takes into consideration various factors, including domestic and foreign market access, border administration, transport and digital infrastructure and operating environment.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 and 3 only  
(c) 1 and 2 only (d) 1, 2 and 3

**Q160.** Consider the following statements about the conference on Global Digital Content Market (GDCM)-2018:

1. The Ministry of Commerce and Industry, Government of India has hosted a conference on Global Digital Content Market (GDCM)-2018.
2. India has been chosen as a host nation for the conference by the World Intellectual Property Organization (WIPO) due to the strong creative industry in the country in films, music and media.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q161.** Which of the following statements is/are correct about the 'Applications Supported by Blocked Amount' (ASBA) route?

1. The Reserve Bank of India has enabled the investors to make payments through the Applications Supported by Blocked Amount (ASBA) route.
2. Under the ASBA facility, the investors can apply in any public/rights issue by using their bank account.

Select the correct answer using the code given below:

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q162.** Which of the following statements is/are correct about the Qualified Institutional Placements (QIPs)?

1. The Qualified Institutional Placements are a way to issue shares to the public, without going through the standard regulatory compliance.
2. The Securities and Exchange Board of India (SEBI) introduced the QIP process.

Select the correct answer using the code given below:

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q163.** Consider the following statements about the National Productivity Council (NPC):

1. NPC is a national level organization to promote productivity culture in India.
2. NPC is a constituent of the Tokyo-based Asian Productivity Organisation (APO).

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q164.** Consider the following statements about 'Malus' and 'Clawback':

1. A Clawback Arrangement permits the bank to prevent vesting of all or part of the amount of a deferred remuneration. A Clawback Arrangement does not reverse vesting, after it has already occurred.
2. A Malus Arrangement is a contractual agreement between the employee and the bank, in which the employee agrees to return previously paid or vested remuneration to the bank, under certain circumstances.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q165.** Consider the following statements about the 'Price Deficiency Payment System':

1. Under the Price Deficiency Payment System, the farmers are proposed to be compensated for the difference between the government-announced 'Minimum Support Prices' (MSPs) for select crops and their actual market prices.
2. The key benefit of the Price Deficiency Payment System is, that it will reduce the need for the government to actually procure the food crops, transport and store them, and then dispose of them under the Public Distribution System (PDS).

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

## MCQs ANSWER KEY

**Q166.** Consider the following statements about the Bank for International Settlements (BIS):

1. Its mission is to serve central banks in their pursuit of monetary and financial stability, to foster international co-operation in those areas and to act as a bank for central banks.
2. Its head-office is in Geneva, Switzerland.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q167.** Consider the following statements about the Liquidity Coverage Ratio (LCR):

1. The Liquidity Coverage Ratio refers to the proportion of highly liquid assets held by the financial institutions, to ensure their ongoing ability to meet short-term obligations.
2. This ratio is essentially a generic stress test, that aims to anticipate market-wide shocks and make sure that the financial institutions possess suitable capital preservation.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q168.** At which of the following places, the headquarter of the South Coast Railway Zone is located?

- (a) Chennai (b) Bengaluru  
(c) Visakhapatnam (d) Thiruvananthapuram

**Q169.** Consider the following statements about the Ease of Moving Index, 2018:

1. The Index offers a source of information to aid transit agencies and urban planners to make informed decisions and align solutions with the preference of commuters.
2. The Index was released by the World Bank in collaboration with the Ministry of Road Transport and Highways.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q170.** Consider the following statements about the TReDS platform:

1. It is an online mechanism for facilitating the financing of trade receivables of MSMEs (Micro- Small and Medium Enterprises (MSMEs) through multiple financiers.
2. It also enables discounting of invoices of MSME sellers raised against large corporate, allowing them to reduce working capital needs.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q171.** Consider the following statements about the Udyam Sakhi Portal?

1. The Ministry of Micro, Small and Medium Enterprises (MSME) launched this portal.
2. The portal is a network for nurturing entrepreneurship and creating business models for low cost products and services in order to empower women and make them self-reliant and self-sufficient.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q172.** Consider the following statements about the Festival of Innovation and Entrepreneurship (FINE):

1. It is an Initiative of the Ministry of Finance to recognize, respect and reward grassroots innovations.
2. In 2018, the FINE was held in collaboration with the National Innovation Foundation and Department of Science and Technology.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q173.** Consider the following statements about the 'Green Revolution —Krishonnati Yojana':

1. It is an umbrella Scheme that aims to develop agriculture and allied sectors in a holistic and scientific manner.
2. The National Food Security Mission (NFSM) and the Mission for Integrated Development of Horticulture (MIDH) are the components of the Scheme.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

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**Q174.** Consider the following statements about the Green Skill Development Programme:

1. The programme aims to develop green skilled workers having technical knowledge and commitment to sustainable development.
2. It has been developed by the Ministry of New and Renewable Energy in consultation with the National Skill Development Agency (NSDA).

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q175.** Which of the following statements is/are correct about Digi Yatra Initiative?

1. This is an Initiative of by the Ministry of Civil Aviation that promotes paperless and hassle-free air travel.
2. Under the Initiative a centralized registration system for passengers would be there and each of them would get a unique ID on booking the tickets.
3. Linking of Aadhaar to airlines at the time of booking is mandatory under the Initiative.

Select the correct answer using the code given below:

- (a) 2 only (b) 1 and 3 only  
(c) 1 and 2 only (d) 1, 2 and 3

**Q176.** Consider the following statements about the 'Deen Dayal Sparsh Yojana':

1. The programme is launched by the Ministry of Communications.
2. The Scheme aims to promote philately in the country.
3. The programme will involve a scholarship to university students showing special interest in philately.

Which of the statements given above are correct?

- (a) 1 and 2 only (b) 2 and 3 only  
(c) 1 and 3 only (d) 1, 2 and 3

**Q177.** Consider the following statements about the 'SAMARTH Scheme' for the textile sector:

1. The Scheme aims to meet the skill gap in the textile sector for entire value chain of the textile sector.
2. The Scheme covers only the organised textile sector.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q178.** Consider the following statements about the Government-e-Marketplace (GeM) portal:

1. It is one of the major steps for public procurement reform.
2. It is only used by the Central government.
3. It functions under the Ministry of Commerce and Industry.

Which of the statements given above is/are incorrect?

- (a) 3 only (b) 2 and 3 only  
(c) 1 and 3 only (d) 2 only

**Q179.** With reference to the Pradhan Mantri Shram Yogi Maandhan (PMSYM) Scheme, consider the following statements:

1. The PMSYM provides for pension coverage to all the workers presently employed in the informal sector.
2. Under this scheme, the informal workers need not contribute money in order to avail pension.
3. This scheme provides for assured monthly pension of Rs 3,000 from the age of 60.

Which of the statements given above is/are correct?

- (a) 1 and 2 only (b) 1 and 3 only  
(c) 3 only (d) 2 and 3 only

**Q180.** Consider the following statements about the USTTAD Scheme:

1. The USTTAD Scheme aims to preserve the heritage of traditional arts and crafts of minority communities.
2. It is being implemented the Ministry of Minority Affairs, Government of India.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q181.** Consider the following statements about the Kisan Credit Card (KCC):

1. The Kisan Credit Card (KCC) Scheme was introduced in 1998 for issue of Kisan Credit Cards to the farmers on the basis of their holdings.
2. Self Help Groups (SHGs) or Joint Liability Groups (JLGs) of farmers, including tenant farmers and share croppers are eligible under the KCC Scheme.

Which of the statements given above is/are correct?

- (a) 1 only (b) 2 only  
(c) Both 1 and 2 (d) Neither 1 nor 2

**Q182.** The National Common Mobility Card will be issued by the banks as which of the following?

1. Debit Card
2. Credit Card
3. Pre-paid Card

Select the correct answer using the code given below:

- (a) 1 and 2 only                      (b) 3 only  
(c) 2 and 3 only                      (d) 1, 2 and 3

**Q183.** Consider the following statements about the Shyama Prasad Mukherji Rurban Mission (SPMRM):

1. The Mission aims at the development of rural growth clusters which have latent potential for growth, in all States and Union Territories (UTs).
2. Upon being re-classified as a Centrally Sponsored Scheme, the funding is now shared between the Centre and the State in a ratio of 50:50 for the Plain Area States and 90:10 for the Himalayan and the North East States.

Which of the statements given above is/are correct?

- (a) 1 only                                  (b) 2 only  
(c) Both 1 and 2                      (d) Neither 1 nor 2

**Q184.** Consider the following statements about the Pradhan Mantri Kisan Samman Nidhi (PM-KISAN):

1. Under this programme, the vulnerable landholding farmer families, having cultivable land upto 2 hectares, will be provided direct income support at the rate of Rs. 6,000 per year.
2. The PM-KISAN would not only provide assured supplemental income to the most vulnerable farmer families, but would also meet their emergent needs especially before the harvest season.

Which of the statements given above is/are correct?

- (a) 1 only                                  (b) 2 only  
(c) Both 1 and 2                      (d) Neither 1 nor 2

**Q185.** Consider the following statements about 'Womaniya on GeM':

1. It is an initiative to enable women entrepreneurs and women self-help groups (WSHGs) to sell handicrafts and handloom, accessories, jute and coir products.
2. The move seeks to boost women entrepreneurship to achieve gender-inclusive economic growth.

Which of the statements given above is/are correct?

- (a) 1 only                                  (b) 2 only  
(c) Both 1 and 2                      (d) Neither 1 nor 2



**ANSWER KEYS**

1.	a	30.	c	59.	a	88.	d	117.	c	146.	c	175.	c
2.	a	31.	d	60.	c	89.	c	118.	a	147.	a	176.	a
3.	d	32.	c	61.	b	90.	c	119.	a	148.	a	177.	d
4.	b	33.	a	62.	d	91.	c	120.	a	149.	d	178.	d
5.	c	34.	b	63.	d	92.	a	121.	a	150.	c	179.	c
6.	d	35.	b	64.	d	93.	b	122.	a	151.	a	180.	c
7.	c	36.	a	65.	c	94.	d	123.	a	152.	a	181.	c
8.	b	37.	a	66.	b	95.	d	124.	b	153.	b	182.	d
9.	a	38.	c	67.	c	96.	c	125.	d	154.	c	183.	a
10.	d	39.	a	68.	b	97.	a	126.	c	155.	d	184.	c
11.	c	40.	b	69.	a	98.	a	127.	a	156.	b	185.	c
12.	b	41.	a	70.	c	99.	a	128.	d	157.	b		
13.	c	42.	b	71.	a	100.	d	129.	d	158.	c		
14.	c	43.	a	72.	a	101.	b	130.	b	159.	b		
15.	c	44.	b	73.	b	102.	b	131.	c	160.	c		
16.	a	45.	c	74.	a	103.	a	132.	a	161.	b		
17.	b	46.	c	75.	d	104.	c	133.	a	162.	c		
18.	a	47.	d	76.	a	105.	d	134.	b	163.	c		
19.	d	48.	b	77.	b	106.	d	135.	d	164.	d		
20.	b	49.	a	78.	c	107.	a	136.	d	165.	c		
21.	a	50.	c	79.	d	108.	b	137.	b	166.	a		
22.	b	51.	b	80.	a	109.	c	138.	a	167.	c		
23.	a	52.	a	81.	c	110.	c	139.	a	168.	c		
24.	c	53.	b	82.	c	111.	b	140.	d	169.	a		
25.	a	54.	a	83.	a	112.	a	141.	a	170.	c		
26.	a	55.	b	84.	a	113.	d	142.	b	171.	c		
27.	c	56.	b	85.	a	114.	c	143.	d	172.	b		
28.	b	57.	a	86.	c	115.	c	144.	c	173.	c		
29.	d	58.	d	87.	c	116.	d	145.	a	174.	a		

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