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PT 365

ECONOMY

Classroom Study Material

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ECONOMY

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1. BANKING & MONETARY POLICY

1.1. BANKING & RELATED REFORMS

1.1.1. INSOLVENCY AND BANKRUPTCY CODE

Why in news?

Recently, the Supreme Court upheld the constitutionality of the Insolvency and Bankruptcy Code (IBC) in its "entirety".

Key features of IBC

Clear & Speedy Process for early Identification & Resolution of Financial Distress for corporates & Limited Liability Partnerships	**2 distinct resolution processes:** Fresh Start Insolvency Resolution	**Adjudication Authorities:** National Company Law Tribunal (NCLT) & Debt Recovery Tribunal (DRT)	**Regulator:** Insolvency & Bankruptcy Board of India for IPs, IPAs & Information Utilities	**Insolvency & Bankruptcy Board of India** oversees insolvency proceedings & entities like IPAs/IUs It has representatives from Ministry of Finance, Ministry of Law & Justice, Ministry of Corporate Affairs and RBI.	**Insolvency Professionals (IPs):** To handle commercial aspects of Insolvency Resolution Process (IRP)	**Insolvency Professional Agencies (IPAs):** To develop professional standards & code of ethics for IPs	**Information Utilities:** To process financial information to be used in insolvency & bankruptcy proceedings

SEQUENCE OF STEPS UNDER THE IBC

On Day 1 of the default, a creditor or a borrower can approach **NCLT/ DBT** to initiate insolvency proceedings. NCLT/DBT has to accept or reject the plea within 14 days

→ Once the case is admitted, lenders will constitute committee of creditors (CoC), appoint an **IP** which will run the borrowers' company in the interim period

→ **Within 180 days**, the CoC has to decide on a debt recast plan. Lenders will be given **additional 90 days** to arrive at a final resolution plan

→ If the lenders agree (by voting), the CoC would go ahead with debt restructuring. **Otherwise**, after 180 days, the company's/ borrower's assets will be **liquidated**

Insolvency and Bankruptcy Code (Second Amendment) Act 2018

Based on the recommendations of Insolvency and Bankruptcy Code review panel chaired by the Ministry of Corporate Affairs secretary **Injeti Srinivas**, following changes were introduced in the Act:

- **Persons Ineligible to be Resolution Applicants: Section 29A** was added to prohibit wilful defaulters, promoters/management of company having non-performing debt for over a year or disqualified directors from participating in the resolution process.
- **Home buyers to be financial creditors**, which will allow them to take defaulting builders to bankruptcy court.
- **'Related Parties'** (entities run by promoters/family members) barred from participating in the resolution process.
- **Re-calibration of voting threshold:** Committee of Creditors can decide on turnaround scheme / liquidation by 66% vote (down from 75%) to speed up decision making.
- **Withdrawal of application for Resolution of Corporate Insolvency:** Earlier, once filed and admitted by NCLT, an application couldn't be withdrawn. Now, the withdrawal is allowed for corporate insolvency resolution process, if approved by 90% of the creditors.
- **Protection to Micro, Small and Medium Enterprises (MSMEs):** MSMEs are exempted from certain provisions of IBC (e.g. disqualification of promoters from resolution proceedings).

Supreme Court's judgement on IBC

- According to IBC, the **dues of operational creditors rank below those of financial creditors.** It was seen as violative of the Article 14. However, SC said that if an intelligible differentiation can be established between two classes of creditors, **then legislation is not violative of Article 14.**
- Further, SC upheld the validity of **Section 12 of the Act which stipulates the timelines** of insolvency resolution process. The threshold to allow withdrawal of insolvency case pertains to the domain of legislature.

Operational and Financial creditors

- **Financial creditors** are those whose relationship with the entity is a pure financial contract, such as a loan or debt security.
- **Operational creditors** (unsecured creditor) refer to anyone who has provided goods or services and

the payment for same is due from the corporate debtor.

- The **IBC creates the distinction between a financial and operational creditor** based on the nature of transaction (i.e. purely financial transactions or transactions related to day to day operations).

1.1.2. PROJECT SASHAKT

Why in news?

The government announced a comprehensive plan **Project Sashakt** for the resolution of stressed assets in banking sector.

About Project Sashakt

- It is aimed at helping the banks **retain and recover the value of stressed assets** and **improve the credit culture & capacity** in the long run.
- It is a **five-pronged strategy** towards resolution of stressed assets, as recommended by **Sunil Mehta Committee.**
    - **Small and Medium Enterprise (SME) resolution approach:** It will be applicable for **loan exposure up to ₹ 50 crore** to be dealt **at bank level** within **90 days.**
    - **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 failing which the case will be referred to the National Company Law Tribunal (NCLT) for insolvency proceedings. The resolution plan must be approved by lenders holding **at least 66% of the debt.**
    - **AMC/AIF led resolution approach:** For loans above ₹ 500 crore, the panel recommended an independent Asset Management Company (AMC), supported by institutional funding through **sector-specific alternative investment funds** (AIFs). The price discovery of these NPAs will be through open auction.
    - **NCLT/IBC approach:** IBC will be invoked if other options fail.
    - **Asset-trading platform** to be created for trading of both performing and NPAs.
- The plan can **speed up** the resolution as it **doesn't involve government interference** & would entirely be led by banks. Further, it will bring in **credible long-term external capital** & **create a market for assets.**
- However, the bank-led resolution approach has failed in the past **due to lack of consensus** amongst lenders. Also, for ARCs to purchase large NPAs, it would **need to mobilize resources at large scale,** which is challenging. Often, there is a **mismatch between the price quoted by bank and the ARCs.** Such issues need to be ironed out first for the scheme to be successful.

Stressed Assets

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

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

Non-performing asset (NPA)

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

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

- **Substandard assets:** Assets which have remained NPA for a period less than or equal to 12 months.
- **Doubtful assets:** Assets which have remained in the substandard category for a period of 12 months
- **Loss assets:** Loss asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted, although there may be some salvage or recovery value.

1.1.3. BANK CONSOLIDATION

Why in News?

The government has decided that Bank of Baroda, Vijaya Bank and Dena Bank shall be **amalgamated** making the new entity **India's third Largest Bank.**

Amalgamation and Merger

- In merger, two or more companies/entities are combined together to form either a new company or an existing company absorbing the other target companies. E.g. Consolidation of 2 entities Tata Steel and UK based Corus Group with resulting entity being Tata Steel.
- Amalgamation is a type of merger in which two or more companies combine their businesses to form **an entirely new entity/company.** E.g. Consolidation of 2 entities Mittal Steel & Arcelor resulting in new entity Arcelor Mittal

Background

- **Narasimham Committee of 1991** had recommended **three-tier banking structure** with 3 large banks with international presence at the top, 8 to 10 national banks at Tier 2, and a large number of regional and local banks at the bottom.

- **P J Nayak Committee in 2014** suggested that government should privatize or merge some PSBs.
- In 2017, Government had approved the **"merger" of SBI's 5 associate banks** and **Bharatiya Mahila Bank** (BMB) with SBI.
- In 2017, Government had constituted **Alternative Mechanism Panel** headed by the Minister of Finance and Corporate Affairs to look into merger proposals of public sector banks.

Significance of the move

- Lead to **cost cutting** and **greater efficiency** in wake of rising NPAs.
- Improve **customer base** & enhanced **geographical outreach**. Facilitate **resources diversion** to other **underserved** segments.
- Better **diversification of risks** and stronger overall profitability contributing to higher credit ratings.
- Help create a **globally stronger & competitive** financial institutions
- Lead to a **bigger capital base** & **higher liquidity** which will help in meeting BASEL III norms.
- Enhanced **human resource availability**

However, factors like regional balance, geographical outreach, financial inclusion, systemic risks due to large-sized banks, financial burden and smooth human resource transition have to be looked into while deciding on consolidation. Moreover, the new entity will face similar problems unless significant governance reforms are undertaken in the overall functioning of public sector banks.

Recent banking reforms/steps taken:

- **Banks Board Bureau (BBB):** Set up in 2016 to recommend for selection of heads of PSBs & Financial Institutions and help banks in developing strategies and capital raising plans.
- **Insolvency and Bankruptcy Code (IBC)** has helped banks to recover through liquidation of assets.
- **2.11 lakh crores** infused into PSBs as a **recapitalization** effort.
- **EASE - Enhanced Access and Service Excellence:** Reform agenda focusing on 6 themes: (i) customer responsiveness (ii) responsible banking (iii) credit off take (iv)PSBs as Udyami Mitra (v) deepening financial inclusion & digitalization (vi) developing personnel for brand PSB.
- **Prompt Corrective Action (PCA) by RBI**
  - Invoked if NPAs rise above 10% (Asset Quality Review), Capital Adequacy Ratio (CAR) falls below 9%, Return on Assets (RoA) falls below 0.25% (i.e. low profitability) etc.
  - RBI imposes several restrictions on the bank such as **reducing capital expenditure** other than technological upgradation, making dividend payments, borrowing from other banks
- **Project Sashakt**

1.1.4. AMALGAMATION OF REGIONAL RURAL BANKS

Why in news?

Union government, in consultation with the NABARD, had decided to go ahead **with phase III of the amalgamation of regional rural banks (RRBs)**, further reducing the number of such entities.

About Regional Rural Banks (RRBs)

- **Regional Rural Banks (RRBs)** are financial institutions which ensure adequate credit for agriculture and other rural sectors. They were conceived as **low cost institutions** having a **rural ethos** and **pro poor focus**, but with **expertise of commercial banks.**
- It was set up on the basis of the recommendations of the **Narasimham Working Group** (1975), and after the legislations of the **Regional Rural Banks Act, 1976**.
- The equity of a regional rural bank is held by the **Central Government**, concerned **State Government** and the **Sponsor Bank** in the proportion of **50:15:35.**
- The sources of funds of RRBs comprise of owned fund, deposits, borrowings from **NABARD**, Sponsor Banks and other sources including **SIDBI** and **National Housing Bank.**
- RRBs are at par with commercial banks as far as **compliance requirements to CRR and SLR** is concerned.
- However, **Priority Sector Lending (PSL) target of RRBs is 75%** of total outstanding advances (PSL norm is 40% for a commercial bank).

1.1.5. PAYMENTS REGULATOR

Why in news?

Recently, Inter-Ministerial Committee headed by Subhash Chandra Garg submitted **draft Payment and Settlement System Bill, 2018**, which seeks to setup independent **Payments Regulatory Board (PRB).**

Background

- According to Google & Boston Consulting Group (BCG) titled Digital Payments 2020 study, **digital payments in India will exceed $500 billion by 2020,** up from $50 billion in 2016
- **Nachiket Mor Committee Report (2013)** observed that a vast gap remains in the availability of basic payment services for small business, and low-income households.
- **Watal committee (2016)** recommended constituting a **Payment Regulatory Board (independent of RBI)** to promote competition and innovation in the payment ecosystem in India.
- **Budget 2017** proposed to create a **Payments Regulatory Board** in the Reserve Bank of India by replacing the existing **Board for Regulation & Supervision of Payment and Settlement Systems**

Provisions of Payment and Settlement System Bill, 2018

- **Setting up Independent Payments Regulatory Board (PRB)** with the objective of protecting the interest of consumers by ensuring safety of the payment systems, improving efficiency & resilience of payment system, increasing interoperability and ease of use etc
- **Defines RBI as an infrastructure institution** in relation to its function of providing settlement system and payment system.
- **Brings parity between banks & non-banks** through a risk based & ownership neutral authorization criteria.

Payment & Settlement Systems Act, 2007
- **Empowers RBI to regulate** payment and settlement systems in the country (including National Electronics Funds Transfer (NEFT) system, Real Time Gross Settlement (RTGS) System, ATMs, debit/credit cards, Electronic Clearing Service (ECS), Unified Payment Interface (UPI) etc.)
- **Board for Regulation and Supervision of Payment and Settlement Systems (BPSS),** a sub-committee of the Central Board of RBI is the highest policy making body on payment systems in the country.
    - The **Department of Payment and Settlement Systems** of the RBI serves as the Secretariat to the Board and executes its directions.

1.1.6. DIFFERENTIATED BANKING

1.1.6.1. URBAN COOPERATIVE BANKS TO TRANSITION INTO SMALL FINANCE BANKS

Why in news?

The Reserve Bank of India (RBI) introduced a **Scheme on voluntary transition of Urban Co-operative Bank into a Small Finance Bank** based on the recommendations of **High-Powered Committee on Urban Cooperative Banks** under **R Gandhi**.

Differentiated Banking

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

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

About scheme

- UCBs with a **minimum net worth of Rs.500 million** and maintaining **Capital to Risk (Weighted) Assets Ratio of 9% and above** are eligible to apply for voluntary transition to SFB
- The promoters shall incorporate a **public limited company under the Companies Act, 2013** having the word 'bank' in its name after receiving the in-principle approval from RBI.
- A group of individuals/professionals, having an association with UCB as **regular members for a period of not less than three years** and **approved by General Body with 2/3rd majority** of members present and voting shall be treated as **promoters**.
- Additionally, UCBs are **required to comply with all SFB guidelines**.
- The scheme will enable UCBs to roll out most of the products which are currently permissible to commercial banks and help them in getting a pan-India presence

About Small Finance Banks

- They provide **basic banking services** like accepting deposits and lending to the unbanked sections such as small farmers, MSMEs and unorganized sector entities.
- They are dedicated to a **small area,** prominently in **semi-urban and rural areas.**
- The minimum paid-up capital for small finance banks shall be Rs. 100 crores with a minimum regulatory CRAR of 15%.
- The promoter's minimum initial contribution to the paid-up equity capital of such small

finance bank shall at least be 40% (can be brought down to 26% within 12 years from the date of commencement of business of the bank).

- They are required to maintain Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)
- They are required to extend **75%** of its **Adjusted Net Bank Credit (ANBC)** as Priority Sector Lending (PSL).
- A Small Finance Bank must have **at least 25% branches in rural areas** & **at least 50% of the loan portfolio should constitute loans up to ₹ 25 lakh.**

About Urban Cooperative Banks (UCBs)

- As per Banking Regulation Act, 1949 a primary co-operative bank (Urban Co-operative Bank or UCB) means a co-operative society, **other than a primary agricultural credit society,** whose,
  - Principal business is the **transaction of banking business;**
  - Paid-up share capital and reserves are **not less than one lakh of rupees**; and
  - Bye-laws of which do not permit admission of any other co-operative society as a member: Provided that this sub-clause shall not apply to the admission of a co-operative bank as a member by reason of such co-operative bank subscribing to the share capital of such co-operative society out of funds provided by the State Government for the purpose.
- The UCBs are registered as cooperative societies under the provisions of, either the State Cooperative Societies Act of the concerned State or the Multi State Cooperative Societies Act, 2002.
- The Reserve Bank regulates and supervises the banking functions of UCBs under the provisions of Banking Regulation Act, 1949 (As Applicable to Cooperative Societies).
- Target for lending to total priority sector and weaker section is 40% and 10%, respectively, of Adjusted Net Bank Credit (ANBC). A target of 7.5% of ANBC is prescribed for Micro Enterprises.

1.1.6.2. INDIA POST PAYMENT BANK

Why in News?

Prime Minister on 1st September **launched the India Post Payments Bank (IPPB)** that offers doorstep banking to customers.

About IPPB

- It has been incorporated under the **Companies Act, 2013** as a **public limited company** with 100% Government of India equity under **Department of Posts (DoP)** and is governed by the Reserve Bank of India.
- It aims to provide banking and financial services to people in rural areas, by **linking all 1.55 lakh post office branches with IPPB.** This will **create the country's largest banking network** with a direct rural presence.
- **Objectives**
  - Provide a secure and reliable payments channel for **social security payments** under Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), National Social Assistance Programme (NSAP) etc. and all Government to Citizen (G2C) transactions.
  - Become the preferred partner for **service delivery for Government** (Central, State and Local).
  - Tie up with various other banks, insurance companies, mutual fund houses and other financial institutions and service providers to help in **customer acquisition and distribution of third-party products** like loans, insurance etc.
  - Safe, economical and reliable money transfer to meet the **needs of migrant labourers and the unorganized sector**.
  - To provide a **payments platform for integrating services provided by Government and Private sector** for the economic upliftment of the poorer and marginalized sections in both urban and rural India.
  - Build the **most accessible** payments bank through various channels including **Mobile Point of Sale (MPoS), mobiles, Internet banking transactions at the Post Office Counters as well as at the door step of the customers** and encourage the transition to a less cash economy.
- It will **not offer any ATM debit card.** Instead, it will provide its customers a **QR Code-based biometric card.**

How Payment Banks are different from traditional banks?

- A payments bank is a **differentiated bank**, offering a limited range of products.
- It is licensed under Section 22 of the **Banking Regulation Act 1949** & is registered as a **public limited company** under **Companies Act 2013**. Also, they are given the **status of scheduled banks** under

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RBI **Act 1934.**

- Payment Banks are subject to Payment & Settlement Systems Act (2007), Foreign Exchange Management Act (1999) and Deposit Insurance and Credit Guarantee Corporation Act (1961).
- It can **accept deposits of up to ₹ 1 lakh** per customer and pays interest like pay interest savings bank account. It can issue ATM cards also. It must also comply with Cash Reserve Ratio (CRR) & Statutory Liquidity Ratio (SLR) norms.
- Unlike traditional banks, it **cannot issue loans and credit cards and will have to deploy their funds in government papers and bank deposits.**
- **Other payments banks** that have started operations are Airtel Payments Bank Ltd, Paytm Payments Bank Ltd and Fino Payments Bank Ltd.

1.1.7. CAPITAL CONSERVATION BUFFER

Why in news?

Reserve Bank of India (RBI) decided to extend the deadline for implementing last tranche of an additional 0.625% to be set aside as capital conservation buffer, required under the Basel III norms, by a year (upto March 31, 2020).

What is Capital Conservation Buffer (CCB)?

- It is the **mandatory capital** that financial institutions are required to hold above minimum regulatory requirement.
- According to CCB norms, banks will be required to hold a buffer of 2.5% Risk Weighted Assets (RWAs) in the form of Common Equity, over and above **Capital Adequacy Ratio** of 9%.
- CCB currently stands at 1.875% and remaining 0.625% was to be met by March 2019.
- Regulations targeting the creation of adequate capital buffers are **designed to reduce the procyclical nature of lending** by promoting the creation of **countercyclical buffers** as suggested Basel III norms.
- It will increase the **resilience of banks to losses, reduce excessive or underestimated exposures** and **restrict the distribution of capital**. These macro-prudential instruments **limit systemic risks in the financial system.**

Pro-cyclical & Counter-cyclical Lending

- In business cycle theory & finance, any economic quantity that is positively correlated with the overall state of the economy is said to be **procyclical**. A 'procyclical lending' means that the banks keep the lending rates low & reduce buffers during an economic boom and therefore, promote increase in the credit uptake. Similarly, they lend less during a recession.
- Conversely, any economic quantity that is negatively correlated with the overall state of the economy is said to be **countercyclical**. Under 'countercyclical lending', banks tend to maintain higher buffers during the period of boom, limit lending and thus 'cool down' the economy and stimulate the economy when it is in a downturn.
- While there is an **opportunity cost** in following a countercyclical policy (in not lending more while there are reserve funds), it **prepares the market well for the future declines.**

Types of Bank Capital

- Tier-1 capital is the **core capital**. It can absorb losses without a bank being required to cease trading.
- Tier-2 capital is the **supplementary capital** of a bank. It can absorb losses in the event of a winding-up and so provides a lesser degree of protection to depositors.

Capital Adequacy Ratio (CAR)

- **CAR = (Tier I + Tier II Capital)/Risk Weighted Assets**
- Expressed as a percentage of a bank's risk weighted credit exposures.
- Measure of **bank's financial strength** to ensure that banks have enough **cushions to absorb losses before becoming insolvent and losing depositors' funds**.
- **CAR is required to be 9%** by RBI (based on BASEL III norms), where 7% has to be met by Tier 1 capital while the remaining 2% by Tier 2 capital.

Provisioning requirement

- Setting aside a portion of profits, in proportion of risk weighed loans given, to compensate a probable loss due to incomplete loan recovery is called provisioning.
- Like CCB & CAR requirements, provisioning is one of the contingency measures to contain risk.
- Different types of assets have different risk profiles e.g. Government debt has 0% risk weight
- A high-risk weight discourages lending by increasing the capital requirement for lenders.

About BASEL norms

- **Basel Committee on Banking Supervision** is an international committee **formed in 1974** to develop standards for banking regulation.
- It consists of central bankers from **27 countries and the European Union**. It is **headquartered in the office of Bank for International Settlements (BIS) in Basel, Switzerland.**
- It developed a **series of policy recommendations known as Basel Accords**, which suggested minimum capital requirements to keep bank solvent during the times of financial stress.

1.1.8. PUBLIC CREDIT REGISTRY

Why in news?

RBI is planning to setup a Public Credit Registry, based on recommendations of Y.M. Deosthalee committee.

Public Credit Registry

- Public Credit Registry is a **database of credit information** which is **accessible by all the stakeholders.**
- It will capture all relevant information in one large database on both individual & corporate borrowers.
- It will be **managed by a public authority** as RBI and the lenders will have to **mandatorily report the loan** details.
- PCR will assist RBI in:
  - Credit assessment and pricing by the bank
  - Risk-based, countercyclical and dynamic provisioning of bank
  - Supervision and early intervention by regulator
  - Understanding the transmission of monetary policy working and its bottlenecks
  - Restructuring the stressed bank credit

1.2. RESERVE BANK OF INDIA

Why in news?

Recently, Reserve Bank of India (RBI) said that it would transfer Rs 30,659 crore to the government as surplus for 2016-17, less than half of what it had given the preceding year.

More on news

- The reserves with the RBI accumulate due to several factors:
  - First is its **income from three sources:** interest on government bonds held for conducting open market operations; fees from government's market borrowing programme; and income from investment in foreign currency assets.
  - Second source is **earnings retained after giving dividends** to government.
  - Third source is **revaluation of foreign assets and gold.**
- **The reserves are placed under various accounts with RBI:** Contingency fund, Currency and gold revaluation account, Asset development fund and Investment revaluation account.
- It is not required to pay income tax and has to transfer to the government the surplus left over after meeting its needs. However, **the RBI Act does not specify the amount to be transferred to the government.**

RBI and its functions

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

Monetary Policy Committee

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

1.3. BANKING CORRESPONDENTS

Why in news?

Government is planning to make all 2.9 lakh **common service centers (CSCs) as banking correspondents**. Currently, CSCs operate under Ministry of Electronics and Information Technology (MEITY).

About Banking Correspondents

- They are individuals/entities engaged by a bank in India for providing banking services in unbanked / under-banked geographical territories.
- They work as an agent of the bank and substitutes for the brick and mortar branch of the bank.

- They engage in
  - identification of borrowers;
  - collection and preliminary processing of loan applications including verification of primary information/data;
  - creating awareness about savings and other products and education and advice on managing money and debt counselling;
  - processing and submission of applications to banks;
  - promoting, nurturing and monitoring of Self-Help Groups/ Joint Liability Groups/Credit Groups/others;
  - post-sanction monitoring and follow-up for recovery,
  - disbursal of small value credit and recovery of principal / collection of interest
  - collection of small value deposits
  - sale of micro insurance/ mutual fund products/ pension products/ other third-party products
  - receipt and delivery of small value remittances/ other payment instruments.
- The banks in India may engage the following individuals/entities as BCs.
  - Individuals like retired bank employees, retired teachers, retired government employees, individual owners of kirana (small shops) / medical /Fair Price shops, agents of Small Savings schemes of Government of India/Insurance Companies, individuals who own petrol pumps etc.;
  - NGOs/ Micro Finance Institutions set up under Societies/ Trust Acts or as Section 25 Companies ;
  - Registered Cooperative Societies;
  - Post Offices;
  - Companies registered under the Indian Companies Act, 2013 with large and widespread retail outlets
  - Non-deposit taking NBFCs

1.4. NON-BANKING FINANCE COMPANIES

1.4.1. IL & FS CRISIS

Why in News?

Recently an infrastructure financing company, **Infrastructure Leasing & Financial Services (IL&FS),** an NBFC, defaulted on their loan repayment.

About IL&FS

- **IL&FS Group** is a vast conglomerate that funds infrastructure projects across the country and has raised billions of dollars from the country's corporate debt market.
- IL&FS is a **Systematically Important Non-Deposit Core Investment Company (CIC-ND-SI)** i.e., any crisis at IL&FS would not only impact equity and debt markets but could also stall several infrastructure projects of national importance.
- Many major corporates, banks, mutual funds, insurance companies, etc. such as LIC, HDFC and SBI have stakes in the IL&FS group.

NBFC Reforms

- Earlier, only privately owned NBFCs had to maintain a minimum **Capital to Risk Assets Ratio (CRAR)** of 15 % (if Tier-1 capital is 10%). Now, the CRAR requirements are applicable to **government NBFCs** as well, to be achieved by 2021-22.
  - It will ensure both types of NBFCs stand on an equal footing on compliance with specific RBI rules and will also help in checking NPAs and bankruptcy
- RBI allowed banks to provide **partial credit enhancement (PCE) to bonds** issued by systemically important non-deposit taking NBFCs registered with the RBI and Housing Finance Companies (HFCs) registered with the National Housing Bank. This will help investors regain their confidence in the market, post IL&FS crisis.

A Non-Banking Financial Company (NBFC) is a company registered under Companies Act that provides financial services without meeting the legal definition of a bank.

- It can engage in the **business of loans and advances,** acquisition of shares/stocks/bonds/debentures/securities issued by Government or local authority or other marketable securities, leasing, hire-purchase, insurance business, chit business etc.
- It **does not include** any institution whose principal business is that of agriculture activity, industrial activity, purchase/sale of any goods (other than securities) and sale/purchase/construction of immovable property.
- It can either be **deposit taking** (need an RBI registration) or **non-deposit taking**.
- NBFCs are different from banks as:
  - They can **only accept time deposits** and **not demand deposits**
  - NBFCs do **not form part of the payment & settlement system** & **cannot issue cheques** to its customers

- **No deposit insurance facility** of Deposit Insurance and Credit Guarantee Corporation of India is available to depositors of NBFCs, unlike in case of banks
  - In general, an NBFC is **not required to maintain Reserve Ratios** (CRR, SLR etc.). However, deposit taking NBFCs are required to maintain **at least 15% of its public deposits as liquid assets.**
  - NBFCs **can deposit depositors' money in share market** unlike banks.
- NBFCs functions are regulated and supervised by RBI.

CIC-ND-SI is a Non-Banking Financial Company (NBFC)

- With asset size of Rs 100 cr & above.
- Holds not less than 90% of its net assets in the form of investment in equity shares, preference shares, bonds, debentures, debt or loans in group companies.
- It does not trade in its investments in shares, bonds, debentures, debt or loans in group companies.
- It accepts public funds.

Shadow Banking System

- Shadow banking system includes non-bank financial intermediaries that remain outside regular banking system. The term was coined by economist Paul McCulley in 2007.
- **Working structure:** They have a higher cost of funding. But the lack of regulatory oversight allows them to take on more risks than banks and earn higher returns.
- **Significance:** They provide a valuable alternative to bank funding, specially providing credit to inaccessible areas, niche sectors, small industries etc.

1.5. DIGITAL ECONOMY

1.5.1. UPI 2.0 LAUNCHED

Why in news?

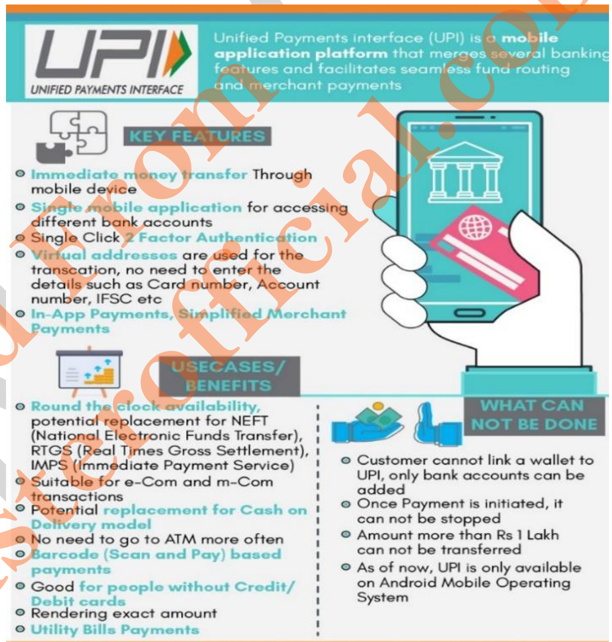
Recently, National Payment Corporation of India (NPCI) has upgraded the Unified Payment Interface (UPI) with enhanced features.

About NPCI

- It is an initiative of RBI & Indian Banks Association (IBA) under provisions of the Payment & Settlement Systems Act, 2007
- It is the umbrella organization for all retail payments and settlement systems in the country.
- It also manages the UPI platform & links all the ATMs in India.
- Other initiatives under NPCI are: BHIM, Unified Payments Interface (UPI), RuPay, BharatQR, Aadhaar Enabled Payment System (AePS), National Automated Clearing House (NACH) for financial institutions etc.

New features in UPI 2.0

- **Linking of overdraft account** to UPI apart from the savings and current accounts
- Allows **pre-authorization of a transaction** with payment scheduled at a later date
- **Invoice to be sent by merchant to user's inbox**, allowing customers to check the credentials making the payments
- **Notification sent to the user** to check the authenticity of the merchants after scanning the QR code
- **Transaction limit increased** to 2 lakh daily (from 1 lakh). However, limits placed by individual banks and applications still remain



1.5.2. OMBUDSMAN SCHEME FOR DIGITAL TRANSACTIONS (OSDT)

Why in News?

Recently Reserve Bank of India (RBI) launched Ombudsman Scheme for Digital Transactions (OSDT)

About the Scheme

- It is launched under **Section 18 of Payment and Settlement Systems Act, 2007** which will provide a **complaint redressal mechanism** relating to digital transactions conducted through **non-bank entities** (like mobile wallets or tech enabled payment companies using UPI for settlements).
- **The Ombudsman for Digital Transactions** is a **senior official appointed by the Reserve Bank of India** (appointed for a period not exceeding 3 years at a time).

- Transactions undertaken through the banking channels will still be managed by the **Banking Ombudsman.**

About Banking Ombudsman Scheme 2006

- The Banking Ombudsman is a quasi-judicial authority appointed by the RBI
- It aims to provide a **cost-effective grievance redressal mechanism** to customers.
- All Scheduled Commercial Banks, Regional Rural Banks & Scheduled Primary Co-operative Banks are covered under the Scheme.
- The complaint has to be first filed in the respective banks before approaching Ombudsman. The power of Appellate Authority, which is vested with a **Deputy Governor of the RBI.**
- RBI has extended the scheme to **deposit taking Non-Banking Finance Companies (NBFC).**

Related News

Survey on Retail Payment Habits of Individuals

- **RBI** will capture payment habits of individuals in six cities via the 'Survey on Retail Payment Habits of Individuals (SRPHi)'.
- The survey will cover a sample of 6,000 individuals **from various socio-economic backgrounds** across Delhi, Mumbai, Kolkata, Chennai, Bengaluru and Guwahati.
- The survey seeks **qualitative responses** from individuals on their payment habits.

Digidhan Mission

- The government has extended the **Digidhan Mission** till 2019-20 with the primary objective of promoting digital payments as well as to increase the acceptance of digital payment infrastructure.
- Under the Mission, new policy measures and interventions will be proposed to design tax incentives to promote digital payments.
- Mechanisms will be devised to monitor the regional penetration of digital payments by geo-tagging the digital payment transactions.
- The Mission is implemented by **Ministry of Electronics and Information Technology**.

Application Programming Interface Exchange

- Indian PM along with deputy PM of Singapore recently launched APIX.
- APIX is a **banking technology platform** designed to reach two billion people worldwide who are still without bank accounts.
- It will help people in 23 countries including the 10 ASEAN members as well as major markets such as India, and small nations including Fiji.

1.6. LEGAL ENTITY IDENTIFIER

Why in news?

Reserve Bank of India has made **Legal Entity Identifier** (LEI) code mandatory for all market participants, other than individuals.

What is LEI?

- It is a **20 character global reference number** conceived by G20 that uniquely identifies every legal entity or structure that is party to a financial transaction, in any jurisdiction.
- Internationally LEI is implemented and maintained by **Global Legal Entity Identifier Foundation.** In India entities can obtain LEI from Legal Entity Identifier India Ltd (LEIL) (only LOU of India), subsidiary of The Clearing Corporation of India Ltd, recognized by RBI under Payment and Settlement Systems Act, 2007.
- Now, banks will **report debt details along with LEI** to Central Repository of Information on Large Credit. It will help the banks monitor debt exposure of corporate borrowers and will also prevent multiple loans against the same collateral, thus helping reduce NPAs.
- Moreover, it will help regulators like RBI to **track global financial transactions** and check money laundering.

Global Legal Entity Identifier Foundation:

- It is a not-for-profit organization established by the **Financial Stability Board** in June 2014.
- It is overseen by the LEI Regulatory Oversight Committee, representing public authorities from around the globe.
- It publishes Global LEI Index.

2. FINANCIAL MARKETS

2.1. FINANCIAL MARKET INSTRUMENTS

2.1.1. TREASURY BILLS

Why in news?

RBI has allowed foreign portfolio investors (FPIs) to invest in treasury bills issued by the central government.

About Treasury Bills

- Treasury Bills are **short-term debt instruments** used **by Central Government** to fulfill its short-term liquidity requirements (upto 364 days)
- At present, **91-day, 182-day and 364-day TBs** are issued by the Government.
- Treasury bills are **zero coupon securities** and pay no interest. They are **issued at a discount** and redeemed at the face value at maturity.
- Other than providing short-term cushion to the government, it also provides short term investment opportunities to banks and financial institutions, besides functioning as **requirements of the CRR/SLR** of the banking institutions.

Financial instruments are the **packages of asset/capital** that may be traded. Most types of financial instruments provide an **efficient flow and transfer of capital** all throughout the world's investors. These assets can be **cash** (currency), a **contractual right** to deliver or receive cash (bond) or another type of financial instrument, or **evidence of one's ownership** of an entity (share).

Financial instruments may be divided into two types:

- **Cash instruments:** Instruments whose value is determined directly by the markets. They can be securities, which are readily transferable, and instruments such as loans & deposits, where both borrower and lender have to agree on a transfer.
- **Derivative instruments:** Instruments which derive their value from an underlying asset, index or interest rate. They can be either **Over-The-Counter derivatives** (traded directly between two parties, without going through an exchange or other intermediary) or **Exchange Traded Derivatives** (traded via a specialized market). If the underlying asset is a physical commodity, then it is called **'commodity derivative'.**

Financial instruments may also be divided according to **asset class:**

- **Debt-based:** Represent a loan made by an investor to the issuing entity (owner of the asset). E.g. Treasury Bills, Commercial Papers (Short Term); Bonds (Long Term)
- **Equity-based:** Represent ownership of an asset. E.g. Stocks

2.1.2. BHARAT 22

Why in news?

The second tranche of **Bharat 22 Exchange Traded Fund (ETF)** was launched by the government to raise Rs. 8400 crores from the **markets**

About Bharat 22 ETF

- Bharat 22 is an ETF that will comprise of blue-chip stocks of 16 public sector enterprises, 3 public sector banks and three private companies (L&T, ITC & Axis Bank) where Specified Undertakings of the Unit Trust of India (SUUTI) has stakes.
- ICICI Prudential Asset Management Company (AMC) will manage the ETF.
- The Bharat-22 is a well-diversified ETF spanning six sectors — basic materials, energy, finance, FMCG, industrials and utilities.
- The ETF mechanism is an effective way for the government to divest small portion of its stakes in a big basket and meet its disinvestment targets, while keeping both investors and employees (retained under PSE umbrella) happy.
- Also, by mixing and matching the well-performing and the under-performing stocks, value can be got from the stocks which otherwise might have found the going tough.
- Earlier in 2014, the government has raised ₹8,500 cr from energy-stocks heavy CPSE ETF.

Exchange Traded Fund

- An ETF, or exchange-traded fund, is a marketable security that tracks a stock index, a commodity, bonds, or a basket of assets.
- Its trading value is based on the net asset value of the underlying stocks that it represents.
- ETF shareholders are entitled to a proportion of the profits, such as earned interest or dividends paid, and they may get a residual value in case the fund is liquidated.
- ETF is different from Mutual Fund (MF) in a way that it is traded on public stock exchanges and its ownership can bought, sold or transferred in the same way as stocks. This is unlike MFs where transaction is done only by the fund manager.

2.2. DESIGNATED OFFSHORE SECURITIES MARKET

Why in News?

Bombay Stock Exchange has become the first Indian exchange to be designated as a

'Designated Offshore Securities Market' (DOSM) by the U.S. Securities and Exchange Commission (SEC).

- DOSM status allows sale of securities to US investors through the trading venue of BSE without registration of such securities with the US SEC, which eases the trades by US investors in India and also enhances the attractiveness of **Indian Depository Receipts** (IDR).
- Only a few exchanges globally enjoy the DOSM recognition, such as London Stock Exchange, Bourse de Luxembourg, Tokyo Stock Exchange and Toronto Stock Exchange.

Bombay Stock Exchange

- It is **Asia's oldest stock exchange** establishes in 1875.
- BSE's overall performance is measured by the **Sensex**, an index of 30 of the BSE's largest stocks covering 12 sectors.
- India INX, India's 1st international exchange, located at GIFT CITY IFSC in Ahmedabad is a fully owned subsidiary of BSE.

IDR

- It is a **financial instrument denominated in Indian Rupees** in the form of a depository receipt created by a Domestic Depository (registered with the SEBI India) against the underlying equity of issuing company to enable foreign companies to raise funds from the Indian securities Markets.

2.3. EXTERNAL COMMERCIAL BORROWINGS

Why in news?

Reserve Bank recently came out with a new policy for external commercial borrowings.

More on news

- It allows all eligible entities to raise foreign funding under the automatic route and removes sectoral curbs.
- The list of eligible borrowers has been expanded to include all entities eligible to receive foreign direct investment (FDI).
- Additionally, port trusts, units in SEZ, SIDBI, EXIM Bank, registered entities engaged in micro-finance activities, registered societies/ trusts/cooperatives and non-government organisations can also borrow under the new framework.

About External Commercial Borrowings

- It refers to commercial loans raised by eligible Indian resident entities from non-resident lenders with minimum **average maturity of 3 years**.
- It can be in the form of bank loans, buyers' credit, suppliers' credit or securitized instruments.
- ECBs are governed under the **FEMA** guidelines.
- They can be assessed under two routes i.e. automatic route and approval route. Generally, companies in businesses (such as hotel, hospitals and software) can access the automatic route.
- The negative list, for which the ECB proceeds cannot be utilized includes: real estate activities, investment in capital market, equity investment and repayment of Rupee loans except from foreign equity holder.
- ECBs increases quantity of affordable borrowings, diversifies the investor base, opens up international debt market for domestic players and allows government to channel inflows into specific sectors by allowing higher ECBs in them.
- But, ECBs increase foreign debt (i.e. debt in foreign currencies) and future repayment liabilities of the country.

2.4. LIMITED LIABILITY PARTNERSHIPS

Why in news?

The **Ministry of Corporate Affairs (MCA)** has sent notices to 7,775 limited liability partnerships (LLPs) for not filing annual returns for at least two consecutive years.

Limited Liability Partnerships

- It is a corporate structure whereby partners of the company are not personally liable for company's debts & liability and can't be held liable for another's misconduct or negligence.
- It provides the benefits of limited liability of a company (unlike corporate shareholders, partners have the right to manage the business directly), and allows its members the flexibility of organizing their internal management, as is the case in a partnership firm.
- **Foreign Direct Investment** in an LLP is also allowed.
- Owing to flexibility in its structure and operation, it is **useful for SMEs**, in general, and for the enterprises in services sector, in particular.
- It is governed by the provisions of the **Limited Liability Partnership Act, 2008, which gives**

the Central Government powers to investigate the affairs of an LLP.

- Since laws are less stringent for LLPs, they have lower registration cost & doesn't require compulsory audit, it is a preferred option for businesses.
- LLPs are also **tax efficient** as they are exempt from **dividend distribution tax & minimum alternative tax.**
- However, **like shell companies**, inactive LLPs can be used for tax evasion and money laundering. Hence, the government is now taking steps to deregister inactive LLPs.

About Shell Companies

- Shell companies typically refer to companies **without active business operations or significant assets.**
- Though incorporated with a standard memorandum or articles of associations, it has inactive shareholders and directors, and is functionally dormant.
- After the sale transaction, inactive shareholders usually transfer their shares to the buyer and the so-called directors resign or flee.
- In India, shell companies are **not defined under Companies Act, 2013** or any other legislation. However, some laws can help curbing illegal activities such as money laundering and can indirectly be used to target shell companies — Benami Transaction (Prohibition) Amendment Act 2016; The Prevention of Money Laundering Act 2002 and The Companies Act, 2013 etc.
- **Serious Fraud Investigation Office** under **Ministry of Corporate Affairs** has prepared **comprehensive digital database** of shell companies.

2.5. FALLING VALUE OF RUPEE

Why in news?

Recently, the Indian rupee weakened past the 71 mark for the first time ever.

RBI can control foreign exchange rate by:

- buying and selling bonds (increasing / decreasing currency supply in the market)
- foreign currency reserves trade in open market
- varying domestic interest rate
- absorbing the inflowing foreign exchange (Foreign Currency Non-Repatriable account (FCNR) deposits i.e. $ in NRI's accounts in Indian banks) into its reserves to build a buffer that can be used to support the local currency if there is a sudden outflow of capital/sudden depreciation
- currency swap agreements with other countries e.g. Japan
- E.g. If there is too much of foreign capital infusion in India, supply of $ will increase relative to the demand and ₹ will appreciate w.r.t $, which is not good for competitiveness of exports. Thus, RBI will **purchase $** from the forex market. But, the high selling of ₹ will create excess liquidity in the market and has the potential of creating inflation. Here, RBI issues **Market Sterilization Bonds** to absorb excess utility in the system. Also, RBI can control the money outflow **by increasing the interest rates.**

Reasons for falling rupee

- **Pulling out of Foreign Portfolio Investors** (FPIs) who were expecting US interest rates to go up, making US treasury bonds more attractive.
- **Trade war between China & US**, leading to greater number of import restrictions with high tariffs also caused $ to appreciate.
- **Rising global crude prices** due to concerns around US sanctions on Iran & crisis in Venezuela.
- **Fears of de-globalization** have also soured the global risk sentiment & dampened the outlook for emerging market assets.

Impact of falling rupee

- **Imports will become expensive** and will drive inflation upwards further hurting investors' sentiment as well.
- High fuel prices have a **direct bearing on the non-food parts of CPI** (Consumer Price Index) and WPI (Wholesale Price Index) inflation, **current account deficit** as well as **fiscal deficit.**
- **Increasing competitiveness of exports** will boost Make in India.
- The **value of remittances** in bank accounts in India **rises.**
- Boost **tourism** in India.

Steps taken by the Government

- Enabling more companies to raise **External Commercial Borrowings (ECBs). Manufacturing firms** can get ECBs up to $50 mn with minimum maturity of 1 year as compared to earlier three.
- **Masala bonds** issued in 2018-19 **exempt from withholding tax** along with further easing of curbs on marketing, underwriting of Masala bonds.
- RBI increased the **limits for foreign portfolio investors (FPIs) to buy GSecs** and corporate bonds
- RBI has relaxed its rules on foreign portfolio investors' (FPI) holding of corporate bonds by allowing FPIs to have an exposure of more than 20% of its corporate bond portfolio to a single corporate.

Masala Bonds
- **Rupee denominated bonds** issued to foreign buyers.
- Currency risk lies with investor
- Indian companies, NBFCs, infrastructure investment trusts and real investment trusts can issue the bonds, with ceilings imposed on maximum worth of issuance and pricing cap for various tenures
- Will make rupee more lucrative in international market and is a step towards full convertibility of rupee

Withholding Tax
- Tax levied on income (interests / dividends) from securities owned by a non-resident entity
- Intends to check volatile trading in equity and bond market

Long term solutions

- **Reduce heavy dependence on imports** including oil. Cut down imports of non-essential items
- **Boost export industries** through easier tax refunds, improving logistics at export terminals, better trade deals etc.
- **Attract FDI instead of FPI** through simplification of procedures, laws and dispute redressal.
- **Maintain limit on deficit**: Although India's fiscal position has improved in recent years, compared to peers, the combined deficit of centre & states is still on the higher side.

2.6. INSIDER TRADING

Why in News?

SEBI has laid down mechanism to prevent insider trading on the recommendations of **TK Viswanathan committee**.

SEBI's Mechanism to counter Insider Trading

- **Responsibility of Promoters:** Promoters will be held responsible for violation of insider trading norms if they possess unpublished price-sensitive information (UPSI) regarding the company without any 'legitimate' purpose.
- **Defining an Insider:** Any natural person or a legal entity connected with the company and who has acquired the UPSI by virtue of such connection will be termed as an insider.
- **Legitimate Purpose:** The term "legitimate purpose" will include sharing of the UPSI in the ordinary course of business by an insider, not to circumvent prohibitions laid by regulations.
- **Digital Database:** A structured digital database should be maintained containing names of such persons/entities with whom the information is shared.

Tackling insider trading is a specially challenging task as SEBI lacks requisite manpower and there is lack of parity between the law and what gets actually implemented. Moreover, with evolving technology and modern means of communication, it becomes difficult for the regulator to track such cases

Insider Trading
- It is the buying or selling of a security by someone who has access to material non-public information about the security.
- As disclosures are often price sensitive, insiders are always in a better position to make bigger trading gains. But since this will be unfair to other investors, and in order to maintain trust and confidence in the market, trading on the basis of unpublished price-sensitive information is illegal.
- In India, **SEBI (Insider Trading) Regulation, 1992** framed under **SEBI Act, 1992** intends to curb & prevent the menace of insider trading in securities. **Companies Act 2013** also prohibits insider trading.

2.7. CREDIT RATING AGENCIES

Why in News?

SEBI has **tightened disclosure** norms for credit rating agencies (CRAs) after they failed to warn investors on time about the deteriorating credit profile of Infrastructure Leasing and Financial Services Ltd (IL&FS).

More on news

- The rating agencies will now **need to disclose the liquidity position of the company** being rated and also check for **asset-liability mismatch**.
- CRAs would also need to **disclose the source and rationale** if the company is expecting **additional funds** to deal with its debt.
- In order to promote transparency, the CRA **should publish information about the historical average rating transition rates** (number of times rating has changed over a given period) across various rating categories, so that investors can understand the historical performance of the CRAs.

Issues with CRAs

- CRA regulations recognize only **issuer-pays model** (issuer pays a fee to the CRA), which has in-built conflict of interest. Also, CRAs **perform non-rating functions** for the issuers

- Issuer can **select a rating agency** and rating can't be published without issuers' consent.
- Credit-rating market in India is **oligopolistic**, with high barriers to entry. Lack of competition means well-**established relationships with issuers**, which can hamper CRAs' independence.
- **Poor rating quality**, based on limited information.

Credit rating agencies in India:

- To assess the credit worthiness (credit record, integrity & capability) of a prospective buyer to fulfill the debt obligations is called credit rating.
- The Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999 empower **SEBI** to regulate CRAs operating in India.
- All the credit agencies need to be registered with SEBI in order to operate in India.

Importance of CRAs

- Provide retail & institutional investors with **information** that assists them in determining if debtor will be able to meet their obligations.
- Highlights strengths of the company and market risks faced. Indirectly influences the share prices
- Ensures discipline among corporate borrowers
- Help in relocation of resources of sick companies to new avenues
- Builds trust between Govt & investors by quantifying level of risk of investing in a country.

2.8. NATIONAL FINANCIAL REPORTING AUTHORITY

Why in news?

Recently, government notified the rules determining the jurisdiction, powers, and functions of the **National Financial Reporting Authority (NFRA).**

What is NFRA?

- It is established as an **independent regulator** to oversee **auditing profession & accounting standards**
- It consists of a Chairperson, 3 full time members and 1 post of secretary for NFRA.
- Chairperson and full-time members would be selected through a **search-cum-selection committee** headed by Cabinet Secretary
- Though NFRA was to be **established as per Companies Act 2013**, its provisions weren't notified by the Govt. It marks a **shift from self-regulation regime** under Institute of Chartered Accountants of India to independent oversight of auditors.

About NFRA Rules 2018

- It will oversee the **auditors of banks, insurers, electricity firms** & other entities referred to it by the government.
- NFRA can investigate the auditors of:
    - Listed entities, unlisted entities with paid-up capital of not less than ₹500 crore or annual turnover of over ₹1,000 cr
    - Entities having aggregate loans, debentures or deposits of not less than ₹500 cr
- It enables NFRA to debar erring auditors/firms and it can also refer service of an auditor to **Quality Review Board** under **Chartered Accountants Act.**

ICAI (Institute of Chartered Accountants of India)

- Statutory body established by Chartered Accountants Act, 1949.
- Under administrative control of **Ministry of Corporate Affairs.**
- Conducts CA exams, registers qualified CAs, issues certificates of practice etc.
- Investigates auditors of small listed companies **(other than entities notified under NFRA rule 2018)**

International Forum of Independent Audit Regulators (IFIAR)

- Independent audit regulator from 52 jurisdictions
- Aims to enhance investor protection by improving audit quality globally
- Shares knowledge of evolving audit environment & practical experience of independent audit regulatory activity.

2.9. INTERNATIONAL FINANCIAL SERVICES CENTER AUTHORITY BILL

Why in News?

The Union Cabinet has approved the **International Financial Services Centres (IFSC) Authority Bill, 2019.**

What is an IFSC?

- SEZ act provides for the establishment of an IFSC in India within an SEZ in India and enables the Central Government to regulate IFSC activities.
- Gujarat International Finance Tech-City Co. Ltd (GIFT) is being developed as the country's first IFSC.
- IFSC has been designated for all practical purposes as a 'deemed foreign territory' which would have the same ecosystem as other offshore locations, but which is physically on Indian soil.

- Any financial institution (or its branch) set up in the IFSC is
  - treated as a non-resident Indian located outside India;
  - expected to conduct business in such foreign currency and with such entities, whether resident or non-resident, as the Regulatory Authority may determine;
  - Nothing contained in any other regulations shall apply to a unit located in IFSC, subject to certain provisions.
- Some of its major services include:
  - Fund-raising services for individuals, corporations and governments
  - Asset management and global portfolio diversification undertaken by pension funds, insurance companies and mutual fund
  - Global tax management and cross-border tax liability optimization
  - Risk management operations such as insurance and reinsurance
  - Merger and acquisition activities among trans-national corporations etc.

2.10. SHARE SWAP

Why in news?

Hindustan Unilever (HUL) announced the merger of Glaxo SmithKline Consumer (GSK Consumer) and this deal has been structured as a **share swap**.

More on news

- **Share swap** is when a company pays for an acquisition or merger by issuing its own shares (used as a currency) to the shareholders of the target company.
- The number of shares to be issued in lieu of their existing holdings in the target company called the **swap ratio** and it is determined by valuing the target company (based on metrics such as revenues, profits, market price etc.)
- Share Swap allows sharing of risks & benefits and cash savings as there is no cash outgo involved for the acquirer.

2.11. DEBENTURE REDEMPTION RESERVE

Why in news?

Recently Ministry of Finance rejected the proposal of SEBI to remove the requirement of the debenture redemption reserve (DRR), a provision under Companies Act 2013.

More on news

- **DRR is to be funded by company profits every year until at least 25% debentures are redeemed.** The reserve is to be created out of the issuer's profits of until at least 25% of the face value of debentures issued.
- Financial institutions such as banks and non-banking financial companies are exempted.
- DRR **protects investors** against the possibility of default by Company.

Debentures

- A debenture is a type of bond that is not secured by physical assets or collateral. Debentures are backed only by the general creditworthiness and reputation of the issuer.
- It promises a fixed rate of interest and return of the principal at a certain date **known as Debenture Redemption.**
- Treasury Bills issued by governments are a type of Debentures.

2.12. SHARE-PLEDGING

Why in news?

Recently there was a drastic fall in share prices of **Zee group** due to selling by lenders who had given money to the promoters of Zee entities against shares pledged by the promoters. This has brought to notice the issue of **'share-pledging' or 'Loan against shares' system.**

More on news

- Share-pledging is done to secure loans from bank and non-bank financial institutions. For the financial institutions, these pledged shares are collateral.
- Banks can sell the pledged shares if the price of the stock falls closer to the value agreed in the contract between them and the company. Typically, the amount that is lent by banks or NBFCs to promoters is less than the market value of the shares.
- High pledging levels are typically not considered a good sign by investors, as a downturn in the market price can lead to selling of shares by lenders & change in management. The fear of lenders selling the collateral makes the investor feel vulnerable which could further trigger distress sales.

3. FISCAL POLICY

3.1. GOVERNMENT SAVINGS PROMOTION ACT

Why in news?

Government proposed creation of a new Government Saving Promotion Act during the budget (2018).

Proposed Amendments

- It will merge Government Savings Certificates Act, 1959 and Public Provident Fund (PPF) Act, 1968 with the Government Savings Banks Act, 1873. The move intends to remove existing ambiguities due to multiple Acts and rules in small saving schemes (SSSs) and add flexibility.
- The amendments provide for:
    - provision of premature closure of Small Savings Schemes to **deal with medical emergencies, higher education needs**
    - **guardian to invest in SSSs on behalf of minor**(s) to promote culture of savings among the children
    - provisions of accounts **for differently-abled persons**, which **was not clear** in aforesaid acts.

Present Scenario

- There has been a **sharp rise in government borrowings from SSSs in the past 5 years**, which distorts the interest rate structure and raises the cost-of-funds economy wide.
- Small savings schemes accounted **20.9% of the total Central Govt. borrowing** in FY18, up from 17.2% in FY17 and 2.4% in FY14.
- Government needs to create a more conducive environment for monetary policy transmission by **aligning the interest rates of SSSs with the market** or with benchmark GSec yield.

Small Saving Schemes (SSSs)

- They are important source of household savings for **providing social benefit.**
- These can be classified under three heads
    - **Postal deposits:** Savings account, recurring deposits, time deposits of varying maturities and monthly income scheme(MIS)
    - **Savings certificates:** National Small Savings Certificate & Kisan Vikas Patra (KVP).
    - **Social security schemes:** Public Provident Fund (PPF), Senior Citizens Savings Scheme (SCSS) & Sukanya Samridhi Account Scheme.

Features of Small Saving Scheme

- They generally offer **higher interest rates** compared to bank deposits.
- Some of the small savings schemes offer **income tax benefits,** assured return and government's guarantee.
- All the money pooled form different SSSs goes to **National Small Savings Fund (NSSF**) which was established in 1999 within the Public Account of India.

Related news

The government has reduced the minimum annual deposit requirement for accounts under the Sukanya Samriddhi Yojana to ₹ 250 from ₹ 1,000 earlier.

About the scheme

- A **small savings scheme**, launched as a **part of Beti Bachao Beti Padhao (BBBP) campaign**.
- It aims to motivate parents to open an account in the name of a girl child and deposit their savings for her future well-being.
- The Sukanya Samriddhi Account is opened to facilitate the education and marriage expenses of girl children with a minimum deposit of ₹ 250 and a maximum of ₹ 1.5 lakh.
- A parent or legal guardian can open an account in the name of the girl child until she attains the age of ten years.
- She can withdraw 50% of the money after reaching age of 18 e.g. For higher education. 18 years deadline will also help preventing child-marriages.
- The annual deposit (contributions) qualifies for Section 80C benefit and the maturity benefits are non-taxable.

3.2. GROSS DOMESTIC PRODUCT

Why in News?

NITI Aayog and the Central Statistics Office (CSO) released the **'back-series' of India's gross domestic product (GDP) data from 2005-06,** using a new methodology.

Gross Domestic Product (GDP) vs Gross Value Added (GVA)

- Gross Domestic Product (GDP) is the **monetary value all final economic goods and services** produced in a country during a specific period of time.
- GVA is **measure of value of goods and services produced in economy.**
- **GVA** is **sector specific** while **GDP** is calculated **for entire economy.**

How GDP is calculated?

There are 3 theoretical ways of calculating GDP, which include:

- **Expenditure Approach:** The total spending on all final goods and services GDP = C + I + G + (X-M) where C= Consumption goods and services, I= Gross Investments, G= Government Purchases , X= Exports, M= Imports. This method is the most commonly used representation of the GDP.

- **Income Approach:** This approach aims at adding up the incomes received by all the factors of production.
- **Value Added Approach:** The value/price of final goods & services (including financial goods and services) are added up and the value of the intermediate goods is subtracted.

Details

- **In 2015**, the government adopted a **new method for the calculation** of GDP of the country.
  - **Shifted** from the Gross Domestic Product (GDP) at factor cost to the **Gross Value Added at basic prices**.
  - Changed **base year used for calculations to 2011-12** from the previous 2004-05.
- Now **Ministry of Corporate Affairs MCA-21 database alongwith Index of Industrial Production (IIP) & Annual Survey of Industries (ASI)** is used for evaluating GDP.
- These changes are in line with the **United Nations System of National Accounts recommendations.**
- The **back series data released** provides the earlier years' data using the new methodology.
- Under the new methodology the GDP at market price is calculated as:
  - GDP at market price = GVA at basic prices + (Product Taxes) – (Product Subsidies)
  - GVA at Basic Prices = GVA at Factor Cost + Production Taxes – Production Subsidies
  - Gross value added (GVA) at factor cost = Output – Intermediate consumption

Highlights of the New Data

- The new data shows that, contrary to the earlier perception, **the Indian economy never graduated to a 'high growth' phase of more than 9% in the last decade or so.**
- It was also pointed out that the newer data, especially for the mining and manufacturing sectors, shows that **India did not recover from the global financial crisis as quickly as initially thought.**

Related news and information

MCA-21 Database

- It is an e-governance initiative that was launched in 2006 to allow firms to **electronically file their financial results and advance filing of corporate accounts,** to calculate national accounts. Its approach involves aggregating the performance of the sector from the balance sheet of individual companies, after adjusting for inflation. The earlier approaches used sampling methods.

System of National Accounts 2008 (SNA 2008)

- It is the latest **international statistical standard** for the national accounts, adopted by the **United Nations Statistical Commission.** It aims to provide an integrated, complete system of accounts enabling international comparisons of all significant economic activity. However, adherence to it is entirely **voluntary**, and cannot be rigidly enforced.

Index of Industrial Production

- It is a composite indicator that measures the short-term changes in the volume of production of a basket of industrial products during a given period with respect to the base year 2011-12.
- It is **compiled and published monthly by CSO.**
- **Sectoral Composition of the IIP in decreasing order of weight: Manufacturing> Mining>Electricity.**

Annual Survey of Industries

- It is **conducted annually under the Collection of Statistics Act, 2017.**
- It aims to obtain comprehensive and detailed statistics of industrial sector with the objective of estimating the contribution of **registered manufacturing industries** as a whole to the national income.
- It is **conducted by CSO.**

Recently, **India became the world's 6th largest economy**, moving ahead of France (now 7th at place) according to updated World Bank figures for 2017.

- India's gross domestic product (GDP) amounted to $2.61 trillion in 2018.
- US is the world's largest economy followed by China, Japan, Germany and United Kingdom.

3.3. GOVERNMENT DEBT

Why in news?

According to the Status Paper on Government Debt for 2017-18, the Centre's total debt as a percentage of GDP **reduced to 46.5% in 2017-18** from 47.5% as of March 31, 2014.

Why government debt needs to be controlled?

- In the absence of fiscal consolidation, there is an increased risk of default & hence, **downgrading** of sovereign **credit ratings.** Loss of investor confidence will not only reduce FDI/FII in India but will also make **future borrowing expensive.**
- As more money is lent to government rather than invested in market, **corporate sector is crowded out.**
- When the government borrows more, it forces Public Sector Banks to purchase more of Government Securities (GSecs). This reduces the **capital availability** to private sector and affects **profitability** of the PSBs.
- Too much of government debt can lead to **inflation** and **reduction** in real **interest rates.**

- The reduced demand of domestic securities relative to foreign securities (due to poor credit rating) might **push the exchange rate down** and weaken the domestic currency with respect to dollar. It will make imports more expensive and further fuel inflation.
- **N.K. Singh-headed FRBM (Fiscal Responsibility and Budget Management) Review Committee** had recommended ratio to be **40% for the Centre** & **20% for the States**, respectively, by 2023.

Government Debt

- **Government liabilities** have been broadly classified as debt contracted against the Consolidated Fund of India (defined as **Public Debt**) and liabilities in the Public Account, called **Other Liabilities**. Public Debt is **41%** of GDP, while other liabilities are **5.5%** of GDP.
- Public debt is further classified into **internal** (38.2% of GDP) and **external** debt (2.9% of GDP).
- **Internal debt** consists of **marketable** debt (32.9% of GDP) and **nonmarketable** debt (5.3% of GDP).
  - Government dated securities and Treasury Bills, issued through auctions, together comprises marketable debt.
  - Intermediate Treasury Bills issued to State Governments and select Central Banks, special securities issued to National Small Savings Fund (NSSF), securities issued to international financial institutions, etc., are part of non-marketable internal debt.
- **Other Liabilities** include liabilities on account of Provident Funds, Reserve Funds and Deposits, Other Accounts, etc.

Has fiscal consolidation worked for the central government?

- **Gross fiscal deficit (GFD)** as a % of GDP has declined from 5.9% in 2011-12 to 3.5% in 2017-18.
- **Government is borrowing more from market** & has reduced its dependence on RBI (borrowing from RBI is inflationary as it increases currency in circulation) to cover up temporary deficits in receipts and expenditures.
- **Moving towards market interest rates** to remove disparity between public and private sector in market borrowing and prevent crowding out of private sector.
- **Lowering interest rate volatility:** ~98% of the public debt in India is contracted at fixed interest rates insulating debt portfolio from interest rate volatility and providing certainty and stability to budget in terms of interest payments.
- **Increasing debt sustainability:** IP-RR ratio (interest payments to revenue receipts) of Centre has decreased to 35.3% in 2017-18 from about 52% in 2000s.

Strategy of central government for debt sustainability

- **Dedicated Body:** Bring both, India's external (managed by Ministry of Finance) & domestic debt (managed by RBI) under a statutory **Public Debt Management Agency (PDMA)**
  - Public Debt Management Cell (PDMC) established within Budget Division, Ministry of Finance in 2016.
- **Medium-Term Debt Management Strategy (MTDS):**
  - **Low cost of borrowing:** Issuing longer tenor bonds, better investor relations and advance notifications of borrowing calendar.
  - **Risk mitigation:** Minimizing **currency risk** by choosing appropriate mix of domestic & foreign currency debt portfolio, reducing **roll-over risk** by elongating debt maturity period.

Roll-over Risk

It is a risk associated with the refinancing of debt. Rollover risk is commonly faced by countries and companies when a loan or other debt obligation (like a bond) is about to mature and needs to be converted, or rolled over, into new debt. If interest rates have risen in the meantime, they would have to refinance their debt at a higher rate and incur more interest charges in the future.

3.4. FINANCIAL STABILITY & DEVELOPMENT COUNCIL (FSDC)

Why in news?

The Union Government has reconstituted Financial Stability and Development Council (FSDC) to include new members.

About FSDC

- FSDC was constituted in December 2010 in the wake of Global Economic Recession.
- It is **chaired by the Union Finance Minister**.
- The members of FSDC now include:
  - **Minister of State, in charge of Department of Economic Affairs** (newly added)
    - Finance Secretary and/or Secretary of Department of Economic Affairs
    - Secretary of Department of Revenue
    - Secretary of Department of Finance Services
    - Secretary, Ministry of Corporate Affairs

- **Secretary, Ministry of Electronics and Information Technology** (newly added)
- Chief Economic Advisor, Ministry of Finance
- RBI Governor
- Chairpersons of SEBI, IRDAI, PFRDA and IBBI

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

4. TAXATION

4.1. GOODS & SERVICES TAX NETWORK

Why in News?

The Union Cabinet has approved **increasing of government ownership** in Goods and Services Tax Network (GSTN).

More on news

- The restructured GSTN will be fully government-owned, equally distributed between the Centre (50%) and the States (50%).
- The decision was taken as the government felt that a vast amount of GST related data should be completely under its supervision, as it contains sensitive information of over 1 cr taxpayers.

Goods and Services Tax Network (GSTN)

- GSTN is a **not for profit company** governed under section 8 of the **Companies Act 2013.**
- Earlier, centre held 24.5% equity and the States (including UTs Delhi & Puducherry) hold 24.5% equity in GSTN. 51% equity is with non-Government financial institutions (like HDFC Ltd, HDFC Bank Ltd, ICICI Bank Ltd, NSE Strategic Investment Co and LIC Housing Finance Ltd.)
- The Company has been set up primarily to provide **IT infrastructure & services** to Central and State Governments, tax payers and other stakeholders for implementation of the Goods and Services Tax (GST).

Other decisions taken by GST Council

- **Setting up of Goods and Services Tax Appellate Tribunal** as the forum of 2nd appeal against orders in 1st appeals issued by Appellate Authorities under Central and State GST Acts. Also, it will mediate in the indirect tax disputes between states & centre.
  - It shall consist of one technical member from both state and centre each along with a President.
- **Higher threshold limit for MSMEs** for exemption from GST (**40 lakh** in most states & **20 lakh** for the North East, from Rs. 20 lakh & 10 lakh respectively).
- Increase in turnover limit to Rs. 1.5 crore (earlier Rs. 1 crore) for MSMEs for the existing Composition Scheme.
- Composition Scheme is **extended to small service providers** with annual turnover of up to Rs. 50 lakh in preceding year, at a tax rate of 6% (3% central GST and 3% state GST).
- GST council decided to **cut tax rates on 23 goods** and **services,** including parts & accessories for the carriages for disabled persons, renewable energy devices etc. and **exempted frozen & preserved vegetables** from the levy. Now, the **28% slab** is restricted to only **luxury & sin goods**.
- Taxpayers who have not filed the returns for two consecutive tax periods shall be restricted from generating **e-way bills**.

About GST council

- It is a **constitutional body** set up as per Article 279A to decide issues relating to GST.
- It consists of following **members**:
  - Union Finance Minister - Chairperson
  - Union Minister of State, in-charge of Revenue of finance.
  - Minister In-charge of finance or taxation or any other Minister nominated by each State Government

GST Composition Scheme

- It **aims to rid the small taxpayers of tedious GST formalities** and **pay GST at a fixed rate of annual turnover.**
- This tax has to be paid on quarterly basis.
- However, upon opting for this scheme, he cannot issue taxable invoice under GST law and can neither collect GST from his customers **nor can claim Input Tax credit on his purchases**.

About E-way Bill

- An electronic bill generated by GSTN required in moving the goods of value exceeding Rs. 50,000 from **one state to another**.
- It will **eliminate the need for separate transit pass** in each state, thus, enabling hassle-free movement.

4.1.1. ANTI-PROFITEERING UNDER GST

Why in news?

Recently, National Anti-Profiteering Authority (NAA) imposed a penalty on Hindustan Unilever Ltd (HUL) for alleged failure to pass on to consumers the lower incidence of GST on its products.

What is National Anti-Profiteering Authority?

- It has been constituted under Central Goods and Services Tax (CGST) Act, 2017, to ensure that benefits of input tax credit and tax reductions are passed on to the end consumer.
- It can order the supplier/business concerned to reduce its prices or return the undue

benefit availed by it along with interest to the recipient of the goods or services.

- If the undue benefit cannot be passed on to the recipient, it can be ordered to be deposited in the **Consumer Welfare Fund created under CGST Act.**
  - It has been set up by the Department of Revenue and, is being operated by the Ministry of Consumer Affairs, Food & Public Distribution.
  - Its objective is to provide financial assistance to promote and protect the welfare of the consumers and strengthen the consumer movement in the country.
- **Tenure of Authority-** It shall cease to exist after the expiry of two years from the date on which the Chairman enters upon his office unless the Council recommends otherwise.

Related information

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

How is the anti-profiteering mechanism under CGST act?

CGST mandate a **3-tier structure** for investigation and adjudication of the complaints regarding profiteering-

- National Anti-profiteering (highest body)
- Authority Directorate General of Safeguards (main investigation arm)
- State-level screening committees and standing committee (complains or issues of local nature will be first examined at this level)

4.2. WIDENING OF INDIA'S TAX BASE

Why in news?

India's direct tax base has been **widening over last few years** as the total taxpayer base has increased to from 3.79 crore in FY 2013-14 (base year) to 6.85 crore in FY 2017-18.

More on news

- There is a **constant growth in direct tax-GDP ratio over last three years** and the ratio of 5.98% in FY 2017-18 is the best DT-GDP ratio in last 10 years.

Direct Tax

- These are the taxes, paid **directly to the government by the taxpayer.** Under the direct tax system, the incidence and impact of taxation fall on the same entity, which cannot be transferred to another person.
- It is termed as **a progressive tax** because proportion of tax liability rises as an individual/entity's income increases. **Examples:** Income tax, Corporate Tax, Dividend Distribution Tax, Capital Gain Tax, Security Transaction Tax etc.
- The system of direct taxation is governed by the **Central Board of Direct Taxes (CBDT).** It is a part of the **Department of Revenue** in the **Ministry of Finance.**

Indirect Tax

- Tax **collected by an intermediary** (such as a retail store) **from the customer**, who is actually bearing the economic burden of the tax. Thus, **incidence and impact of the tax are at different points.**
- The indirect tax is imposed **only when a taxable transaction** occurs.
- While indirect tax has a **wider base** and is more **elastic** (i.e. small increase brings in large amounts of revenue), it is **regressive in nature** as rich and poor are taxed equally for the same item. Thus, the poor end up paying a greater proportion of their income in indirect taxes.

Government Initiatives to increase tax collection

- **Income Declaration Scheme:** It offers an opportunity to tax defaulters to disclose their income under the IT 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.
- **Operation Clean Money** launched by IT Department to bring out illegal wealth. It involved e-verification of large cash deposits using data analytics during demonetization.
- Increased surveillance from **linking Aadhaar to Permanent Account Number (PAN)** and to bank accounts.
- A task force has been constituted under **Arbind Modi** for drafting new direct tax legislation.

4.3. GLOBAL DIGITAL TAX RULES

Why in News?

At a meeting of G20 finance ministers and central bankers held at Argentina in July 2018 the European Finance leaders called for progress on global rules to tax digital economy.

Need for Global Digital Taxation rules

- Digitalization allows traditional businesses to sell to customers in foreign jurisdiction without having a physical presence. Also, it paves the way for new business models to generate revenue e.g. sponsored search results on Google, social media advertising like Facebook, digital content through like Netflix.

- Currently, international laws provide for taxation in the jurisdiction where a company has physical presence. This allows digital businesses to pay no taxes in jurisdictions where they generate revenue.
- These have created opportunities for **Base Erosion & Profit Shifting (BEPS)**, where developing countries are specifically at loss, as they provide consumer base but are less likely to host digital economy businesses

Initiatives to reforms global digital taxation regime

- **OECD' 15 Point Plan** to combat this Base Erosion & Profit Shifting (BEPS) by making MNCs pay taxes in the country where they make profit.
  - Country-by-country reporting by businesses of their operations in different tax jurisdictions.
- **European Commission 2018:** Multi-national digital companies with significant revenues in Europe will have to pay 3% tax on their turnover.
- In **Budget 2015-16**, Govt. of India announced to levy **6% equalization tax** on online advertisement services offered in the country by non-resident entities (Google Tax).
- India has also pitched **Multilateral Instrument (MLI)** as a permanent measure to tax digital businesses.
  - MLI is a unique document created by the OECD's Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting.
- Recently, France has implemented tax on technology companies with large annual global revenue called **GAFA (Google Apple Facebook Amazon) Tax** from 1st Jan 2019.

Base Erosion & Profit Shifting

- It refers to tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no tax locations.
- **BEPS** is of major **significance** for **developing countries** due to their **heavy reliance on corporate income tax**, particularly **from multinational enterprises (MNEs)**.
- Particularly true for heavy digitalized businesses: (1) Cross-jurisdictional scale without mass (2) Heavy reliance on intangible assets (3) Importance of user participation & data

4.4. UNILATERAL ADVANCED PRICING AGREEMENT (UAPA)

Why in news?

Central Board of Direct Taxes (CBDT) has achieved the milestone of signing its 200th UAPA, taking the total number of APAs to 220, which includes 20 Bilateral APAs.

About Advanced Pricing Agreements

- Advance Pricing Agreement (APA) is **a prospective agreement between a taxpayer and a tax authority**, determining the transfer pricing methodology and liabilities in case of taxpayers' international transactions to avoid future disputes.
- Taxpayers may enter into APAs with more than one tax authority – i.e., bilateral or multilateral APAs - through the mutual agreement procedure (MAP) included in most income tax treaties.
- **Unilateral APAs** involve agreements between only the taxpayer and one government.

4.5. ANGEL TAX

Why in news?

The Government has widened the definition of startups to partly address angel tax woes of the startups. Earlier, several startups were served notices under **Section 56 (2) of the Income Tax Act**, which provides for taxation of funds received by an entity.

What is Angel Tax?

- It is a levy of 30% on the unlisted companies that have raised capital through sale of shares at a value above their fair market price. This excess capital is treated as income from other sources and is taxed.
- Fair value is a rational and unbiased estimate of the potential market price of a good, service, or asset. It is determined by the tax authorities.
- It was introduced in 2012 to prevent laundering of illegal wealth, by investing in shares of unlisted start-ups at extraordinary valuations.

New Rules for Angel Tax

- Any company less than 10 years old with turnover less than ₹100 cr are eligible for angel tax exemption.
- Investments upto ₹25 cr are exempt from angel tax.

- Investments made by listed company with a net worth of more than 100 cr or a turnover of more than 250 cr & NRIs will be fully exempt from the tax.
- For being eligible for exemption, a startup should not be investing in immovable property, transport vehicles above Rs 10 Lakh, loans and advances & capital contribution to other entities, except in the ordinary course of its business.
- Start-up must be registered with the **Department for Promotion of Industry and Internal Trade.**

Related news and information

- India's largest startup ecosystem has been recently set up in Kerala under the **Kerala Startup Mission (KSUM).**
- **Unicorns** are privately-held startups which are valued at $1bn or more. Recently, food delivery application Swiggy entered into the unicorn club.
- An **Angel investor** is a high net worth individual who puts their own finance into the growth of a small business in the formative stages of the startup's business as seed funds for debt or equity ownership.
- A **Venture Capitalist** enters in the later stages of development of a start-up for a portion of equity or debt ownership in an effort to advance the growth, launch IPOs or undertake mergers/acquisitions.

5. EXTERNAL SECTOR

5.1. DIRECTORATE GENERAL OF TRADE REMEDIES

Why in News?

A unified **Directorate General of Trade Remedies (DGTR)** has been formed for providing comprehensive and swift trade defence mechanism in India.

More on news

- It would subsume the Directorate General of Anti-dumping and Allied duties, Directorate General of Safeguards and some functions of the Directorate General of Foreign Trade.
- It will be the **apex national authority** for all trade remedial measures including anti-dumping, countervailing duties and safeguard measures, and would recommend Department of Revenue on the same.
- The Office of DGTR will function as **an attached office of Department of Commerce.**

Anti-Dumping Duties

- These are special duties imposed when a firm sells a product in the importing market (i) at a price below the one it charges in the home market, or (ii) below the cost of production or at less than fair value.
- It damages the producers in the importing country.

Countervailing Duty

- If the exporting nation is found to offer export subsidies to their exports, then CVD is imposed by the Importing Nation on imports.

Safeguard Duty

- The safeguard duty as a temporary measure is used when imports of a product, due to tariff concessions or other WTO obligations, increase unexpectedly to a point that they cause or threaten to cause serious injury to domestic producers.

5.2. EXPORT IMPORT BANK OF INDIA

Why in News?

Recently, the central government approved capital infusion of Rs.6,000 crore in Export Import Bank of India (Exim Bank) through recapitalization bonds.

About EXIM Bank of India

- It was established in 1982 under an Act of Parliament as the apex financial institution for financing, facilitating and promoting India's international trade. It is regulated by RBI.
- The Bank primarily lends for exports from India including supporting overseas buyers and Indian suppliers for export of developmental and infrastructure projects, equipment, goods and services from India.

Related information

Concessional Finance Scheme (CFS)

- Under it, EXIM bank supports Indian entities bidding for strategically important infrastructure projects abroad since 2015-16.
- EXIM Bank extends credit at a rate not exceeding LIBOR (avg. of six months) + 100 bps. The repayment of the loan is guaranteed by the foreign govt.
- Under the scheme **Ministry of External Affairs** selects the project, keeping in view strategic interest of India.

GRID (Grass Roots Initiative and Development) Initiative

- EXIM Bank provides financial support to promote grassroots initiatives/ technologies, particularly the ones with export potential and help the artisans/ producer groups/ clusters/ small enterprises/ NGOs realize remunerative return on their produce and facilitate exports from these units.

Recapitalization Bonds

- A government bond is an instrument to raise money from the market with a promise to repay the face value at the maturity date and a periodic interest. A bond issued for the purpose of recapitalisation is called recapitalisation bonds.

How will recapitalization bonds work?

- The government will issue recapitalization bonds, which banks will subscribe and enter it as an investment in their books. The banks will lend money to the government for subscribing the bonds.
- This money raised by the government through these bonds will go back to banks as capital. This will immediately strengthen the balance-sheet of the banks and show capital-adequacy.
- Since the government is always solvent, the money lent to the government for subscribing recap bonds is free from becoming a bad loan.

5.3. EXPORT CREDIT GUARANTEE CORPORATION (ECGC)

Why in news?

The Cabinet Committee on Economic Affairs chaired by the Prime Minister has approved the capital infusion of ₹2000 cr for strengthening of Export Credit Guarantee Corporation (ECGC).

About ECGC

- The ECGC Limited is a company wholly owned by the Government of India. It provides export credit insurance support to Indian exporters and is **controlled by the Ministry of Commerce.**

Functions

- Provides credit risk insurance covers to exporters against loss in export of goods & services.
- Offers guarantees to banks and financial institutions to enable exporters to obtain better facilities.
- Provides Overseas Investment Insurance to Indian companies investing in joint ventures abroad in the form of equity or loan and advances.

5.4. WORLD CUSTOMS ORGANIZATION

Why in news?

Recently, 80th Session of the **Policy Commission Meeting** of the **World Customs Organization (WCO)** was held in India.

Details

- **WCO was established in 1952** as the Customs Co-operation Council (CCC), it's an independent intergovernmental body whose mission is to **enhance the effectiveness and efficiency of Customs administrations.**
- It's the **only global organization** which defines global standards and procedures for customs clearances at the border and their implementation.
- **Membership:** India is a member since 1971.
- In July, 2018, India became **the Vice-Chair (Regional Head)** of the Asia Pacific Region of WCO for a period of two years.

6. EMPLOYMENT AND SKILL DEVELOPMENT

6.1. FIXED TERM EMPLOYMENT

Why in News?

The Union Ministry of Labour has urged States to issue orders permitting fixed-term employment (FTE) across all industries.

More on news

- Industrial Employment (Standing Orders) Central (Amendment) Rules, 2018 allowed all industries to hire workers on contract with a fixed tenure (earlier limited to apparel & footwear manufacturing only).
- **Labour is a Concurrent List subject** and without a Parliamentary ratification, States are not really obliged to follow these orders.

What is Fixed-Term Employment?

- It is a contract in which a company hires an employee for a temporary job for a specific period with fixed a payment & all statutory benefits (wages, working hours etc.) available to a permanent worker. However, such employee is not on payroll of the company and contract can be terminated on certain grounds.
- It will provide fixed wages & better work conditions for workers; greater accountability of employers.
- For businesses, it allows companies to hire & remove workers according to their requirements without extra legislative burdens. This flexibility will help in increasing their commercial competitiveness.
- However, it might lead to loss of collective bargaining power through trade unions and undermine job regularization. It also dilutes the safety nets offered by the Factories Act 1948, Industrial Disputes Act 1947 and Contract Labour (Regulation and Abolition) Act 1970.

Related information

In a **gig economy**, temporary, flexible jobs are commonplace and companies tend toward **hiring independent contractors** and **freelancers** instead of full-time employees. A gig economy undermines the traditional economy of full-time workers who rarely change positions and instead focus on a lifetime career. As per an estimate, the gig economy is generating 56% employment in India and going to grow 25-30 % per annum.

6.2. PERIODIC LABOUR FORCE SURVEY (PLFS)

Why in News?

National Sample Survey Office (NSSO), Ministry of Statistics and Programme Implementation has recently released draft report of the first Periodic Labor Force Survey (PLFS).

What is Periodic Labor Force Survey?

- PLFS was **launched in 2017** by the NSSO, replacing the earlier Employment-Unemployment Survey where data was available only every 5 years.
- It is a **regular survey** for generating estimates of **various labour force indicators** on **quarterly basis** for **urban areas** and **annual basis for both rural and urban areas**, at State/UT and all-India level.
- It would supply data not only about the **formal sector**, but also about the **informal sector**.
- The PLFS is designed to generate the indicators of labour market operations using two approaches:
  - **Usual Status (US) approach:** This approach records only those persons as unemployed who had no gainful work for a major time during the **365 days** & are seeking or are available for work. Thus, it captures **long-term open unemployment**.
  - **Current Weekly Status (CWS) approach:** In this approach, those persons are classified as unemployed who did not have gainful work for even an hour on any day in the preceding week and were seeking or were available for work. Thus, it captures not only **open chronic unemployment** but also **seasonal unemployment**.
- **Computer Assisted Personal Interviewing (CAPI) Method** has been adopted to record data.

6.3. NATIONAL APPRENTICESHIP PROMOTION SCHEME

Why in news?

Government has decided to execute the National Apprenticeship Promotion Scheme (NAPS) in the public-private partnership mode.

National Apprenticeship Promotion Scheme (NAPS)

- Its objective is to promote apprenticeship training and incentivize employers who wish to engage apprentices.
- It reimburses **25% of prescribed stipend** subject to **a maximum of Rs. 1500/- per month** per apprentice and targets 15 lakh apprentices in 2018-2019 & 20 lakh apprentices in 2019-20.
- **It covers all apprentices except** the Graduate, Technician and Technician (Vocational) apprentices which are covered by the scheme administered by MHRD.
- It also promotes **dual-learning mode of training** in which theoretical instructions are given in the ITI's while practical training is given in the industry, thus improves the connect between industry and ITI's.
- State Apprenticeship Advisers (SAAs) and Regional Directorates of Apprenticeship (RDATs) will act implementing agencies in their respective State/Regions.

6.4. NATIONAL COUNCIL FOR VOCATIONAL EDUCATION & TRAINING

Why in News?

The Cabinet approved the merger of National Council of Vocational Training (NCVT) & National Skill Development Agency (NSDA) into **National Council for Vocational Education and Training (NCVET)** for improving the outcome of the Skill India mission.

About NCVET

- It will regulate functions of entities engaged in vocational education and training and establish minimum standards for functions of such entities.
- The various functions of NCVET includes
  - Recognition and regulation of awarding bodies, assessment bodies and skill related information providers.
  - Approval of qualifications developed by awarding bodies and Sector Skill Councils (SSCs).
  - Indirect regulation of vocational training institutes through awarding bodies and assessment agencies.
  - Research and information dissemination.
  - Grievance redressal.

Related information and other recent government initiatives for skill development

- **Indian Institute of Skills:** To be set up at different locations across the country in Public Private Partnership (PPP) mode. Provide hands-on training in advanced courses such as energy efficient construction, industrial electronics and automation etc. **1st IIS was launched in Kanpur in 2016.**
- **Global Skills Park:** International skilling institute to provide students training in world class machinery, tools & equipment. The Asian Development Bank (ADB) has approved a $150 million loan to establish the **first Global Skills Park in Madhya Pradesh.**
- **National Level Entrepreneurship Awareness Campaign 'Udyam Abhilasha':** Launched by SIDBI, it aims to create a cadre of 800 trainers to provide entrepreneurship training to the aspiring youth. SIDBI has partnered with Common service centres**,** **e-Governance Services India Limited**, a Special Purpose Vehicle, set up by the Ministry of Electronics and IT for implementing the campaign.
- **Jan Shikshan Sansthans:** Vocational skill training programmes (in cutting, tailoring, food processing, welding, plumbing etc) at the door step of the beneficiaries with a minimum cost and infrastructure.

Sector Skill Councils (SSCs)

- They are set up **under NSDC** as autonomous **industry-led bodies** for steering skill development & training. They could be registered as a Section 8 company or a society.
- Aim is to identify skill gaps, set skill/competency standards, conduct Training of Trainers, provide real time information about labour market & develop a robust training delivery mechanism.
- **Sharda Prasad Committee (2016)** recommended scrapping of the existing Councils due to their overlapping roles and also highlighted conflict of interest in these.

NSDC (National Skill Development Corporation)

- It was established in 2009 as a Public Private Partnership Company with an objective to bridge the emerging skill gaps.
- Government of India through Ministry of Skill Development & Entrepreneurship (MSDE) holds 49% of the present equity base, while the private sector has rest 51%.
- It is also aligned to **re-skilling and upskilling** those who are already a part of the formal human resource.

6.5. PM SHRAM-YOGI MAANDHAN YOJANA (PMSYM)

Why in News?

Ministry of Labour and Employment launched pension plan 'PM Shram-Yogi Maandhan Yojana' for informal workers.

Objective	Intended Beneficiary	Salient Features
Providing financial security to workers from **unorganized sector** with adequate flexibility and exit options	• Unorganized workers whose monthly income is ₹15,000/ per month or less and belong to **the entry age group of 18-40 years are eligible** • Should not be covered under New Pension Scheme (NPS), Employees' State Insurance Corporation (ESIC) scheme or Employees' Provident Fund Organisation (EPFO) • Should not be an Income Tax payer	• Minimum assured pension of **₹3000 per month** after age of 60 years • Beneficiary is required to make **prescribed age-specific contribution** from the age of joining till the age of 60 years • PMSYM is a **voluntary** and **contributory pension** scheme on a 50:50 basis, where **Govt. will make a matching contribution** • In case of death during the receipt of pension, spouse will receive 50% of the amount as family pension. • **In case of death before** **60 years,** his/her spouse will be entitled to join and continue the scheme or exit the scheme.

Comparison between Atal Pension Yojana and PMSYM

- APY also targets the unorganized sector and is co-contributory in nature, and promises a minimum pension between **₹1,000-5,000** while the PMSYM pension is capped at just **₹3,000 per month.**
- PMSYM is only open to those with **monthly income of up to ₹15,000**, whereas APY contains **no such income limit.**
- In APY, contribution is **monthly, quarterly or half yearly,** which is of great help to those with irregular income. PMSYM only allows **monthly** contributions.
- APY provides for **return of corpus on the death** of the subscriber and his spouse. In PMSYM, workers **only get a pension** and do not accumulate a corpus for their family. On the death of the worker and his/her spouse, the corpus is forfeited to PMSYM.
- PMSYM will be directly managed by **the government** unlike APY, which is regulated by the **Pension Fund Regulatory and Development Authority** (PFRDA).

7. AGRICULTURE

7.1. DEVELOPMENTS IN IRRIGATION PROJECTS

7.1.1. CORPUS FOR MICRO IRRIGATION FUND

Why in News?

A dedicated **Micro Irrigation Fund (MIF)** with National Bank for Agriculture and Rural Development (NABARD) under Pradhan Mantri Krishi Sinchai Yojana (PMKSY) has been set up to provide states financial assistance on concessional rate of interest.

NABARD

- Established under **NABARD Act of 1981** with an objective of providing & regulating credit to farmers, small-scale industries, cottage & village industries, handicrafts etc in rural areas.
- **Refinances the financial institutions** like state co-operative agriculture and rural development banks (SCARDBs), state co-operative banks (SCBs), regional rural banks (RRBs), commercial banks (CBs) which finances the rural sector.
- Promotes **SHG-Bank linkage programme** for encouraging banks to lend to SHGs.
- **Long Term Irrigation Fund (LTIF)** has been established in NABARD during Budget 2016-17, as a part of PMKSY with an initial corpus of **₹20,000 cr** and it has been doubled to ₹40,000 cr in Budget 2017-18.

Micro-Irrigation

- It is the slow application of water above, or below the soil by surface drip, subsurface drip, bubbler and micro-sprinkler systems, thereby increases the yield and productivity of crops.
- Due to recurring droughts in years 2012, 2015 and 2016, micro-irrigation has become a policy priority in India in form of **Per Drop More Crop Component** of PMKSY.
- The average penetration level of Micro-irrigation in India is **5.5%.**

Pradhan Mantri Krishi Sinchai Yojana

- Aims to extend the coverage of irrigation 'Har Khet ko pani' and improving water use efficiency 'More crop per drop'.
- Supervised & monitored by Inter-Ministerial National Steering Committee (NSC) under PM with Union Ministers of all concerned Ministries.
- National Executive Committee (NEC) under the Chairmanship of the Vice Chairman, NITI Aayog oversees the programme implementation.
- Amalgamates ongoing schemes
  - Accelerated Irrigation Benefit Programme (AIBP) of the Ministry of Water Resources, River Development & Ganga Rejuvenation (MoWR, RD&GR)
  - Integrated Watershed Management Programme (IWMP) of Department of Land Resources (DoLR)
  - On Farm Water Management (OFWM) of Department of Agriculture and Cooperation (DAC) and a component of National Mission on Sustainable Agriculture (NMSA).
- Water budgeting is done for all sectors namely, household, agriculture and industries.

7.1.2. CRISIL DRIP INDEX

Why in News?

Recently, CRISIL released its rainfall parameter index also known as **DRIP (Deficient Rainfall Impact Parameter)** Index.

Details

- DRIP Index move away from simply measuring rainfall volumetric data & captures the interaction between the most critical aspect of vulnerability (irrigation) and weather shocks.
- The higher the CRISIL DRIP score, the more adverse the impact of deficient rains.

7.1.3. RAIN-FED AGRICULTURE

Why in news?

Recently a Rainfed Agriculture Atlas was released, which has pointed out that there are biases against rainfed agriculture in the policies of the government.

Revitalizing Rainfed Agriculture Network

- It was formed in 2010 is a pan India network of more than 600 members, including eminent academics, policy makers, farmer and civil society organisations that work to influence public systems, policy and investments for productive, prosperous and resilient rainfed agriculture.
- It publishes the **Rainfed Agriculture Atlas.**

About Rainfed Agriculture

- A region is classified as rainfed, if it has less than 40% net irrigated area.
- In India they cover around 180 districts and exist in all agro-climatic regions but are mostly concentrated in the arid and semi-arid area.
- About 61% of India's farmers rely on rain-fed agriculture and 55% of gross cropped area is under rain-fed farming.
- Rain-fed areas contributed significantly to the country's food production. They account for **88% of pulses, 40% rice production & support 64% of cattle population** in the country.

Important Government Initiative

- **National Mission for Sustainable Agriculture(NMSA) –** It is envisaged as one of the eight Missions outlined under National Action Plan on Climate Change (NAPCC). The major thrust is enhancing agriculture productivity especially in rainfed areas focusing on integrated farming, soil health management, and synergizing resource conservation.
  - **Rainfed Area Development** - It focuses on **Integrated Farming System (IFS)** for enhancing productivity and minimizing risks associated with climatic variability's. Under this system, crops/cropping system is integrated with activities like horticulture, livestock, fishery, agro-forestry, apiculture etc. to enable farmers not only in maximizing farm returns for sustaining livelihood, but also to mitigate the impacts of drought, flood or other extreme weather events with the income opportunity from allied activities during crop damage.

7.2. STORAGE, TRANSPORT & MARKETING OF AGRICULTURAL PRODUCE

7.2.1. AGRICULTURAL PRODUCE MARKET COMMITTEE

Why in news?

Maharashtra became 2nd state after Bihar to end the monopoly of Agricultural Produce Market Committee (APMC) and allow trade in farm commodities including livestock outside the wholesale markets (mandis).

About APMCs

- Presently, the marketing of agricultural commodities is governed by Agricultural Produce Market Committee (APMC) Act enacted by respective State Governments.
- The notified agricultural commodities as well as livestock covered under its ambit.
- First sale of crops by farmers - after harvesting - can only take place in APMC authorized mandis (not at the farm gates) through auctions.
- To remove discrepancies in agricultural markets, Central Government proposed Model APMC Act, 2003 and then Agricultural Produce and Livestock Marketing (Promotion and Facilitation) Act, 2017.
- **Model State/ Union Territory Agricultural Produce and Livestock Marketing (Promotion and Facilitation) Act, 2017 (APLM Act):** It provides for progressive agricultural marketing reforms, including setting up markets in private sector, direct marketing, farmer-consumer markets, de-regulation of fruits and vegetables, e-trading, single point levy of market fee, issue of unified single trading license in the State, declaring warehouses/silos/cold storage as market sub-yards and Market Yards of National Importance (MNI) so that more markets are available for farmers to sell their produce for better prices.

Market Yards of National Importance (MNI)

- **Agricultural Produce and Livestock Marketing Act 2017** proposed establishment of Market Yards of National Importance (MNI) after consideration of such aspects as total throughput, value, upstream catchment area, down-stream number of consumers served and special infrastructure requirements therefor.
- At present, Asia's largest agricultural market at Azadpur, Delhi is the only Market of National Importance (MNI) in the country.
- Many states are in the process of amending their respective APMC acts to create more such markets to boost inter-state trade.

7.2.2. GRAMEEN AGRICULTURAL MARKETS (GRAMS)

Why in news?

The Centre has identified 1,878 rural haats for modernization & development of infrastructure under Gramin Agriculture Markets (GrAM) programme in the first phase.

About GrAMs

- Aim is to develop and upgrade existing **22,000 rural haats into Gramin Agricultural Markets (GrAMs)** by strengthening their physical infrastructure (e.g. road linkages, storage capacity etc) using MGNREGS & other Government Schemes.
- GrAMs would be outside the APMC Act regulation & will be linked to e-NAMs.
- The move is based on the **recommendations of Ashok Dalwai Committee on doubling farmers' income,** which had advised to **build on the available infrastructure of rural haats** to establish primary rural agricultural markets where small and medium farmers can secure competitive prices.
- Recently, government gave approval to set up **Agri–Market Infrastructure Fund** with a corpus of **Rs. 2000 crore** with NABARD to develop & upgrade agricultural marketing infrastructure in Gramin Agricultural Markets and Regulated Wholesale Markets.

Rural Haats
Multi-commodity markets which act as first point of contact between farmer-producers and consumers. Also involves the sale of livestock as well as non-farm products.

7.2.3. GUIDELINES FOR OPERATIONS GREENS

Why in News?

Ministry of Food Processing Industries (MoFPI) has approved the operationalization strategy for **Operation Greens.**

About the Scheme

- It is a **Central Sector Scheme (CSS)** and was announced in Budget 2018-19 with an outlay of 500 crores to stabilize the supply of **Tomato, Onion and Potato (TOP)** crops and to ensure availability of TOP crops throughout the country round the year without price volatility.

Strategy for Operation Greens

- **National Agricultural Cooperative Marketing Federation of India Ltd (NAFED)** will be the Nodal Agency to implement price stabilization measures. MoFPI will provide 50% of the subsidy for transportation of TOP crops from production to storage & hiring of appropriate storage facilities.
- **Long Term integrated value chain development projects** such as Capacity Building of FPOs, Post-harvest processing facilities, Agri-Logistics, Creation & Management of e-platform for demand and supply management of TOP Crops etc.
- **Grants-in-aid of 50% of the eligible project cost**, subject to maximum Rs. 50 crores per project (For FPOs the grant-in-aid will be at rate of 70%).
- **Organisations eligible to avail financial assistance** would include State Agriculture Marketing Federations, Farmer Producer Organizations (FPO), Cooperatives, SHGs, Companies, Food Processors, Logistic Operators, Central & State Government entities/ organizations.
- The applicant fulfilling the eligibility criteria under the scheme is required to submit the online application on SAMPADA portal of the ministry.

Major objectives of "Operation Greens"
- Enhancing value realization of TOP farmers by strengthening **TOP production clusters** and their Farmer Producers Organizations (FPOs)
- Price stabilization for producers and consumers
- Reduction in post-harvest losses
- Increase in food processing capacities and value addition in TOP value chain
- Setting up of a market intelligence network to collect and collate real time data on demand, supply and price of TOP crops.

7.2.4. CONTRACT FARMING

Why in news?

Recently, Ministry of Agriculture released **Model Agriculture Produce and Livestock Contract Farming and Services (Promotion & Facilitation) Act, 2018.**

About contract farming

- Under it, agricultural production (including livestock and poultry) can be carried out based on a **pre-harvest agreement** between buyers and producers.
- It is aimed at **reducing farmers' risks** by creating an **assured market** for their produce, while **encouraging investment from agribusiness & food processing industries** by enhancing productivity & cost efficiency.
- Defined under **Concurrent List** of 7th Schedule of constitution; however, Agriculture is under State list.
- **Model APMC Act, 2003** provided for contract farming. Consequently, 20 states have amended their APMC Acts to provide for contract farming, while Punjab has a separate law on contract farming.

Key Features of Model Contract Farming Act: It is a promotional and facilitative Act and **not regulatory** in its structure.

- It sets up **Contract Farming (Development and Promotion) Authority** and local-level "registering & agreement recording" committees to register the contracts and implement them effectively.
- Providing Contract Farming Facilitation Group (CFFG) at village /panchayat level to take quick and need based decision.
- Catering to a dispute settlement mechanism at the lowest level possible for quick disposal of disputes.
- Services contracts all along the value chain including pre-production, production and post-production have been included.
- The produce will be insured under the existing agriculture insurance schemes.
- It provides to keep contract farming outside the ambit of APMC act.
- It makes provisions for strengthening Farmer Producer Organisations (FPOs) to mobilize small & marginal farmers.

7.2.5. AGRICULTURE EXPORT POLICY, 2018

Why in news?

With an **aim to double farmers' income by 2022, and to double agricultural exports by 2022,** Government of India has recently come up with the Agriculture Export Policy, 2018.

Related News

UAE and Saudi Arabia had decided to **use India as a base to address their food security concerns.** In accordance with the Agriculture Export Policy, the farm-to-port project will be similar to a special economic zone but in the style of a corporatised farm, where crops would be grown keeping a specific market in mind.

Objectives of the Agriculture Export Policy

- To **double agricultural exports** from present $ 30+ Billion to $ 60+ Billion by 2022 and reach $ 100 Billion in the next few years thereafter, with a stable trade policy regime.
- To **diversify our export basket,** destinations and boost high value and value added agricultural exports including focus on perishables.
- To **promote** novel, indigenous, organic, ethnic, traditional and non-traditional Agriculture products exports.
- To provide an **institutional mechanism** for pursuing market access, tackling barriers and deal with sanitary and phyto-sanitary issues.
- To strive to **double India's share in world agriculture exports** by integrating with global value chain at the earliest.
- Enable farmers to get **benefit of export opportunities** in overseas market.

Elements of the Agriculture Export Policy Framework

The policy recommendations are organized in two broad categories: strategic and operational

- Strategic Recommendations include:
  - Stable Trade Policy Regime
  - **Reforms in APMC Act and streamlining of mandi fee**
  - **Infrastructure and Logistics Support** which include Mega Food Parks, Integrated Cold Chains, identifying strategically important clusters etc.
  - **Holistic approach to boost exports by involving organisations such as Krishi Vigyan Kendras and by providing** holistic response to **Sanitary and PhytoSanitary (SPS)** and **Technical Barriers to Trade (TBT)**
  - **Involvement of State Governments and Inclusion of agricultural exports** in the State Export Policy
- Operational Recommendations include
  - **Focus on Clusters of villages at the block level for select produce(s) and transition from these clusters to Agri Export Zones (AEZs)**
  - **Promoting value added exports by promoting indigenous products and organic exports.**
  - **Marketing and promotion of "Brand India"**
  - **Creation of Agri-start-up fund:** Entrepreneurs are to be supported to start a new venture in Agri products exports.
  - **Attracting private investments**
  - **Strong Quality control Regime**

- The **concept of Agri Export Zone (AEZ)** was introduced in 2001, through EXIM Policy 1997-2001, to take a comprehensive look at a particular produce/product located in a contiguous area for the purpose of developing and sourcing the raw materials, their processing/packaging, leading to final exports.
- AEZ **focuses on convergence** of existing Central and State Government schemes to take care of financial and policy interventions required at various stages of value chain
- In all **60 Agri Export Zones (AEZ)** were notified by the Government till 2004 - 05. **No new AEZs have been set up after 2004.** All the notified AEZs have completed their intended span of 5 years and have been discontinued.

7.2.6. AGMARK

Why in news?

The government launched an online platform for processing applications related to quality certification mark 'Agmark' for agricultural products.

About AGMARK

- Agmark is certification mark that assures conformity of agricultural products to a set of standards.
- It is given by the **Directorate of Marketing and Inspection** under Ministry of Agriculture.
- The present **AGMARK** standards cover quality guidelines for different commodities like pulses, cereals, essential oils, vegetable oils, fruits and vegetables and semi-processed products like vermicelli.

7.3. CROP PRICING AND FARMER INCOME

7.3.1. SUGARCANE PRICING

Why in news?

Union government recently approved financial assistance for cane crushed by sugar mills.

Sugarcane Pricing Policy

- Aims to ensure fair price to cane growers, adequate returns to industry & supply of sugar to consumers at reasonable prices.
- Governed by provisions of Sugarcane (Control) Order, 1966 issued under Essential Commodities Act (ECA), 1955.
- India has dual sugarcane pricing:
  - **Fair & Remunerative Price (FRP)** announced by central government after approval of Cabinet Committee of Economic Affairs (CCEA), on basis of recommendations of Commission for Agricultural Costs & Prices (CACP).
  - **State Advised Price (SAP)** declared by the state governments, usually higher than the FRP.
- The populist increases in SAP have resulted in excessive production of sugarcane, thus triggering a glut of supply of sugar. This has resulted into large arrears owed by the mills to the farmers.
- To arrest the downslide in sugar prices and to ameliorate the liquidity position of sugar mills, the Govt. has increased import duty on sugar, imposed stock holding limits on sugar mills for two months, fixed Minimum Indicative Export Quotas (MIEQ) and removed customs duty on export of sugar.

7.3.2. PRADHAN MANTRI KISAN SAMMAN NIDHI (PM-KISAN)

Why in news?

Many states have announced income support schemes directed at the farm community. In the Interim Budget 2019-20, the Union Government has launched the **Pradhan Mantri Kisan Samman Nidhi (PM-KISAN).**

About PM-KISAN

- **Objective:**
  - To provide **income support** to all Small and Marginal landholding farmer families having cultivable land.
  - To **supplement the financial needs of the farmers** in procuring various inputs to ensure proper crop health and appropriate yields, commensurate with the anticipated farm income.
- **Benefits**: Under the scheme, financial benefit as given below will be provided to all Small and Marginal landholder farmer families across the country-
  - Landholder Farmer families with total cultivable holding **upto 2 hectares** shall be provided **a benefit of Rs.6000** per annum per family payable in three equal installments, every four months.
  - **Multiple land parcels** (even if each is less than 2 hectares) held by a single family will be pooled together to determine eligibility.
  - **Even landholdings, bigger than 10 hectares,** will be eligible for benefits under the scheme, if owned by multiple families (e.g. If five brothers jointly own a single 10 hectare holding, each of them will be eligible for the scheme).
- **Responsibility of identifying** the landholder farmer family eligible for benefit under the scheme shall be of the **State/UT Government.**
- The lists of eligible beneficiaries would be **published at the village level** to ensure transparency.
- **Exclusions**: Certain categories of beneficiaries of **higher economic status** such as institutional land holders, former and present holder of constitutional posts, persons who paid income tax in last assessment year etc. shall not be eligible for benefit under the scheme.
  - For the purpose of exclusion **State/UT Government can certify** the eligibility of the beneficiary based on **self-declaration** by the beneficiaries.
- A **dedicated PM Kisan Portal** will be launched for implementation of the scheme.
- This is a **Central Sector Scheme** and will be **funded fully by the Government of India. It has become operational from 1.12.2018.**

Related information

Definition of A Small and Marginal landholder farmer

A Small and Marginal landholder farmer family is defined as "a family comprising of husband, wife and minor children who collectively own cultivable land upto 2 hectare as per land records of the concerned State/UT".

The existing land-ownership system will be used for identification of beneficiaries for calculation of benefit.

States schemes for Income support

- **Ryuthu Bandhu: Telangana**
- **KALIA (Krushak Assistance for Livelihood and**

Income Augmentation) Scheme : Odisha
- Mukhyamantri Krishi Aashirwad Yojana: Jharkhand
- Krishak Bandhu Scheme: West Bengal

7.3.3. PRADHAN MANTRI ANNADATA AAY SANRAKSHAN ABHIYAN (PM-AASHA)

Why in News?

Recently, the Union Cabinet approved a new umbrella scheme – 'Pradhan Mantri Annadata Aay SanraksHan Abhiyan' (PM-AASHA).

About the scheme

- It has 3 components complementing existing schemes of the Department of Food & Public Distribution:
  - **Price Support Scheme (PSS):** Physical procurement of pulses, oilseeds and copra will be done by National Agricultural Cooperative Marketing Federation of India Ltd (NAFED) & Food Corporation of India.
  - **Price Deficiency Payment Scheme (PDPS):** This will cover all oilseeds for which MSP is notified & Centre will pay the difference between MSP & actual selling/model price to farmer through DBT. Farmers who sell their crops in recognised mandis within the notified period can benefit from it.
  - **Pilot of Private Procurement and Stockiest Scheme (PPSS):** A private player can procure crops at MSP when market prices drop below MSP & will then be compensated up to a maximum of 15% of MSP. This is optional for states and to be used for oilseeds procurement.
- PM-AASHA will cover gaps in the procurement and compensation, reduce crop bias in favour of wheat, paddy & sugarcane and encourage crop diversification. It would also help the Centre to save on storage costs and reduce significant wastage and leakages.

7.4. AGRICULTURE EDUCATION & EXTENTION

7.4.1. 3-YEAR ACTION PLAN FOR AGRICULTURAL EDUCATION

Why in news?

The cabinet has approved the continuation of the 3-Year Action Plan (2017-2020) of the Scheme for Agricultural Education Division and ICAR Institutes.

About the Scheme

- The scheme aims to address the issues of faculty shortage**,** promote international ranking, alumni involvement, innovations & technology enabled learning, encourage post-doctoral fellowships and scientific social responsibility.

About Indian Council of Agricultural Research (ICAR)

- It is the apex body **for coordinating, guiding & managing** research and education in agriculture and allied domains. It is one of the largest national agricultural systems in the world.
- Formerly known as Imperial Council of Agricultural Research **established on 16 July 1929** as a registered society under the Societies Registration Act, 1860 in pursuance of the report of the Royal Commission on Agriculture.
- **Presently,** it is an **autonomous organisation** under the Department of Agricultural Research and Education (DARE), Ministry of Agriculture and Farmers Welfare.

7.4.2. NATIONAL AGRICULTURAL HIGHER EDUCATION PROJECT (NAHEP)

Why in News?

ICAR has recently launched Rs 1100 crore ambitious NAHEP to **attract talent and strengthen higher agricultural education** in the country.

About NAHEP

- **Funding:** It will be funded by the World Bank and the Indian Government on a 50:50 basis.
- **Objective:** To support Participating Agricultural Universities (AUs) and ICAR in providing more relevant and higher quality education to Agricultural University students.
- **Its Components include**
  - **Giving grants** to selected AUs for innovation promotion, improving learning outcomes etc.
  - Education Division/ ICAR would establish a **Monitoring and Evaluation (M&E) Cell** to oversee the progress of activities.

7.4.3. KRISHI KALYAN ABHIYAN

Why in news?

Recently, **Krishi Kalyan Abhiyan** was launched by Ministry of Agriculture and Farmer Welfare with an aim to aid and advice farmers to improve their farming techniques and raise their income.

Details

- 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.
- It will be undertaken in 25 villages with more than 1000 population each in Aspirational Districts as identified in consultation with the Ministry of Rural Development in accordance with the guidelines of NITI Aayog.
- The overall coordination and implementation will be done by **Krishi Vigyan Kendra**. KVK, is an integral part of the **National Agricultural Research System (NARS)**, and aims at assessment of location specific technology modules in agriculture and allied enterprises, through technology assessment, refinement and demonstrations.

7.5. ALLIED ACTIVITIES IN AGRICULTURE

7.5.1. DAIRY PROCESSING & INFRASTRUCTURE DEVELOPMENT FUND

Why in News?

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

Details

- Consequent to the Budget Announcement 2017-18, the project will focus on building an efficient milk procurement system by setting up of chilling infrastructure & installation of electronic milk adulteration testing equipment, creation /modernization /expansion of processing infrastructure and manufacturing faculties for Value Added Products for the Milk Unions/ Milk Producer Companies.
- **NABARD** is contributing 8000 cr to the fund and the remaining amount will be contributed by the National Dairy Development Board (NDDB), National Cooperative Development Corporation (NCDC), end borrowers & agriculture ministry.
- Under the DIDF, NABARD will provide loans to the NDDB and the NCDC, which will then **implement** the project directly through the end borrowers such as Milk Unions, State Dairy Federations, Milk Producer Companies etc.

Related Information

- **NDDB:** Initially registered as a society under the Societies Act 1860, it was merged with the erstwhile Indian Dairy Corporation, by the NDDB Act 1987, with effect from 12 October 1987. The new body corporate was declared an institution of national importance by the Act.
- **NCDC:** It was established by an Act of Parliament in 1963 as a statutory Corporation under the Ministry of Agriculture & Farmers Welfare.

7.5.2. FISHERIES & AQUACULTURE INFRASTRUCTURE DEVELOPMENT FUND

Why in news

The Cabinet Committee on Economic Affairs (CCEA) chaired by the Prime Minister approved creation of Fisheries and Aquaculture Infrastructure Development Fund (FIDF).

Fisheries Sector in India

- India has **vast potential** for fisheries with a long coastline of about 8118 km, and an Exclusive Economic Zone (EEZ) of 2.02 million sqkm.
- 2nd **largest producer** of fish and fresh water fish in the world.
- 68% production from inland fisheries & remaining 32% from marine fisheries.
- Constituting about **6.3% of global fish production**, sector contributes to **1.1% of GDP** and **5.15% of agricultural GDP.**

About FIDF

- The estimated **size of the fund is ₹7,522 cr** comprising of monies raised from Nodal Loaning Entities (NLEs) like NABARD, National Cooperatives Development Corporation (NCDC) & all Scheduled Banks, beneficiaries' contribution and budgetary support from the Government of India.
- It would provide concessional finance to State Governments/UTs and State entities, cooperatives, individuals and entrepreneurs etc., for taking up of the investment activities of fisheries development.
- It would further give push to the fisheries production, enhance entrepreneurship in fishing and allied activities and facilitate

adoption of new technologies such as **open cage fishing**.

Open Cage Fishing
Sea cage culture involves growing fishes in the sea, sheltered bays & lagoons while being enclosed in a net cage which allows free flow of water.

7.5.3. BLUE ECONOMY

Why in news?

Recently Sustainable Blue Economy conference was organized in Nairobi, Kenya.

Sustainable Blue Economy Conference
- It is the first global conference on the sustainable blue economy.
- It was convened by Kenya and co-hosted Canada and Japan.

What is Blue Economy?

- According to World Bank, Blue Economy is the sustainable use of ocean resources for economic growth, improved livelihoods and jobs, while preserving the health of ocean ecosystem.
- It covers several sectors linked directly or indirectly to the oceans such as fishing, minerals, shipping and port infrastructure, marine biotechnology, marine renewable energy, marine tourism & ocean governance.

India's Initiatives as Blue Economy

- **Sagarmala Project (Ministry of Shipping):** It focuses on three pillars of development (i) supporting and enabling port-led development (ii) port infrastructure enhancement (iii) efficient evacuation to and from hinterland by developing new lines/linkages for transport.
- **Coastal Economic Zones:** 14 CEZs are being developed under Sagarmala initiative covering all the maritime states.
- **Resource exploration:** India is the first country to have received the status of a pioneer investor in 1987 and was allocated an exclusive area of 75000 sqkm by United Nations (UN) for exploration and utilization of Poly-Metallic Nodules (PMNs). India's exclusive rights to explore poly-metallic nodules (PMNs) from seabed in Central Indian Ocean Basin (CIOB) have been extended by 5 years.
- **International relations and security:** India is cooperating with Indian Ocean littoral countries and projecting itself as 'net security provider' to ensure a safe, secure and stable Indian Ocean Region (IOR). E.g. Asia-Africa growth corridor, QUAD etc.

7.5.4. ENSURE PORTAL

Why in news?

The Ministry of Agriculture & Farmers Welfare has launched an online portal **"ENSURE- National Livestock Mission- Entrepreneurship Development and Employment Generation (EDEG)"** to make subsidy transfer process quicker & faster.

Details

- The **National Livestock Mission**'s component **EDEG,** under which subsidy payment for activities related to poultry, small ruminants, pigs etc. were given through Direct Benefit Transfer (DBT) and goes directly to the beneficiary's account.
- This portal has been **developed by NABARD** and operates under the Department of Animal Husbandry, Dairying & Fisheries.

7.5.5. NUTRIENT BASED SUBSIDY SCHEME

Why in News?

Recently, government has approved the continuation of Nutrient Based Subsidy (NBS) and City Compost Scheme till 2019-20.

About Nutrient Based Subsidy Scheme (NBS)

- Under this scheme a fixed amount of subsidy decided on annual basis, is provided to fertilizer companies (**other than Urea)** depending on its nutrient content to fertilizer manufacturer.
- Under this scheme Minimum Retail Price (MRP) of Phosphatic & Potassic (P&K) fertilizers has been left open and the manufacturers/importers/marketers are allowed to fix MRP of P&K fertilizers at reasonable level.
- MRP will be decided taking into account the international and domestic prices of P&K fertilizers, exchange rate, and inventory level in the country.
- The scheme aims to ensure that adequate quantity of P&K is available to the farmers at statutory controlled price so that end-use is balanced. It will help improve the agriculture productivity, promote growth of indigenous fertilizer industry and to reduce the burden of subsidy.

About City Compost Scheme

- **Market Development Assistance** of ₹1500 per tonne of city compost for scaling up production and consumption is being provided.

- **Fertilizer companies and marketing entities** will also co-market City Compost with chemical fertilizers through their dealers' network.
- Under the provision of adoption, companies also adopt villages for promoting the use of compost.
- An appropriate **BIS standard/ Eco-Mark** ensures that environment friendly quality product reaches the farmers.

7.6. OTHER IMPORTANT NEWS

7.6.1. AGRICULTURE CENSUS

The 10th Agriculture Census 2015-16 was released by the Agriculture Ministry.

Key Findings of Provisional Agriculture Census 2015-16 vis-à-vis 2010-11 Agri- Census

Description	2015-16	2010-11	Remarks
Total number of operational holdings	146 million	138 million	Increase of 5.33%. (Share of SC- 11.91%, ST-8.72%)
Total operated area	157.14 million HA	159.59 million ha	Decrease of 1.53%.
Average size of operational Holding	1.08 hectares ha	1.15 ha	Declining average land holding size
Share of female operational holders	13.87 %	12.79 %	Rise in female participation
Small and Marginal holdings (0-2 ha)	86.21 %	84.97 %	Increasing fragmentation of land holdings leading to farmer distress among other farming issues
Semi-medium and medium operational holdings (2-10 ha)	13.22 %	14.29%	
Large holdings (10.00 ha & above)	0.57%	0.71%	
Share in Operated Area			
Small and Marginal holdings (0-2 ha)	47.34%	44.31%	• Share of larger land holdings in total cultivated area is declining while smaller holdings on rise. • As per Social groups, share of SC- 8.61%, ST-11.4% • Female share in land holding is rising which is a positive sign
Semi-medium and medium operational holdings (2-10 ha)	43.61%	44.82%	
Large holdings (10.00 ha & above)	9.04%	10.59%	
Females	11.57%	10.36%	

What is Agriculture Census?

- Agriculture Census in India is **conducted at five-year intervals** to collect data on structural aspects of farm holdings. The basic statistical unit for data collection is 'Operational Holding'.
- The first census was conducted with reference year 1970-71. So far, nine censuses have been done and this is the 10th in series.
- It is **carried in three phases**: In the first phase of the census, data on primary characteristics like number of operational holdings and area operated by different size classes (marginal, small, semi-medium, medium and large), social groups, (SC and ST and others), gender (male/female), types of holding etc. is collected.
- In the **second phase** of the census, detailed data on characteristics of operational holdings such as land use, irrigation status, tenancy particulars are collected based on samples from 20% of villages in each tehsil.
- While in the **third and final phase**, data on the pattern of input use by operational holdings is collected. This is also known as Input Survey.

Operational holding has been defined as all land used wholly or partly for agricultural production and is operated as one technical unit by one person alone or with others without regard to the title, legal form, size or location.

Total operated area, which includes both cultivated and uncultivated area provided part of it is put to farm production during the reference period.

7.6.2. INTERNATIONAL YEAR OF MILLETS

- Food and Agriculture Organisation (FAO) has agreed to celebrate 'International Year of Millets' in **2023**. **2018** is being celebrated as **'National Year of Millets'** in India which will help raise awareness.
- Millets are the small-seeded hardy crops belonging to Gramineae family which can grow well in dryland areas and marginal conditions of soil fertility. **India is the largest producer** of millet in the world.
- These have often been called the coarse grains; however, due to their nutritional contributions, these are now being referred as **'nutria-millets/nutria-cereals'**.

7.6.3. POKKALI PADDY

- Pokkali Paddy is a **saltwater-tolerant paddy** in the coastal fields of Alappuzha, Ernakulam and Thrissur districts of Kerala. It is an indigenous method of rice-fish rotational cultivation practiced in the coastal belts.
- This **GI-Tagged paddy** is a **single-season** (only one yield in a year) paddy raised in saltwater fields between June and November followed by a season of fish-farming. After the harvest, the paddy stubble in the fields acts as food and shelter for shrimp and small fish.

7.6.4. ENSURE PORTAL

- The Ministry of Agriculture & Farmers Welfare has launched an online portal **"ENSURE- National Livestock Mission- Entrepreneurship Development and Employment Generation (EDEG)"** to make subsidy transfer process quicker & faster.
- The **National Livestock Mission**'s component **EDEG,** under which subsidy payment for activities related to poultry, small ruminants, pigs etc. were given through Direct Benefit Transfer (DBT) and goes directly to the beneficiary's account.
- This portal has been **developed by NABARD** and operates under the Department of Animal Husbandry, Dairying & Fisheries.

7.6.5. INDUS FOOD 2019

- Recently INDUS FOOD-II with the theme of 'World Food Supermarket' was held at India Expo Mart.
- Indus Food is a global platform where top exporters from Food and Beverage Industry of India will be participating and buyers from across the world have been invited.
- It is organized by **Trade Promotion Council of India** (TPCI) with the support of Dept. of Commerce, Govt. of India.
- **About TPCI:** TPCI is an apex trade and investment promotion organization notified in the Foreign Trade Policy. TPCI is also recognized and supported by the Department of Commerce, Govt. of India.

7.6.6. SMART FOOD EXECUTIVE COUNCIL

- Recently the Smart Food Executive Council was formed under the aegis of the **Smart Food Initiative** founded by the **International Crops Research Institute for the Semi-Arid-Tropics (ICRISAT).**
- The **Smart Food initiative** is founded by the ICRISAT and aims to build food systems where the food is good for you (highly nutritious), good for the planet and good for the smallholder farmer.
- **About ICRISAT**
  - It is a non-profit, non-political organization that conducts agricultural research for development in the dry lands of Asia and sub-Saharan Africa.
  - ICRISAT is headquartered in Hyderabad, Telangana, with two regional hubs (Nairobi, Kenya and Bamako, Mali).

7.6.7. WORLD FOOD PROGRAM

- FAO Council approved India's membership to the Executive Board of the United Nations World Food Program (WFP) for 2020 and 2021.
- World Food Program is the food-assistance branch of the United Nations and is the leading humanitarian organization saving lives and changing lives, **delivering food assistance in emergencies** and **working with communities to improve nutrition and build resilience**.
- It was formed in 1961 and is headquartered in Rome and is governed by a **36-member Executive Board**. It works closely with its two Rome-based sister organizations, the Food and Agriculture Organization of the United Nations and the International Fund for Agricultural Development.
- Funded entirely by voluntary donation, WFP partners with more than 1,000 national and international NGOs to provide food assistance and tackle the underlying causes of hunger.

7.6.8. INTERNATIONAL RICE RESEARCH INSTITUTE

- The Prime Minister recently inaugurated the 6th International Rice Research Institute (IRRI) South Asia Regional Centre (IRRI SARC) in Varanasi.
- IRRI is an independent, nonprofit, research and educational institute, founded in 1960.
- It is the world's premier research organization dedicated to reducing poverty and hunger through rice science; improving the health and welfare of rice farmers and consumers; and protecting the rice-growing environment for future generations.
- The institute is headquartered in Los Baños, Philippines.
- IRRI is known for its work in developing rice varieties that contributed to the Green Revolution in the 1960s.

7.6.9. FUTURE POLICY GOLD AWARD

- Sikkim has won the **UN Food and Agriculture Organization**'s (FAO) Future Policy Gold Award for its achievement in becoming the **world's first totally organic agriculture state.**
- It is the first award that **celebrates policies rather than people** on an international level that create better living conditions for current and future generations.

8. INDUSTRIAL POLICY AND ASSOCIATED ISSUES

8.1. E-COMMERCE INDUSTRY

8.1.1. NEW RULES FOR E-COMMERCE

Why in news?

Recently, government introduced changes in e-commerce norms which are said to be clarificatory in nature and are not new restrictions.

Changes introduced by the new rules

- From February 1, 2019, e-commerce companies running marketplace platforms — such as Amazon and Flipkart — **cannot sell products through companies, and of companies, in which they hold equity stake.**
- It put a **cap of 25% on the inventory** that a marketplace entity or its group companies can sell from a particular vendor.
- The marketplaces will **not be allowed to offer deep discounts** through their in-house companies listed as sellers (check price cartelization).
- **No seller can be forced to sell its products exclusively on any marketplace platform**, and that all vendors on the e-commerce platform should be provided services in a "fair and non-discriminatory manner". Services include fulfilment, logistics, warehousing, advertisement, cashbacks, payments, and financing among others.
- E-commerce marketplace entity will be required to **furnish a certificate along with a report of statutory auditor to Reserve Bank of India**, confirming compliance of the guidelines.

Models of E-Commerce

Marketplace Model

- E-commerce Company provides an IT platform on an electronic network to act as facilitator between buyers & sellers without warehousing the products.
- It aggregates various retailers/brands and provide a sales channel (offers shipment, call centre, delivery and payment services) to them but cannot exercise ownership of the inventory.
- It allows for a superior customer service experience, as many smaller brands have greater outreach now, with their fulfillment processes taken care of by online marketplaces. E.g. E-Bay/Shopclues etc
- 100% FDI is allowed in marketplace model of e-commerce.

Inventory Model

- Products are owned by the online shopping company. The whole process end-to-end, starting with product purchase, warehousing and ending with product dispatch, is taken care of by the company.
- Allows speedier delivery, better quality control and improved customer experience and trust. But it restricts cash flow and is difficult to scale.
- FDI in multi-brand retail is prohibited, including e-commerce retail (B2C).
- E.g. Jabong, YepMe etc.

8.2. NATIONAL POLICY FOR SOFTWARE PRODUCTS

Why in news?

The Union Cabinet has recently approved a national policy on software products which aims to position India as a Software Product nation and create 3.5 million jobs by 2025.

Background

- The first Software policy came up in 1986. It resulted into Software Technology Park (STP) scheme in 1991.

Strategy

- Promoting Software Products Business Ecosystem by creating Indian Software Product Registry.
- Promoting Entrepreneurship & Innovation through incubation, creating domain specific Indian software product clusters, developing centres of excellence and creating dedicated **Software Product Development Fund (SPDF).**
- Skilling and Human Resource Development through a Future Skills Programme.
- Improving access to domestic market by integrating the registry of Indian software products with Government e-market (GeM), encouraging Indian Product Startups/ MSMEs through hackathons and preferential inclusion of Indian software product in Government procurement.

Software Technology Park of India

- It is an autonomous society under the MeitY.
- Its objective is to promote the development and export of software and software services including IT enabled services.
- It is the implementing agency of Software Technology Park, BPO Promotion Scheme etc.

Software Product Development Fund (SPDF)

- A corpus of Rs. 1000 Crore will be created in the form of Fund of Funds. SPDF will participate in venture fund to provide risk capital so as to promote scaling up of market ready Software Products.

- The SPDF will be financially managed by a professional Financial Institution/ Asset Management Company as per SEBI guidelines.

8.3. FOURTH INDUSTRIAL REVOLUTION

Why in News?

World Economic Forum launched Centre for Fourth Industrial Revolution in Maharashtra, India. The Centre has selected **drones, artificial intelligence** and **blockchain** as the first three projects.

More on news

- Located in Mumbai, this is the fourth such centre in the world after San Francisco, Tokyo and Beijing.
- This centre has been developed in partnership with the Government of India through the NITI Aayog.

About 4th Industrial Revolution

- 4th IR refers to the **combination of digital, biological & physical systems** to completely transform the interaction between humans and machines and create optimum processes. It was a term coined by **Klaus Schwab in 2016**.
- It **builds upon the first three industrial revolutions** (steam power and mechanical production; assembly lines and electrification; and electronics and computing) using tools such as Big Data, AI, Augmented Reality, Internet of Things, Robotics & Additive manufacturing E.g. Driverless Cars, Smart Robotics, Tougher Materials, 3D printing etc.

World Economic Forum

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

8.4. ELECTRONICS INDUSTRY IN INDIA

Why in news?

With an aim to create a $400-billion electronics manufacturing industry & generate 1 cr jobs by 2025, the Ministry of Electronics and Information Technology (MeitY) has come out with the draft 'National Policy on Electronics 2018' (NPE 2018).

Inverted Duty Structure (IDS)

- It implies a situation where import duty on finished goods is low compared to the import duty on raw materials that are used in the production of such finished goods.
- The issue of IDS makes it difficult for domestic electronic manufacturers to compete with foreign competitors who can access both raw material and components at lower prices.

Initiatives taken for Electronic System Design & Manufacturing (ESDM) Sector in India

- **Electronics Manufacturing Clusters (EMC):** To overcome disadvantages due to infrastructure, EMC was launched which encouraged entities to provide good quality infrastructure and logistics within a cluster. The Government provides 50% & 75% of the cost for development of infrastructure in Greenfield & Brownfield clusters respectively.
- **Modified Special Incentive Package scheme (M-SIPS):** In order to compensate for disadvantages in domestic manufacturing, M-SIPS provides for capital subsidy of 25% for Electronics Industry located in non-SEZ area and 20% for those in SEZ areas.
- **Preferential Market Access:** It is a scheme guaranteeing preference for locally manufactured products during procurement (minimum 30%) for government projects.
- **Electronics Development Fund (EDF):** In order to promote startups and innovation and also to achieve an ambitious target of 'Net Zero Imports' by 2020, EDF was launched which is a fund of funds (invests in Venture funds, which in turn invests in ventures).
- **Phased Manufacturing Programme (PMP):** PMP has the objective of progressively increasing the domestic value addition in the domain of mobile handsets and components manufacturing.
- **Merchandise Export from India Scheme (MEIS):** Incentives of upto a maximum of2- 5% on locally manufactured products like refrigerating equipment compressors, fully automatic washing machines, and color television sets.

National Policy on Electronics 2019:

- Creating eco-system for globally competitive ESDM sector by pushing manufacturing in sub-sectors of electronics
  - strategic electronics required by defence etc.
  - component design
  - semiconductor fabrication e.g. Fab-less design
  - industrial electronics e.g. smart energy meters
  - smart cards, micro-ATMs

- Incentive schemes
  - **Interest Subvention Scheme** will provide interest subsidy of 4% on loans on plant & machinery, upto 1000 cr
  - **Credit Default Guarantee Fund** will provide default guarantee to the banks upto 75% of loan on plant and machinery
- Proposed to create a **sovereign patent fund** to acquire IPs for chips and chip components
- Support to **startups in emerging technology areas** such as 5G, AI, Big Data, ML, IoT etc

8.5. MICRO, SMALL & MEDIUM ENTERPRISES (MSMES) IN INDIA

According to Micro, Small and Medium Enterprises Development Act, 2006, the manufacturing units are classified **depending on their investments in plant and machinery** as:

- Micro enterprises: Below Rs.25 lakh
- Small enterprises: Rs.25 lakh to Rs.5 crore
- Medium enterprises: Rs.5 crore to Rs.10 crore

MSME Development (Amendment) Bill 2018 in Parliament proposed a new classification of the units **based on annual turnover** to bring parity between manufacturing/service providing enterprises. However, the Bill could not be passed.

8.5.1. MSME OUTREACH PROGRAMME

Why in news?

The Govt. launched a MSME Outreach Programme with a 12- point action plan to promote greater synergy in the sector.

- Loans upto 1 cr within 59 minutes through an online portal
- **Interest subvention** of 2% for all GST registered MSMEs
- All companies with a turnover of more than 500 cr to be mandatorily on **TReDS platform** (an RBI initiative) to enable entrepreneurs to access credit from banks, based on their upcoming receivables.
- All PSUs to compulsorily **procure 25% from MSMEs** instead of 20% of their total purchases
- Out of the 25% procurement mandated from MSMEs, 3% reserved for **women entrepreneurs**
- All CPSUs to compulsorily procure through **Government E-Marketplace (GEM) portal**
- **100 Technology Centres** to be established at the cost of Rs 6000 crore.
- Govt. of India to bear 70% of the cost for establishing **Pharma clusters**.
- Returns under 8 labour laws and 10 Union regulations to be filed once in a year.
- Establishments to be visited by an Inspector will be decided through a **computerized random allotment.**
- Single consent under air and water pollution laws. Returns will be accepted through self-certification and only 10% MSME units to be inspected.
- For minor violations under the Companies Act, entrepreneurs no longer have to approach court but can correct them through simple procedures.

Other Initiatives to help MSMEs

- **Prime Minister's Employment Generation Programme (PMEGP)** is a major credit-linked subsidy programme aimed at generating self-employment opportunities through establishment of micro-enterprises in the non-farm sector by helping traditional artisans and unemployed youth.
- **Credit Guarantee Scheme for Micro & Small Enterprises** covers collateral free credit facility (term loan and/or working capital) up to 2 crore per borrowing unit.
- **Credit Linked Capital Subsidy Scheme (CLCSS)** for facilitating technology upgradation
- **Pradhan Mantri Mudra Yojana** for development & refinancing activities relating to micro industrial units.
- **A Scheme for Promotion of Innovation, Rural Industry & Entrepreneurship (ASPIRE)** to create a framework for start-up promotion through network of Technology Centres and Incubation & Commercialization of Business Idea Programme.
- **Scheme of Fund for Regeneration of Traditional Industries (SFURTI)** to organize the traditional industries and artisans into clusters to make them competitive
- Scheme for Micro & Small Enterprises **Cluster Development Programme** (MSE-CDP)
- **Market Promotion Development Assistance (MPDA)** for providing financial assistance to Khadi institutions
- **MSME Delayed Payment Portal – MSME Samadhaan** will give information about the pending payment of MSEs with individual CPSEs/Central Ministries/State Govt. etc in public domain.
- Public Procurement Portal for MSEs – **MSME Sambandh**
- **Sampark Portal** - Launched by Ministry of MSME, it is a digital platform to connect job seekers with recruiters.

- **Financial Support to MSMEs in ZED (Zero Defect and Zero Effect) certification** to encourage environmentally sustainable high-quality production by MSMEs. Implemented by **Quality Council of India (QCI)**
- **Solar Charkha Mission** - Under this scheme, the capital subsidy and interest subvention will be provided for setting up solar charkha clusters (where Khadi will be produced on solar-energy operated charkhas).

Importance of MSME Sector

- More than **6.3 cr units** employing **11.1 cr** people [**~40**% of the work force]
- MSME have contribution of around **30** % of GDP.
- MSMEs contribute **33.4**% of India's manufacturing output & **40**% exports.
- Around **66**% MSMEs are owned by socially backward groups (SC/ST/OBC). Higher participation by women
- Around **31**% MSMEs were engaged in **manufacturing** sector and **69**% in **Trade & Other Services**
- **Uttar Pradesh** has largest number of MSMEs (~14.2%) followed by West Bengal (~14%)
- Recently, Reserve Bank of India (RBI) has set up an **expert committee under U.K. Sinha** to suggest **long-term solutions for the economic and financial sustainability of the MSME sector.**

8.5.2. CRISIDEX INDEX

Why in news?

CriSidEx, India's first sentiment index, has been launched for micro and small enterprises (MSEs).

About CriSidEx

- CriSidEx is a composite index, developed jointly by CRISIL & SIDBI, based on a diffusion index of 8 parameters and measures MSE business sentiment on a scale of 0 (extremely negative) to 200 (extremely positive).

Benefits

- CriSidEx readings will flag potential headwind and changes in production cycles which will help improve market efficiencies.
- By capturing the sentiment of exporters and importers, it will also offer actionable indicators on foreign trade.

8.6. SEZ POLICY REPORT

Why in news?

The **Baba Kalyani committee** constituted by the Ministry of Commerce & Industry to study the existing **SEZ Policy** of India submitted its report.

About Special Economic Zones (SEZs)

- **Special Economic Zone (SEZ)** is a specifically delineated duty-free enclave and deemed to be foreign territory for the purposes of trade operations and duties and tariffs.
- **India's SEZ Policy** was implemented from **1 April, 2000**. Subsequently the Special Economic Zones Act, 2005 supported by SEZ Rules 2006 came into force.
- The **Board of Approval** chaired by the **Secretary, Department of Commerce** has been constituted by the Central Government in exercise of the powers conferred under the SEZ Act.
- The main objectives of the SEZ Act are generation of additional economic activity, promotion of exports of goods and services & investment and creation of employment opportunities.

8.7. NPCC - MINIRATNA

Why in news?

National Projects Construction Corporation Limited (NPCC) has been conferred with the status of Miniratna: Category –I by the Government of India.

About NPCC: It is the premier construction company under the administrative control of Ministry of Water Resources RD & GR to create necessary infrastructure for economic development of the country in the core sectors of irrigation and water resources, power and heavy industries.

Maharatna	Navratna	Miniratna
• Launched in 2009 with objective to empower mega CPSEs to expand their operations & emerge as global giants • Eligibility for grant of Maharatna Status: ○ Having Navratna status ○ Listed on Indian stock exchange with minimum prescribed public shareholding. ○ Average	• Launched in 1997 to give well performing PSEs more autonomy • The Miniratna Category – I and Schedule 'A' CPSEs, which have obtained 'excellent' or 'very good' rating under MoU system in three of the last 5 years. • Boards of Navratna CPSEs have delegated	The CPSEs which have made profits in the last 3 years continuously and have positive net worth are eligible to be considered for grant of Miniratna status.

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annual turnover of more than ₹25,000 crore, during the last 3 years. ○ Average annual net worth of more than₹15,000 crore & net profit after tax of ₹5000 cr, during the last 3 years ○ Should have significant global presence/ international operations • Currently, there are 8 Maharatna Companies ○ Bharat Heavy Electricals (BHEL) ○ Coal India (CIL) ○ GAIL (India) ○ Indian Oil Corporation Limited, ○ NTPC ○ Oil and Natural Gas Corporation (ONGC) ○ Steel Authority of India (SAIL) ○ Bharat Petroleum Corporation Limited	powers in following areas: ○ Capital expenditure ○ Investment in joint ventures / subsidiaries ○ Mergers & acquisition and ○ Human resources managemen t, etc.	

8.8. STANDARDISATION OF SERVICE SECTOR

Why in news?

The Bureau of Indian Standards (BIS) has started the process to set standards to measure quality of services across different sectors, including telecom, aviation, e-commerce and healthcare.

More on news

- The initial focus will be the **12 champion services sectors** identified by the government: Information Technology & Information Technology enabled Services (IT & ITeS), Tourism and Hospitality Services, Medical Value Travel, Transport and Logistics Services, Accounting and Finance Services, Audio Visual Services, Legal Services, Communication Services, Construction and Related Engineering Services, Environmental Services, Financial Services and Education Services.

About Bureau of Indian Standards

- It is the National Standards Body of India working under the aegis of Ministry of Consumer Affairs, Food & Public Distribution.
- It is governed by **Bureau of Indian standards (BIS) Act 2016**
- It provides various certification marks such as:
    - **BIS Hallmark** for purity benchmarking for gold and silver jewellery.
    - **EcoMark** for products conforming to a set of standards aimed at the least impact on the ecosystem).
    - **ISI Mark** for industrial products. Mandatory for products such as electrical appliances like switches, electric motors, wiring cables, heaters, kitchen appliances, Portland cement, LPG valves, LPG cylinders, automotive tires.

8.9. SPECIFIC RELIEF (AMENDMENT) ACT 2018

Why in news?

The Specific Relief (Amendment) Act, 2018, amending the provisions of the Specific Relief Act, 1963 came into force. The Amendment Act aims at improving India's global ranking on the **enforceability of contracts** and the **ease of doing business indices.**

More on news

- Broadly, the Amendment Act seeks to address the issue of delay in relation to the enforceability of contracts by setting up special courts and a defined timeline for cases.
- It further seeks to provide additional remedies to parties whose contractual rights have been violated by minimizing the discretion of courts in cases seeking specific performance of contracts and prevents the courts from granting an injunction in suits against infrastructure projects.

8.10. NATIONAL MISSION ON GOVERNMENT E-MARKETPLACE

Why in news?

National Mission on Government e Marketplace (GeM) was launched to accelerate the adoption and use of GeM by major central Ministries, State Governments and their agencies.

About GeM

- It has been envisaged by Government of India as the **National Procurement Portal of India.**
- It is a completely paperless, cashless and system driven e-market place that enables procurement of common use goods and services **with minimal human interface.**
- It makes the process more transparent and efficient with complete security features due to e-sign at various stages.
- GeM SPV which is a Section 8 (non- profit) Company registered under the Companies Act, 2013 (which replaced the Directorate General of Supplies & Disposals (DGS&D)) owns and operates the portal.
- It is being directly monitored by the PM office (PMO).
- GeM 3.0 was introduced last year. Some of its salient features include – performance-based user rating, e-Earnest Money Deposit (e-EMD), e-Performance Bank Guarantee (e-PBG).

8.11. WTO'S INFORMATION TECHNOLOGY AGREEMENT (ITA)

Why in news?

US and China have objected to India's customs duties on information and communications technology (ICT) products on grounds that India is not adhering to the commitments under WTO's ITA.

About ITA

- Information Technology Agreement (ITA) is a plurilateral agreement enforced by the World Trade Organization (WTO) and concluded in 1996.
- It aims to completely eliminate all taxes and tariffs on information technology products by signatory parties.
- India is a signatory to ITA.

8.12. TECHNICAL TEXTILES

Why in news?

National Conclave on Technical Textiles was held recently in Mumbai by the Ministry of Textiles.

What are technical textiles?

- These are **textile material & products manufactured primarily for technical performance and functional properties** rather than aesthetic and decorative characteristics.
- They can be made from any fibre yarn or filament of purely natural or synthetic origin or combination of the two types. A technical textile can be woven or non-woven and combinations of both.
- They find application not only in clothing but also in areas like agriculture (fishing nets), medical (sanitary napkins), infrastructure (wall coverings), automotive, aerospace, sports, defence and packaging.

8.13. DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE (DPIIT)

Why in news?

The **Department of Industrial Policy and Promotion (DIPP) has been renamed as the Department for Promotion of Industry and Internal Trade (DPIIT)** with a mandate to deal with matters related to start-ups, facilitating ease of doing business among others.

Details

- DIPP (under the Ministry of Commerce and Industry) was established in 1995 and reconstituted in the year 2000 with the merger of the Department of Industrial Development.
- It **looked after external trade earlier** and the matters related to internal trade (including retail trade, welfare of traders & their employees etc.) were under the domain of the **Ministry of Consumer Affairs.**
- With this, **both internal and external trade has come under the same ministry i.e. Ministry of Commerce and Industry, through this department.**
- Other functions of this body include:
  - Formulation of industrial policy and strategies
  - Monitoring of industrial growth
  - Formulation of FDI policy and its regulation
  - Formulation of policies relating to various IPRs
  - Coordinates with UN Industrial Development Organization
  - Administers Laws: The Explosives Act, 1884; The Salt Cess Act, 1953; The Patent Act, 1970; The Boilers Act, 1923 etc.

8.14. PRINTING PRESSES DECLARED AS PUBLIC UTILITY

Why in News?

The Ministry of Labour and Employment issued a notification refreshing the categorization of currency printing presses and mints as 'public utility service' under the Industrial Disputes Act, 1947.

Significance: As per the Industrial Disputes Act, 1947, no person employed in a public utility service shall go on strike in breach of contract without giving a notice to the employer.

What is Public Utility Service?

- Public Utility Services are those business undertakings engaged in supplying essential goods and/or services of daily necessity for the general public.
- They are also been defined as:
  - Any railway services [or any transport services for carriage of passengers or goods by air] or any service in connection with the working of any major port or dock.
  - Any section of an industrial establishment on the working of which the safety of the establishment or the workman employed therein depends.
  - Any postal, telegraph or telephone services.
  - Any industry which supplies power, light or water to the public.
  - Any system of public conservancy or sanitation.
  - Any industry specified in the [First Schedule] of the Industrial Disputes Act which the Government may, if satisfied that public emergency or public interest so requires, by notification in the Official Gazette, declare to be a public utility service.
  - Services in hospital or dispensary and insurance services.

Right to Strike in India

- In India, **right to protest** is a **fundamental right** under **Article 19** of the Constitution of India.
- However, **right to strike** is **not a fundamental right** but a **legal right** with restrictions prescribed under Industrial Disputes Act, 1947.
- **Essential Services Maintenance Act outright bans** key employees of essential services from strike altogether.

Essential Services Management Act, 1968

- It was enacted to **ensure delivery of certain "essential" services**, which if hindered would affect the normal life of the people.
- It also allows **states** (barring Jammu & Kashmir, except to the extent to which the provisions of this Act relate to Union employees) **to choose the essential services** on which to enforce this act.

Essential Commodities Act, 1955

- It was enacted to **ensure the delivery of certain commodities or products**, the supply of which if obstructed owing to hoarding or black-marketing would affect the normal life of the people.
- This includes foodstuff, drugs, petroleum products etc.

8.15. PRICING OF DRUGS

Why in news?

Recently, a Parliamentary Standing Committee on Chemical and Fertilizers submitted its report on the subject "Pricing of Drugs with special reference to Drugs (Prices Control) Order, 2013".

Price Control Regime in India

- Drugs (Price Control) Orders [DPCO] under Essential Commodities Act 1955 aim to regulate the prices of bulk drugs and their formulations to make them more affordable.
- National Pharmaceutical Pricing Policy (NPPP) 2012 put in place a regulatory framework for pricing of drugs.
- NPPP was implemented through Drugs (Prices Control) Order 2013 [DPCO 2013]. The list of essential medicines, along with dosages & strengths, are included in Schedule-1 of DPCO & are subject to price ceilings.
  - All the drugs under **National List of Essential Medicines (NLEM) given by Health Ministry** are automatically subject to price control.
  - Under NLEM 2015, a total 376 drugs are under price control.
- **National Pharmaceutical Pricing Authority (NPPA)** fixes prices of formulations and monitors its compliance.

Features of NPPP

- **Methodology of price fixation:** Ceiling prices of essential drugs is fixed based on simple average of the prices of all brands of the drug (in a particular therapeutic segment), which have at least 1% market share.
- **Revision of prices:** Ceiling prices of scheduled medicines are allowed an annual increase as per the Wholesale Price Index (WPI)
- **Non-scheduled formulations:** Non-scheduled medicines are allowed a price increase of 10% per annum only, to control the overall prices of drugs.
- **No separate price** for imported drugs (if mentioned in Schedule 1 of DPCO).

National Pharmaceutical Pricing Authority

- It is an **independent,** attached office of the Department of Pharmaceuticals (DoP), **Ministry of Chemicals and Fertilizers** formed in **1997**.
- **It is an executive body of experts** whose primary function is to fix & revise the prices of scheduled formulations under the Drugs (Prices Control) Order (DPCO).
- It also undertakes monitoring & enforcement of prices of scheduled drugs through market surveillance.
- Failure to adhere to price limits makes companies liable to refund excess amount to NPPA.
- NPPA also provides inputs to Government on pharmaceutical policy and issues related to affordability, availability and accessibility of medicines.

9. INFRASTRUCTURE

9.1. ROAD

9.1.1. ROAD SAFETY

Why in news?

Government data showed that there has been a reduction in road accidents.

Government steps for road safety

- Government has approved **National Road Safety Policy** which outlines the policy initiatives on road safety and **National Road Safety Council** (NRSC) is the apex body to take policy decisions in matters of road safety.
  - NRSC also **conducts Road Safety Audits (RSA)** for assessing safety performance examination of an existing or future road or intersection.
- **Draft National Action Plan** aimed at halving number of road accident deaths by 2020.
- Government had **signed the Brasilia declaration (on Road Safety)** in 2015, committing to reduce road accident and fatality by 50% by 2022.
- **Sukhad Yatra App** provides for road quality-related information or to report any accident or pothole on the highway.
- **Toll-Free Emergency Number** (1033) to report an emergency condition, highway-related feedback, or access ambulatory services.
- UN Member States (including India) have agreed for a comprehensive set of **voluntary global road safety targets,** including two specific targets on road safety (**SDG 3.6 and SDG 11.2**) in the 2030 Agenda for Sustainable Development to help governments measure and manage road safety.

9.2. RAILWAYS

9.2.1. FREIGHT CORRIDORS TO BE OPERATIONAL SOON

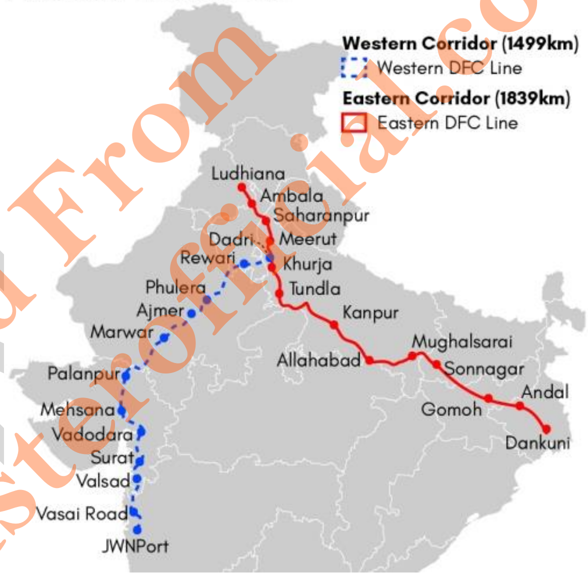
Why in news?

Several stretches of the Dedicated Freight Corridor (DFC) of Indian Railways are expected to open, resulting in huge capacity augmentation on the national transporter's network.

About Dedicated Freight Corridor project

- It is being implemented by Ministry of Railways.
- Initially, the construction of Eastern and Western DFCs is being undertaken.
- In 2006, the Government of India established a dedicated body, the Dedicated Freight Corridor Corporation of India (DFCCIL), to implement the project. It has been registered as a company under the Companies Act 1956.
- The construction of the western corridor is being fully funded by Japanese International Cooperation Agency and the eastern corridor is being partially funded by the World Bank.

EASTERN AND WESTERN DEDICATED FREIGHT CORRIDOR



9.2.2. OTHER RECENT INITIATIVES OF GOVERNMENT

Indian Railways e-procurement system (IREPS)	• It is an **official portal of Indian Railways**, for procurement of goods, works and services, sales of material and leasing of assets through e-tendering, e-auctioning or reverse auction. • It is developed and maintained by **Centre for Railways Information System (CRIS)**. • It is the **largest G2B portal**. • It was awarded **'Vigilance Excellence Award 2017'** by Central Vigilance Commission. • Recently, its mobile application **Aapoorti** was launched.
Rail MADAD	• Indian Railways has launched a new 'Rail MADAD' app for the purpose of **speedy redressal of passengers' complaints**. • It allows the passengers to **lodge complaints with minimum inputs** and relays real-time feedback to

	passengers on the status of redressal of their complaints. • **Trends on performance parameters** of a selected train or a railway station will be generated on the basis of the data.
India's First Railway University	• It was dedicated to the Nation recently in **Vadodara, Gujarat**. • India is only **third** such in the whole world after Russia and China. This institute is located in the **National Academy of Indian Railway**.
Rail Sahyog Portal	• Launched by Indian Railways, it will provide a platform for the **corporates and PSUs** to contribute to creation of amenities at/near Railway Stations through **Corporate Social Responsibility funds**.

9.3. AVIATION

9.3.1. NABH (NEXTGEN AIRPORTS FOR BHARAT) NIRMAN INITIATIVE

Why in News?

The Government has decided for **capacity augmentation of the airports**, as a part of NABH Nirman initiative.

About NABH Nirman Initiative

- Announced in Budget 2018-19, it seeks expansion of airport capacity **more than 5 times** to **handle a billion trips** a year.
- It aims to establish about **100 airports in 15 years** at an estimated **investment of Rs 4 lakh crore**, a large part of the investment to be leveraged from private sector.
- The key aspects of NABH Nirman include (i) Fair and equitable **land acquisition** (ii) **Long-term master plan** for airport and regional development (iii) **Balanced economics** for all stakeholders
- It will help to **connect smaller towns and cities** and increase tourism and economic activity.

9.3.2. UDAN 3.0 (UDE DESH KA AAM NAAGRIK SCHEME)/ REGIONAL CONNECTIVITY SCHEME (RCS)

Why in News?

The Ministry of Civil Aviation awarded routes to airlines under the third phase of the scheme.

Details

- **Inclusion of Tourism Routes** in coordination with the Ministry of Tourism.
- **Inclusion of Seaplanes** for connecting Water Aerodromes.
- **Bringing in a number of routes in the North-East Region** under the ambit of UDAN.
- **Helicopter routes are not considered** under the UDAN 3 bidding.
- 2 international flights has been started from Guwahati under the **International Air Connectivity Scheme (ICAS-Udan)** (no capping on funds/prices under this, it will be market driven).

About 'UDAN' scheme
- It is a regional airport development and Regional Connectivity Scheme (RCS) aimed at making air travel affordable.
- It is under the **Ministry of Civil Aviation** and the **Airports Authority of India** is the implementing authority.
- It is a key component of National Civil Aviation Policy.

9.3.3. WATER AERODROME

Why in news?

The Ministry of Civil Aviation has approved a proposal to set up water aerodromes in the country.

Details

- A **water aerodrome** is an area of open water that can be used by seaplanes as well as amphibious aircraft to land and take off. Moreover, depending on the volume of traffic, water aerodrome may have a terminal building on the shore or on a jetty where planes can dock, and bays where they can be parked.
- **The Airports Authority of India has identified 5 states** i.e. Odisha, Gujarat, Assam, Maharashtra and Andhra Pradesh where water aerodromes would be developed.
- They are proposed to be developed **near locations of tourist and religious importance**.
- In its first phase, water aerodrome will be established at **Chilika Lake in Odisha, Sardar Sarovar Dam and Sabarmati River Front in Gujarat**.

9.4. PORTS AND WATERWAYS

9.4.1. FIRST MULTI-MODAL TERMINAL ON INLAND WATERWAYS

Why in news?

India's **first multi-modal terminal on inland waterways** was inaugurated on by Prime Minister in Varanasi. This is being **constructed on the National Waterway-1** as part of the World Bankaided **Jal Marg Vikas project** of the Inland Waterways Authority of India.

Inland Waterways in India

- Under the Union List of the Seventh Schedule of the Constitution, the Central Government can make laws on shipping and navigation on inland waterways.
- The National Waterways Act, 2016 declares a total of 111 National Waterways.
- **Inland Waterways Authority of India (IWAI)**, a statutory body, is the nodal agency
- The 'Jal Marg Vikas Project' on National Waterways-I (NW-I) in river Ganga, a large integrated IWT project, is launched between Varanasi and Haldia covering a distance of 1380 kms
- On NW-2 (River Brahmaputra), Ro-Ro services have commenced between Dhubri and Hatsingimari in July 2017 on an Inland Waterways Authority of India (IWAI) vessel.

Jal Marg Vikas Project

- The project envisages development of **waterway** (for commercial navigation) between **Allahabad & Haldia** on Ganga River that will cover a distance of 1620 km.
- The project is being implemented with the technical assistance & investment support of **World Bank**.
- The project covers **Uttar Pradesh, Bihar, Jharkhand and West Bengal**.
- 4 Multi-Modal Terminals are planned on NW1: **Varanasi, Sahibganj, Haldia and Gazipur**.
- The project adopted the first time in India a **River Information System,** IT based system to optimize the resource management of waterborne transport.

9.4.2. FIRST FREIGHT VILLAGE

Why in news?

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

More on News

- 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 developed by the **Inland Waterways Authority of India.**

What is Freight Village?

"A freight village is a defined area within which all activities relating to transport, logistics and the distribution of goods, both for national and international transit, are carried out by various operators"

9.4.3. RIVER INFORMATION SYSTEM

Why in news?

The Union Minister of Shipping recently **inaugurated the Phase 2 of the River Information System on National Waterway-1 (River Ganga) between Farakka and Patna (410 km)**.

About River Information System

- It is a form of **vessel traffic management system** using a combination of tracking and meteorological equipment with specialized software designed to optimize traffic and exchange information real-time between vessels

Related News

The Inland Waterways Authority of India (IWAI) launched a new portal **LADIS – Least Available Depth Information System** to provide **real-time data on least available depths** for ship/barge

9.4.4. CABOTAGE LAW

Why in News?

Recently, Ministry of Shipping relaxed cabotage restrictions on the movement of foreign ships. It will allow international shipping companies to move Export-Import containers between Indian ports along the country's coastline.

More on news

- Indian ports can now attract cargo originating from or destined to foreign ports which would turn Indian ports into major trans-shipment hub. It would reduce the supply chain lag time and increase competitiveness of Indian manufacturers.

About Cabotage

- Cabotage refers to shipping along coastal routes between foreign sea ports & also to the restriction on the operation of vessels between sea ports within a particular country.
- It is governed by the Merchant Shipping Act (MSA) of 1958.
- It aims to protect domestic shipping industry from **foreign competition** as well as for the purpose of **national security**.

- Presently, foreign-flagged ships can transport cargo within the country, if Indian ships are not available, after obtaining a license.

9.5. ELECTRICITY

9.5.1. POWER ASSET REVIVAL THROUGH WAREHOUSING AND REHABILITATION (PARIWARTAN)

Why in news?

The **Rural Electrification Corporation (REC)** has finalized a plan called **Pariwartan** to revitalize stressed power sector assets.

About Pariwartan Scheme

- Under the plan, the REC has proposed that a special purpose vehicle, a subsidiary company to securitize assets, be set up with Power Finance Corp and the lending banks, which would be overlooked by an asset management company.
- The asset management firm will take on assets with a capacity of about 40,000 MW at net book value, and seek between 4-5% of equity from the National Infrastructure Investment Fund to run power projects under the scheme.
- The goal of this scheme is **to run these power assets to service their current debt**, and look at breaking even before the lenders decide to takeover or sell the assets.
- The scheme is similar to **SAMADHAN (Scheme of Asset Management and Debt Change Structure)** under which the SBI led bankers' consortium took over unsustainable debt of stressed power plants to avoid their liquidation.

Rural Electrification Corporation

- It is a Navratna company under the administrative control of the Ministry of Power
- It is the nodal agency by the Government of India for implementation of Saubhagya (Pradhanmantri Sahaj Bijli Har Ghar Yojana) and DDUGJY (Deendayal Upadhyaya Gram Jyoti Yojana).
- It is the coordinating agency for rolling out UDAY (Ujwal Discom Assurance Yojana).

9.5.2. SMART METERS

Why in news?

The government plans to make all electricity meters smart prepaid in three years (from April 1, 2019).

About Smart Meters

- Smart Meters **measure and record electricity use at different times of the day** and send this information to the energy supplier.
- They allow **two-way communication**, between energy providers & consumers of electricity.
- Smart meters might help in **reducing the operational cost** of distribution companies, enable remote metering, prevent thefts and pilferage and allow better load management.

Other related decisions

- The **Draft Electricity Amendment Bill** has defined smart grid and suggested that smart meters should be installed at each stage, for proper measurement of consumption.
- Under **Ujjwal DISCOM Assurance Yojana** (UDAY), the government has targeted to install **35 million smart meters by 2019**.
- **Energy Efficiency Services Limited**'s **Smart Meter National Programme (SMNP)** is working to replace 25 crore conventional meters with smart meters across India.

Ujjwal DISCOM Assurance Yojana (UDAY)

- It is the **financial turnaround and revival package** for electricity distribution companies of India (DISCOMs) initiated by the Government of India with the intent to find a permanent solution to the financial problems related to power distribution.
- This scheme shall apply only to State owned DISCOMs. It allows state governments to **take over 75 percent of their debt** as of September 30, 2015 and pay back lenders by selling bonds. DISCOMs are expected to issue bonds for the remaining 25 percent of their debt.

Aggregate Technical and Commercial (AT&C) losses

- It is the difference between energy input units into the system and the units for which the payment is collected.
- It has two components:
  - **Technical Loss** is due to flow of power in the transmission and distribution system. This should normally be in the range of 8-12% considering the Indian networks.
  - **Commercial loss** is due to theft of electricity, deficiencies in metering, misuse of category on realization of revenue etc.

9.5.3. PRAAPTI

Why in News?

A web portal called PRAAPTI (Payment Ratification and Analysis in Power procurement for bringing Transparency in Invoicing of generators) has been launched recently.

About PRAAPTI

- It will capture invoicing and payment data in long-term **Power Purchase Agreement (PPAs)** from the Generators.
- It would also help DISCOMs and GENCOs to reconcile their outstanding payments and enhance **transparency** in power purchase transactions.
- It would facilitate assessment of financial performance of DISCOMs.

9.6. LOGISTICS

Why in News?

Recently, World Development Bank released the Logistic Performance Index (LPI) 2018.

Highlight of the LPI 2018

- 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 Logistic Performance Index (LPI) 2018

- It is released by **Word 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.
- Logistics Performance Index (LPI) analyses countries through **six indicators**:
    - Custom
    - International Shipment
    - Tracking & Tracing of trace consignment
    - Infrastructure
    - Logistic Competence
    - Timeliness of consignment

What is Logistics?

Logistics include an array of services that support the physical movement of goods within or across borders. It includes material handling, warehousing, packaging, transportation, shipping security, inventory management, and supply chain management, procurement, and customs service.

Government Initiatives for Logistics Sector

- **Infrastructure Status:** Logistic sector has been given **infrastructure status in 2017,** which will enable access to long tenor funds, external commercial borrowings (ECBs) and help refinance existing loans at competitive rates.
- Government proposed a **multimodal logistics park in Jogighopa (Assam)** with aid of Asian Development bank.
- Government has launched **Logistic Ease Across Different States (LEADS)** index in order to compare states on the efficiency of logistical services.
- **Logistics Enhance Efficiency Programme** (LEEP) was launched for management and development of logistic parks and reduce the cost of logistics.
- **National Logistics Portal** is being developed by Ministry of Commerce and Industry, which will link all the stakeholders of EXIM and domestic trade on a single platform. The portal is being planned in 3 phases: (i) development of a logistics e-marketplace (ii) single window certification by bringing in 81 authorities on board (iii) integrating financial services on the platform.
- **Draft National Logistics Policy 2018** was also released recently.
- **Technology initiative:** Automated storage and retrieval systems (ASRS) in warehouse and transportation, radio frequency identification (RFID) in place of bar codes and global positioning system (GPS) for real time tracking.

Currently, five broad categories are included under **Harmonized list of Infrastructure sub-sectors –**

- Transport and Logistics,
- Energy,
- Water and Sanitation,
- Communication
- Social and Commercial Infrastructure.

9.7. NATIONAL DIGITAL COMMUNICATIONS POLICY 2018

Why in News?

Recently, Union Cabinet approved the **National Digital Communications Policy-2018 (NDCP-2018)** and re-designated Telecom Commission as the **"Digital Communications Commission"**.

Strategies for 3 Missions

- **Connect India:**
    - Establishing a 'National Broadband Mission – Rashtriya Broadband Abhiyan' to secure universal broadband access, to be funded through USOF and Public Private Partnerships.
        - ✓ **BharatNet:** Providing 1 Gbps to Gram Panchayats upgradeable to 10 Gbps
        - ✓ **GramNet:** Connecting all key rural development institutions with 10 Mbps upgradeable to 100 Mbps
        - ✓ **NagarNet:** Establishing 1 Million public Wi-Fi Hotspots in urban areas

- ✓ **JanWiFi:** Establishing 2 Million Wi-Fi Hotspots in rural areas
  - **'Fibre First Initiative'** to take fibre network to Tier I/II/III towns & rural clusters
  - Establishment of a **National Digital Grid** by creating a National Fibre Authority, enabling Infrastructure Convergence of IT, telecom and broadcasting by restructuring of regulatory frameworks, creating a **Broadband Readiness Index** for States/ UTs, facilitate the establishment of Mobile Tower Infrastructure etc.
  - **Recognizing Spectrum as a key natural resource**
  - **Strengthening Satellite Communication Technologies** in India
  - Ensuring Customer Satisfaction, Quality of Service and effective Grievance Redressal by establishing Telecom Ombudsman and a centralized web-based complaint redressal system
- **Propel India:** Catalyzing Investments for Digital Communications sector by according telecom infrastructure the status of Critical and Essential Infrastructure, creating a roadmap for harnessing emerging technologies and promote local manufacturing and value addition.
- **Secure India:**
  - Establishing a strong, flexible and robust Data Protection Regime, assuring security of digital communications by formulating a policy on encryption and data retention, instituting a sectoral Cyber Security Incidence Response System (CSIRT) etc.
  - Establishing a Pan-India network for Public Protection and Disaster Relief (PPDR) and framing & enforcing standard operating procedures to be followed during disasters and natural calamities.

9.8. INFRASTRUCTURE FINANCING

9.8.1. INVITS & REITS

Why in news?

Government is drawing up a plan to sell public sector Infrastructure assets, including rail lines, national highways and power transmission lines through infrastructure investment trusts (INVITs). Also, Blackstone Group along with Embassy Office Parks has filed India's first and Asia's largest prospectus for Real Estate Investment Trust (REIT).

What are InvITs?

- Infrastructure Investment Trusts (InvITs) are **mutual fund like institutions** that enable investments into the infrastructure sector by pooling small sums of money from multitude of individual investors for directly investing in infrastructure. A portion of the income is returned to unit holders of InvITs as dividends.
- InvITs are designed **to attract low-cost, long term capital** and the underlying focus is to reduce the funding pressure on the banking system as well as generating fresh equity capital for infrastructure projects.
- InvITs are set up as a trust and registered with SEBI.
- As per present regulations, InvIT investments **are not open for small and retail investors**. The minimum application size for InvIT units is **Rs 10 lakh**. The main investors could be foreign institutional investors, insurance and pension funds and domestic institutional investors (like mutual funds, banks) and also super-rich individuals.

What are REITS?

- It is a company that owns, operates or finances income-producing real estate.
- It raises funds from a large number of investors and directly invests that sum in income-generating real estate properties. The trusts are listed in stock exchanges so that investors can buy units in the trust.
- They are **regulated by SEBI**.
- Projects being developed by REITs should be registered under RERA.
- The minimum investment amount for investors has been set at Rs 2 lakhs.

Real Estate (Regulation & Development) (RERA) Act 2016

- **Creation of Real Estate Regulatory Authority** by the States/UTs, consisting of a Chairperson and at least two full time members with experience in urban planning, law and commerce etc
- **Mandatory registration** of all residential projects with RERA.
- **Creation of Real Estate Appellate Tribunals to hear appeals (time-bound) against RERA.**
- **Promoter has to maintain a 'separate account' for every project undertaken.**
- Promoter has to **deliver projects in a time bound manner** and if promoter fails to give possession of the property then the money received for that property has to be returned to the buyer.
- **Protection to buyers** in terms of **quality of construction and provision of services** for 5 years from the date of possession.

PT 365 - Economy

9.8.2. CREDIT ENHANCEMENT FUND

Why in news?

The Union Government is planning to launch a ₹500 crore **Credit Enhancement Fund (CEF)** to facilitate infrastructure investment by insurance and pension funds.

About the fund

- The initial corpus of the fund, to be sponsored by IIFCL (India Infrastructure Finance Company), will be ₹500 crore, and it will operate as a non-banking finance company.
- It will provide **credit enhancement for infrastructure projects** which will help in upgrading credit ratings of bonds issued by infrastructure companies and facilitate investment from investors like pension and insurance funds.

9.8.3. NATIONAL HOUSING BANK (NHB)

Why in news?

Cabinet approved payment of ₹ 1,450 crore to Reserve Bank of India to acquire its stake in National Housing Bank.

More on news

- RBI held 100 percent stake in the NHB. To transfer RBI's stake in the NHB to the government, the Finance Bill 2018 amended the National Housing Bank Act, 1987.
- The **change in ownership from RBI to government** will segregate RBI's role as banking regulator and as owner of NHB.

NHB

- It is a **statutory body** set up to operate as **the principal agency to promote and regulate housing finance institutions** in India both at local and regional level.
- It **launched NHB Residex**, the first official residential housing price index in 2007.

10. ENERGY

10.1. STRATEGIC OIL RESERVES

Why in news?

Recently, India received a consignment of 2 million barrels of crude oil from United Arab Emirates (UAE) for India's strategic petroleum reserve at Mangalore.

About Strategic Oil Reserves

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

Oil & Gas Scenario in India

- 3rd largest oil consuming nation
- 4th largest Liquefied Natural Gas (LNG) importer after Japan, South Korea & China
- By 2020, India will be the largest oil importer in the world (International Energy Agency)
- Moreover, global standard for strategic oil reserves, as set by IEA and Integrated Energy Policy 2006 of India recommended that country should **maintain a reserve equivalent to 90 days** of oil imports.

10.2. UNCONVENTIONAL HYDROCARBONS

Why in news?

Recently, Union Cabinet approved the policy to permit exploration and exploitation of unconventional hydrocarbons such as **Shale Oil/ gas, Coal Bed Methane (CBM)**, etc. under the existing Production Sharing Contracts (PSCs), CBM contract and Nomination fields.

About Coal Bed Methane (CBM)

- It is an unconventional form of natural gas adsorbed in coal seams. It is formed during the process of **coalification**, transformation of plant material into coal.
- It can be **recovered from underground coal** before, during, or after mining operations. It can also be **extracted from "unminable" coal seams** that are relatively deep or of poor/inconsistent quality.
- It is a cleaner and more efficient fuel than coal or furnace oil.
- In CBM, as opposed to conventional oil and gas, the production increases gradually till it hits it peak. So, it is best suited for small & medium enterprises (SMEs) which require smaller amounts of fuel.
- CBM reserves are found in **Coal bearing areas in 12 states** including Andhra Pradesh, Chhattisgarh, Gujarat, Jharkhand, Madhya Pradesh, Maharashtra, Assam, Odisha, Rajasthan, Tamil Nadu, Telangana and West Bengal.

About Shale Gas

- It is the **natural gas trapped** in shale rocks
- Shales have **insufficient permeability** to allow significant fluid flow to a wellbore; most shales are not commercial sources of natural gas. So, commercial scale production requires fracturing.
- The shale gas boom in recent years has been due to **modern technology in hydraulic fracturing** (fracking).
- **US** witnessed **Shale Revolution** in the 21st century. It became the largest producer of natural gas due to shale extraction.
- **India has identified 6 basins** as areas for shale gas exploration: Cambay (Gujarat), Assam-Arakan (North East), Gondwana (Central India), Krishna Godavari onshore (East Coast), Cauvery onshore, and Indo-Gangetic basins.

HELP VS NELP

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

Related News

According to the latest estimates of the US Geological Survey, India has the 2nd **largest gas hydrate reserves** after USA.

What are gas hydrates?

- Natural gas hydrates are a naturally occurring, ice-like combination of natural gas and water found in oceans and polar regions.
- They are considered as vast resources of natural gas (estimated to exceed the volume of all known conventional gas resources) and are known to occur in marine sediments on continental shelf margins.

Most of the gas hydrates are located in coarse-grained sand-rich depositional systems in the Krishna-Godavari and Cauvery Basins.

10.3. AMENDMENT IN THE DEFINITION OF 'PETROLEUM'

Why in News?

The government has recently redefined 'petroleum' by amending the Petroleum and Natural Gas Rules of 1959.

Changes in New Definition

- Petroleum means "naturally occurring hydrocarbon in the form of natural gas or in a liquid, viscous or solid form, or a mixture thereof but does not include coal, lignite and helium occurring in association with petroleum or coal or shale".
- The old definition contained the phrase “free state" which prevented private players to explore shale, which was reserved for only government-owned entities like ONGC. By removing the word free, it now allows hydrocarbons in absorbed state like shale to be exploited.

Implications

- The amendment would open up exploration of all hydrocarbons including traditional oil and gas, shale, coal bed methane and hydrates -- in the same field. This is in line with the new **Hydrocarbons Exploration and Licensing Policy (HELP)**.
- This should help in enhancing exploration and production of hydrocarbons, thereby increasing India’s energy security and reducing our imports.

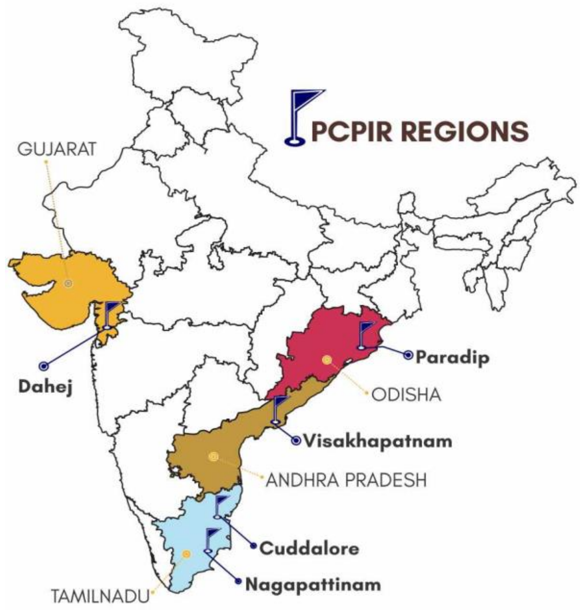
10.4. PETROLEUM, CHEMICALS AND PETROCHEMICAL INVESTMENT REGION

Why in news?

The Petroleum, Chemicals and Petrochemical Investment Regions (PCPIRs) in India have registered good progress in attracting investments for industrial development and generating employment.

About PCPIRs

- PCPIR is based on cluster-based development model for setting up manufacturing facilities for both domestic consumption and exports in Petroleum, Chemicals and Petrochemicals.
- The cluster is combination of production units, logistics handling, environmental protection mechanism and social infrastructure.



10.5. COAL MINE SURVEILLANCE & MANAGEMENT SYSTEM (CMSMS)

Why in news?

Recently, the Ministry of Coal launched the Coal Mine Surveillance & Management System (CMSMS) and 'Khan Prahari' mobile application.

Details

- The basic objective of CMSMS is reporting, monitoring and taking suitable action on unauthorised coal mining activities.
- The CMSMS is a web based GIS application through which location of sites for unauthorised mining can be detected.
- The basic platform used in the system is of Ministry of Electronics & Information Technology's (MeiTY) map which provides village level information.
- **Khan Prahari** App– It is a tool for **reporting** any activity taking place related to **illegal coal mining** like rat hole mining, pilferage etc. Responsible citizens can also provide information using this.

10.6. ADVANCED MOTOR FUELS TECHNOLOGY COLLABORATION PROGRAMME (AMF-TCP)

Why in news?

Recently, Cabinet was apprised that India is joining **Advanced Motor Fuels Technology Collaboration Programme** as a member.

About AMF-TCP

- It is one of the International Energy Agency's (IEA) transportation related Technology Collaboration Programme and will be implemented by **Ministry of Petroleum & Natural Gas.**
- Its vision is to **establish a sustainable transportation system** that uses advanced, alternative, and renewable fuels, has reduced emissions and meets needs for personal and goods mobility on a local and global scale.
- Other member countries of AMF TCP are USA, China, Japan, Canada, Chile, Israel, Thailand, Republic of Korea etc.

Related News
Coal Swapping Scheme
- It has been extended to private power producers and non-regulated cement and steel sectors.
- Coal India would be the nodal agency for the swapping arrangement.
- Coal swapping would reduce the supply cost of coal enabling production of cheaper power.

10.7. OTHER RELATED NEWS

10.7.1. SHAKTI (SCHEME FOR HARNESSING AND ALLOCATING KOYALA TRANSPARENTLY IN INDIA) SCHEME

- It is a transformational **policy for auction and allotment** of coal linkages. This policy will award fuel supply agreements (FSA) to coal plants already holding letters of assurance (LoAs).
- Coal linkages would be allocated to state-owned power distribution companies (DISCOMs).
- These, in turn, would assign linkages to state or central power generation companies via allocation, and Private units through auction.
- The independent power producers (IPPs) participating in the auction will bid for discounts on the existing tariff and this would be adjusted from the gross coal bills**.**

10.7.2. UTTAM (UNLOCKING TRANSPARENCY BY THIRD PARTY ASSESSMENT OF MINED COAL) APP

- The app aims to ensure transparency and efficiency in **coal quality monitoring process**.
- The app provides coverage of 3rd Party Sampling which includes information on production, dispatch and quantity sampled of coal.

- It will provide information about the mined coal on quality parameters such as declared Gross Calorific Value (GCV), analyzed GCV & coverage parameters like location & quantity sampled.

10.7.3. PATRATU SUPER THERMAL POWER PROJECT

Recently, Prime Minister laid foundation stone for the first phase of **Patratu Super Thermal Power Plant** in Jharkhand. Super Thermal Power Plants are a series of thermal power plants with a capacity of **1000MW & above. Ultra-Megawatt Power Projects** are power projects that have the capacity of **4000MW or more.**

10.7.4. NATIONAL GAS GRID

- National Gas Grid intends to create a **network of pipeline infrastructure** to connect gas sources to **major demand centres**, develop **City Gas Distribution Network** and remove regional imbalance in access to natural gas.
- **City Gas Distribution (CGD) Network:** It is the interconnected network of pipelines to make supply of natural gas to domestic, industrial or commercial premises and CNG stations situated in a specified **Geographical Area (GA).** CGD networks are being developed based on the availability of trunk gas pipeline connectivity or gas sources and techno-commercial feasibility in a GA.

10.7.5. PRADHAN MANTRI URJA GANGA PROJECT

- To provide the clean energy in eastern part of the country, Govt has initiated Pradhan Mantri Urja Ganga Project. The **gas pipeline will pass through 50 districts** in the State of Uttar Pradesh, Bihar, Jharkhand, Odisha and West Bengal.
- It is **a 2-phased project** which was launched in 2016 (also known as Jagdishpur-Haldia & Bokaro Dhamra Natural Gas Pipeline (JHBDPL) and covers over 2655 km of pipelines.
- The project will not just supply CNG to automobiles and cooking gas to household kitchens in cities along the route, but also to industries to meet their feedstock or fuel requirement.

11. MINERALS

11.1. NATIONAL MINERAL POLICY

Why in news?

The Union Cabinet has recently approved the **National Mineral Policy, 2019.**

Salient features of National Mineral Policy 2019

- Introduction of **Right of First Refusal for reconnaissance permit and prospecting license (RP/PL)** holders- for **encouraging the private sector** to take up exploration.
- Encouragement of **merger and acquisition of mining entities** and transfer of mining leases
- Creation of **dedicated mineral corridors** to boost private sector mining areas.
- Granting **status of industry to mining activity**.
- **Long-term import export policy** will help private sector in better planning and stability in business.
- **Auction unused reserved areas** given to PSUs to give opportunity to private sector.
- Introduces the concept of **Inter-Generational Equity** that deals with the well-being not only of the present generation but also of the generations to come.
- Incorporation of **e-governance- IT enabled systems,** awareness and information campaigns
- Focus on using **waterways- coastal waterways and inland shipping** for evacuation and transportation of minerals.
- It replaces the extant National Mineral Policy 2008

11.2. URANIUM IN INDIA

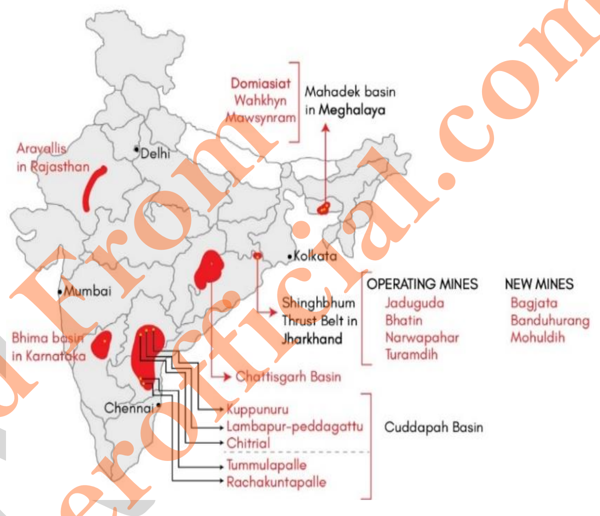
Why in news?

A parliamentary panel has recommended that necessary steps must be taken to open new uranium mines to ensure sufficient amount of uranium in India.

Uranium Mining in India

- Presently, a major portion of uranium for domestic production comes from the **Jaduguda mines in Jharkhand.**
- India currently imports Uranium from Kazakhstan, Canada, France and Russia. Recently, India also signed deal with Uzbekistan to get Uranium supply.
- In India, **Uranium Corporation of India Ltd.** (UCIL) under the **Department of Atomic Energy,** is the only organisation responsible for mining and processing of uranium ore for commercial purposes.
- Uranium mined by the UCIL is used for weapons and civil nuclear programmes both. The imported uranium is used for civil nuclear energy purposes only.
- **Atomic Minerals Directorate (AMD)** is responsible for survey and exploration of atomic mineral reserves in India.

MAJOR URANIUM PROVINCES OF INDIA



11.3. DISTRICT MINERAL FOUNDATION (DMF)

Why in news?

Recently, **Centre for Science and Environment** (CSE) released the District Mineral Foundation (DMF) Status Report, 2018, which highlighted several shortcomings in the implementation of the scheme.

About DMFs

- DMFs were instituted **under the Mines and Minerals (Development and Regulation) Act, 1957** as a non-profit trust in every mining district.
- Miners are required to pay a part of their royalty for the well being of mining affected people so that they too can benefit from natural resources in their areas.
- They have **defined objectives, specific beneficiaries and geographies** (directly & indirectly mining-affected areas) and focus on 'high priority' areas (such as drinking water, sanitation, healthcare etc.)

Pradhan Mantri Khanij Kshetra Kalyan Yojana (PMKKY)

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

11.4. NATIONAL MINERAL EXPLORATION TRUST

Why in news?

Ministry of Mines in February ordered an audit of National Mineral Exploration Trust (NMET).

About NMET

- NMET is a **state-run non-profit body** with the primary objective of promoting regional and detailed mineral exploration in the country. The Central government had established NMET under the Mines and Minerals (Development and Regulation) Amendment Act, 2015.
- MET has a **two-tier structure**. The apex body is the Governing Body (GB), chaired by the Minister of Mines. It holds the overall control of the Trust. The Executive Committee (EC), chaired by Secretary, Ministry of Mines, administers and manages its activities.
- As per the law, the holder of a mining lease or a composite licence shall pay a sum equivalent to 2% of the annual royalty paid to the respective state government to the NMET.

12. MISCELLENEOUS TITBITS

12.1. UN INDIA BUSINESS FORUM (UNIBF)

- UN India Business Forum and Women Entrepreneurial Platform of NITI Aayog recently formed a consortium to reduce gender disparities in start-up investments.
- UN India Business Forum (UNIBF) is an alliance of India's businesses, financial institutions, government & the UN, aimed at accelerating India's growth and achieving the global Sustainable Development Goals (SDGs).
- Key partners for finance include HDFC, ICICI Bank, State Bank of India, Ambuja Cement, Tata Housing, LinkedIn etc.

12.2. FINANCIAL INTELLIGENCE UNIT – INDIA

- The number of Suspicious Transactions Reports (STRs) forwarded by Financial Intelligence Unit-India (FIU) to law enforcement agencies during FY18 has increased by 13% in comparison to FY17.
- FIU is a central nodal agency mandated with collating, analyzing and disseminating financial intelligence on terrorist financing and money laundering.
- FIU is not a regulatory authority. Its prime responsibility is to gather and share financial intelligence in cooperation with regulatory bodies like SEBI, RBI, IRDA etc.
- It was set up in 2004 and works under Ministry of Finance.

12.3. DIGITAL NORTH-EAST VISION 2022

- Recently government released **'Digital North East: Vision 2022'**, which aims to leverage digital technologies to transform lives of people of the northeastern states and enhance the ease of living.
- Launched under the **Digital India programme** it will be coordinated by the **Ministry of Electronics and Information Technology.**
- It identifies **eight digital thrust areas** - digital infrastructure, digital services, digital empowerment, promotion of electronics manufacturing, promotion of IT and IT enabled services including BPOs, digital payments, innovation & startups, and cyber security.

12.4. MOBILIZE YOUR CITY

- India and France have signed an implementation agreement on "MOBILISE YOUR CITY" (MYC)
- Mobilise Your City (MYC) is part of an international initiative supported by the **French & the German Governments** and was **launched at 21st Conference of Parties (COP21)** in 2015.
- European Union is providing funds of Euro 3.5 million through the AFD (French Development Agency) to provide specific investments and technical assistance in **developing sustainable urban transport**.

12.5. STANDARD OF LIVING INDEXED, FORWARD-STARTING, INCOME-ONLY SECURITIES - SELFIES

- The concept of SeLFIES was developed by the Nobel laureate Robert C. Merton in his latest work.
- It is a government bond that will allow an average person to target her retirement. It begins to pay interest after a certain number of years, for a certain number of years.
- The payouts will be indexed to a standard of living index so that buyers don't see a drop in their lifestyle, as well as inflation.

12.6. DATA LOCALIZATION

- RBI issued a circular mandating that payment data be stored only in India.
- Data localization is a concept that the personal data of a country's residents should be processed and stored in that country. Some directives may restrict flow entirely, while others more leniently allow for conditional data sharing or data mirroring – in which only a copy has to be stored in the country.
- Data localization is considered important for **securing citizen's data, data privacy, data sovereignty, national security, and economic development of the country.**
- Draft E-Commerce Policy also contained a provision for data localization.

12.7. 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.
- Nordhaus proposed a quantitative model that describes the interplay between economy and climate. He asserted 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.

- According to Romer, technological innovation and skilling of workforce are the real sources of sustainable growth. He recommended the use of subsidies, patents etc. by Govt. to encourage increased investment in technology.

12.8. VIDYA LAKSHMI PORTAL

- As per National Securities Depository Limited (NSDL) report, 22119 applications are pending as on 29.07.2018 for more than 6 months on VidyaLakshmi Portal.
- VidyaLakshmi Portal is IT-based mechanism under the Pradhan Mantri Vidya Lakshmi Karyakram to provide students a single window electronic platform for scholarships and educational loans
- It aims to enable all poor and middle class students to pursue higher education of their choice without any constraint of funds.
- It has been developed and being maintained by NSDL e-Governance Infrastructure Limited under the guidance of Department of Financial Services, Department of Higher Education and Indian Banks Association (IBA).
- The portal also provides linkages to National Scholarship Portal.

12.9. UN INVESTMENT PROMOTION AWARD (IPAS)

- Recently, Invest India was awarded United Nations Investment Promotion Award (IPA).
- **About United Nation Investment Promotion Awards:** It is an annual award given since 2002 by UNCTAD to investment promotion agencies for excellence in boosting investment helping countries meet the Sustainable Development Goals (SDGs)
- **About Invest India:** It is India's investment promotion and facilitation agency which has been established as a non-profit venture under the **Department of Industrial Policy and Promotion**. It focuses on **sector-specific investor targeting** and development of new partnerships to enable sustainable investments in India.
- Invest India has received the UN award for its efforts in supporting a major global wind turbines company in establishing blade manufacturing plant in India while committing to train local staff and produce 1 GW of renewable energy.

12.10. SAMADHAN PORTAL

- Recently, the **Ministry of Labour and Employment** launched Samadhan (**Software Application for Monitoring and Disposal, Handling of Industrial Disputes**) portal.
- It is a dedicated web portal for conciliation, arbitration and adjudication of the industrial disputes.

12.11. NATIONAL RURAL ECONOMIC TRANSFORMATION PROJECT

- The World Bank and the Government of India has recently signed a $250 Million Agreement for the National Rural Economic Transformation Project (NRETP).
- The project is an **additional financing** to the $500 million **National Rural Livelihoods Project** (NRLP) approved by the World Bank in July 2011.
- It would support **enterprise development programmes** for **rural poor women and youth** by creating a platform to **access finance**. It will also support **youth skills development**, in coordination with the Deen Dayal Upadhyaya Grameen Kaushalya Yojana. **Peer-to-peer learning**, a successful strategy under the NRLP will also continue to be used in this project.

12.12. PAISA PORTAL

- Ministry of Housing launched a web portal named PAiSA- **Portal for Affordable Credit and Interest Subvention Access.**
- The portal is designed and developed by Allahabad Bank and is expected to be joined by all states, commercial banks, RRBs and Cooperative Banks.
- It acts as a centralized electronic platform for processing interest subvention on bank loans to beneficiaries under Deendayal Antyodaya Yojana – National Urban Livelihoods Mission (DAY-NULM).
- It will directly link government with the beneficiaries to ensure greater transparency and efficiency in delivery of services.

12.13. SWAYATT & START-UP RUNWAY

- Recently, Minister of Commerce and Industry launched **'SWAYATT'** initiative and **GeM Start-up Runway** initiative.
- **SWAYATT** is an initiative to promote **Start-ups, Women and Youth Advantage Through e-Transactions** on Government e Marketplace (GeM).
- GeM Start-up Runway is 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.

12.14. RE-WEAVE.IN

- Microsoft India launched a new e-commerce platform **re-weave.in**, under its **Project ReWeave.**
- The e-commerce platform **hosts signature collections created by the weaver communities, showcases traditional designs and products** created from natural dyes. Under the project, Microsoft India also helps weavers **with working capital support.**
- **Project ReWeave** was launched in 2016 in partnership with Chaitanya Bharati, a Vishakhapatnam-based non-profit organization to ensure the **revival of the traditional handloom art forms in the state.**

12.15. NATIONAL STATISTICAL COMMISSION

- Recently Chairman and member of National Statistical Commission (NSC) resigned due to difference with Government.
- NSC was set up by the Government of India as an autonomous institution in 2005 on recommendation of Dr. C. Rangarajan committee.
- It serves as a nodal organization for all core statistical activities of the country including evolving, monitoring and enforcing statistical standards and ensuring statistical co-ordination among the different agencies involved.
- The Commission has a part-time Chairperson, four part-time Members and Chief Executive Officer of the NITI Aayog as ex-officio member.
- The Chief Statistician of India serves as the Secretary of the Commission. He is also the Secretary to the Government of India in the Ministry of Statistics and Programme Implementation.

12.16. TRAIN-18

- Recently, the Indian Railways successful ran the trial of Train 18 by reaching the speed limit of 180 km/h.
- It is an indigenously developed high-tech, energy-efficient, first self-propelled train **(without locomotive engine)** in India.
- It is scheduled to run between Delhi to Varanasi in 2019.
- It was manufactured by Integrated Coach Factory (ICF), Chennai, under **Make in India** Initiative.

13. REPORTS/INDICES

Report/Index	Relevant Details
Trade and Development Report 2018	• Released by - **United Nations Conference on Trade and Development** • The report indicated that the current global economic growth is "spasmodic" and many economies are **operating below potential**.
Global Financial Stability Report **titled** "A decade after the Global Financial Crisis: Are we safer?"	• Released by **International Monetary Fund.** It also publishes - ○ **World Economic Outlook** • It observes that a decade after financial crisis the **banking system has become stronger** but **some risks have also intensified** such as escalation of trade tensions, greater pressure on emerging market economies etc.

Global Competitive Index 4.0	• Released by **World Economic Forum.** It also publishes –
	  ○ Global Risks Report
	  ○ Global Gender Gap Report
	• The index is a composite indicator that assesses a set of factors that determine an economy's level of productivity. Major findings include-
	• In the index, **U.S. topped** the position, followed by Singapore and Germany.
	• Among the BRICS economies, China topped the list at 28th place, ahead of India (58th), the Russian Federation (43rd), South Africa (67th), and Brazil (72nd).

Multidimensional Poverty Index-2018	• **It is released by- United Nations Development Programme** (UNDP) and the **Oxford Poverty and Human Development Initiative** • It **measures multiple deprivations** in the same households in **education, health** and **living standards** on the basis of **10 indicators.** A person is identified as multi-dimensionally poor (or 'MPI poor') if **deprived in at least one third of the dimensions.** • The **global MPI was developed by OPHI with the UNDP** for inclusion in UNDP's flagship Human Development Report (HDR) in 2010. It has been published in the HDR ever since. • Though incidence of multidimensional poverty has almost halved, India has the largest number of people living in multidimensional poverty in the world.

Human Development Index	• Released by **United Nations Development Programme**. The HDI is calculated using the following indicators:
	  ○ Health - Life expectancy at birth.
	  ○ Education - expected years schooling for school-age children and average years of schooling in the adult population.
	  ○ Income - measured by Gross National Income (GNI) per capita (PPP US$)
	  ○ Between 1990 and 2017, **India's HDI** value increased from **0.427 to 0.640,** putting the country in **the medium human development category. India climbed one spot to 130 out of 189 countries.**
	• 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%**. In fact, when corrected for **inequality India's HDI value falls by 26.8% to 0.468.**

'Poverty and Shared Prosperity 2018: Piecing Together the Poverty Puzzle'	• Released by **World Bank.** • The percentage of people living in extreme poverty (less than $1.90 a day) dropped from 36% to 10% between 1990 and 2015. • Shared Prosperity is defined as the **growth in average income or consumption of poorest 40%** of the population. It is **examined by country** rather than globally.

Human Capital Index	• Recently, first **Human Capital Index (HCI)** was released **by World Bank.** HCI is part of the World Development Report (WDR).
	• It measures the amount of **human capital** that a child born today can expect to attain by age 18. It conveys the **productivity of the next generation** of workers compared to a benchmark of complete education and full health.
	• Other important reports released by WB are:
	  ○ Global Economic Prospect (GEP) report
	  ○ Global Investment Competitiveness report

Regulatory Indicators For Sustainable Energy (RISE) 2018	• Released by **World Bank Group** • It is the 2nd edition (1st edition in 2016). • It is a global inventory of policies and regulations that support the achievement of **SDG7** (electricity access, energy efficiency, renewable energy, and clean cooking). • RISE indicators have equal weight for **three** areas: **universal access, renewable energy, and energy efficiency.**
Ease of Doing Business	• Released by **World Bank** • India jumped 23 ranks in the **World Bank's Ease of Doing Business (EoDB) Index 2018 to 77** from 100 in 2017 among 190 nations. • The Doing Business report ranks countries on the basis of **distance to frontier (DTF),** a score that shows the gap of an economy to the global best practice. • This year, India features among the report's list of top 10 improvers for the 2nd year in a row and **only one in BRICS** to feature in this list. India has improved its ranking from 142(2014) to 77 (2018).
Ease of Doing Business Rankings for States	• Released by Department of Industrial Policy and Promotion (Ministry of Commerce and Industry) • In **3rd edition** of annual ranking of all states and UTs under the **Business Reform Action Plan** (BRAP) conducted by **DIPP and World Bank**, Andhra Pradesh stood to be the best in India to do business. It was followed by Telangana, Haryana, Jharkhand & Gujarat, while Meghalaya stood last at 36th position. • The ranking was introduced with the **aim of triggering competition** among states to attract investments and improve business climate. **About 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. • States and UTs have conducted reforms to ease their regulations and systems in areas such as labour, environmental clearances, single window system, construction permits, contract enforcement, registering property and inspections.
Ease of Living Index	• Released by **Ministry of Housing and Urban affairs** • Ease of Living framework comprised four pillars namely **Institutional, Social, Economic and Physical** which are further broken down into 78 indicators across 15 • 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**. Overall, **Pune** is the best city to live in India. • **Andhra Pradesh** has topped the chart in the 'Ease of Living Index' rankings among the states.
States' Start-Up Ranking 2018	• **Released by Department of Industrial Policy and Promotion (DIPP)** • **Gujarat ranked the best performer** and Karnataka, Kerala, Odisha, And Rajasthan are the top performers. • Government had launched this initiative in 2016 with the **objective of encouraging States and Union Territories to take proactive steps towards strengthening the Start-up ecosystems** in their states.
Government E-Payments Adoption Ranking	• Released by **The Economist Intelligence Unit** • India's overall ranking on the government's adoption of e-payments has **moved up to 28th in 2018**, from 36th in 2011 • GEAR is a global Index to check how governments around the world are adopting digital payments.

Other Reports	• **World Economic Situation and Prospects (WESP) 2019:**
	  o United Nations' flagship publication on expected trends in the global economy
	  o UN agencies involved in publication are: UN Department of Economic and Social Affairs (DESA), the UN Conference on Trade and Development (UNCTAD) and the five UN regional commissions.
	• **Global talent competitiveness index**: Ranked India at 80th position (out of 125)
	  o Launched for the first time in 2013 the annual report is published by **INSEAD** in partnership with the **Adecco Group** and **Tata Communications.**
	  o It measures how countries and cities grow, attract and retain talent, providing a unique resource for decision makers to understand the global talent competitiveness

	picture and develop strategies for boosting their competitiveness. • **Work for a brighter future**: Released by International Labour Organization's (ILO) **Global Commission on Future of Work.** ○ The Global Commission was set up under **Future of Work Initiative of ILO**. ○ **Future of Work Initiative**: It was launched by **ILO** in **2015** in order to understand and to respond effectively to the new challenges posed by the changes that the world of work is undergoing. • **State of World Fisheries Report**- Released, UN Food and Agriculture Organization (FAO). ○ The biannual report presents FAO's official world fishery and aquaculture statistics.