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ECONOMIC DEVELOPMENT

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1. National Infrastructure Investment Fund

Why in News?

Recently, a meeting of the Governing Council of National Infrastructure Investment Fund (NIIF) was held, it was chaired by the Finance Minister.

- The governing council of NIIF has government representatives and experts in international finance, eminent economists and infrastructure professionals.
- It can include representatives from non-government shareholders.

National Infrastructure Investment Fund

- The NIIF is a sovereign fund owned by the government of India (49% ownership) along with global and domestic institutional players. The size of fund is Rs. 40,000 crore.
- The fund has an investment "mandate to invest in infrastructure assets and related businesses" that are projected to see "long term growth trajectory."
- The NIIF has mandate to solicit equity participation from strategic anchor partners, such as overseas sovereign, quasi-sovereign, multilateral or bilateral investors.
- The idea is that these infrastructure finance companies can then leverage this extra equity.
- Its creation was announced in the Union Budget 2015-16.
- NIIF currently manages three funds:
  1. Master fund
  2. Fund of funds
  3. Strategic fund
- These funds have distinctive investment mandates and are registered as Alternative Investment Funds (AIF) with SEBI.

2. Core Sector Output Falls

Why in News?

Output of eight core infrastructure industries contracted by 5.2% in September-2019, indicating the severity of the economic slowdown.

- The only segment to post growth in September was fertilisers.

Core Industries

- Core industry can be defined as the main industry which has a multiplier effect on the economy.
- In most countries, there is a particular industry that seems to be the backbone of all other industries and it qualifies to be the core industry.
- The 8 core sectors of the Indian economy are:

1. Coal
2. Crude Oil
3. Natural Gas
4. Refinery Products
5. Fertilisers
6. Steel
7. Cement
8. Electricity

- These 8 Core Industries constitute about 40% of the weight of items in the Index of Industrial Production (IIP).

Index For Industrial Production (IIP)

- The Index of Industrial Production (IIP) 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 that in a chosen base period.
- It shows the growth rates in different industry groups of the economy in a stipulated period of time.
- **Mining, manufacturing and electricity** are the three broad sectors in which IIP constituents fall.
- Use-based classification of industries under IIP are:
    - Primary Goods
    - Capital Goods
    - Intermediate Goods
    - Infrastructure/ Construction goods
    - Consumer durables
    - Consumer non durables
- It is computed and published by the Central Statistical Organisation (CSO) on a monthly basis.
- Currently IIP figures are calculated considering 2011-12 as base year.
- It is used by public agencies for policy purposes besides by analysts, financial intermediaries and private companies.
- It is a key economic indicator of the manufacturing sector of the economy.

3. Global Microscope On Financial Inclusion Report

Why in News?

Global Microscope on Financial Inclusion Report 2019 ranks India 5th, among emerging countries with the most favourable environment for financial inclusion.

- Financial inclusion is defined as the availability and equality of opportunities to access financial services, where individuals and businesses have access to useful and affordable financial products and services that meet their needs that are delivered in a responsible and sustainable way.
- The overall enabling environment for financial inclusion has improved globally.

About Global Microscope on Financial Inclusion Report

- The 2019 Global Microscope analyses the practices used by governments and regulators around the world to increase financial inclusion among their populations.
- The index focuses on the regulatory and policy environments exclusively and does not reflect financial inclusion outcomes.
- The 2019 Microscope also incorporates a specific gender perspective to better understand how financial inclusion policies affect women differently, and how policymakers can narrow the gender gap in financial inclusion.
- To examine how countries are promoting financial inclusion for both women and men, 11 new gender-focused indicators have been added to this edition of the Microscope.

Financial Inclusion initiatives in India

- The Reserve Bank of India (RBI) has prepared a draft National Strategy for Financial Inclusion to deepen financial services' coverage in the country. The strategy is expected to be finalised in 2019 and will cover a five-year period.
- The **National Mission of Financial Inclusion** named as the **Pradhan Mantri Jan Dhan Yojana** seeks to integrate the poorest of the poor with bank accounts.
- **Pradhan Mantri Mudra Yojana (PMMY)** is a flagship scheme of Government of India to "fund the unfunded" by bringing such enterprises to the formal financial system and extending affordable credit to them. It enables a small borrower to borrow from all Public Sector Banks.

4. PFRDA Permits Overseas Citizen Of India To Enroll In NPS

Why in News?

Pension Fund Regulatory and Development Authority (PFRDA) has now permitted **Overseas Citizen of India (OCI**) to enroll in the **National Pension Scheme** (NPS) at par with Non-Resident Indians.

National Pension System (NPS)

- It is a government-sponsored pension scheme, launched in January 2004 for government employees.
- It was opened to all sections in 2009.
- It aims to provide old age security to Citizens of India.
- It brings an attractive long term saving avenue to effectively plan retirement through safe and regulated market-based return.
- NPS is being implemented and regulated by PFRDA in the country.
- National Pension System Trust (NPST) established by PFRDA is the registered owner of all assets under NPS.
- NPS is structured into **two tiers:**

- **Tier-I accoun**t: This is the non-withdrawable permanent retirement account into which the accumulations are deposited and invested as per the option of the subscriber.
- **Tier-II accoun**t: This is a voluntary withdrawable account which is allowed only when there is an active Tier I account in the name of the subscriber.

- Any individual citizen of India (both resident and Non-resident) in the age group of 18-65 years (as on the date of submission of NPS application) can join NPS.

Pension Fund Regulatory and Development Authority (PFRDA)

- PFRDA is the statutory authority established by an act of the Parliament.
- It aims to regulate, promote and ensure orderly growth of the National Pension System (NPS).

Overseas Citizen of India (OCI)

- A person with OCI status is not an Indian citizen. The person does not have voting rights in India, nor can contest elections or hold any constitutional office.
- An Overseas Citizen of India is however entitled to some benefits such as a multiple-entry, multi-purpose life-long visa to visit India.
- They are exempted from police reporting for any length of stay in the country.
- They are also granted all rights in parity with NRIs except the right to acquisition of agricultural or plantation properties.

5. <u>Nirvik Scheme</u>

Why in News?

The Export Credit Guarantee Corporation of India (ECGC) believes the Nirvik scheme announced by the Union Government recently is likely to boost export lending and insurance cover for export credit.

About Nirvik Scheme

- Ministry of Commerce & Industry through ECGC has introduced a new **Export Credit Insurance Scheme (ECIS)** called NIRVIK.
- NIRVIK will enhance loan availability and ease the lending process.
- Under ECIS, the insurance cover percentage has also been enhanced to 90% from the present average of 60% for both Principal and Interest of the loan for pre and post-shipment credit.
- The additional outgo, if any, due to the enhanced cover would be supported by the government and the scheme would be valid for five years.

- Claim inspection would be waived for up to ₹10 crore. For claims higher than this amount, inspection of bank documents and records by ECGC officials will be mandatory.
- Enhanced cover will ensure that Foreign and Rupee export credit interest rates will be below 4% and 8% respectively for exporters.

Export Credit Guarantee Corporation of India

- ECGC was founded in 1957.
- It is wholly owned by the Government of India and functions under the Ministry of Commerce and Industry.
- Its headquarters is in Mumbai, Maharashtra.
- Its objective is to promote exports from the country by providing credit risk insurance and related services for exports.

6. Green Bonds Issuance Fast Turning Red-Hot

Why in News?

In June 2019, the global green bond issuance reached a milestone – $100 billion.It was the fastest hundred billion in any year because many investors are gradually paring their investments in fossil fuel companies and shifting to green projects.

Green Bond

- Green bonds are innovative financial instruments where the proceeds are invested exclusively in green projects that generate climate or other environmental benefits, for example in renewable energy, clean transportation and clean water.
- Their structure, risk and returns are otherwise identical to those of traditional bonds.
- Green bonds are exempted from tax which make them a more attractive investment compared to a comparable taxable bond.
- A third party, such as the Climate Bond Standard Board, certifies that the bond is green and will fund projects that include benefits to the environment.

Significance

- Green bonds enhances an issuer's reputation, as it helps in showcasing their commitment towards sustainable development.
- It also provides issuers access to specific set of global investors who invest only in green ventures.
- With an increasing focus of foreign investors towards green investments, it could also help in reducing the cost of capital.

Limitations

- The lack of consensus regarding what constitutes a green bond is a source of uncertainty when assessing long-term investment options.

- Transparency and reporting are weak in the green bond market, which still relies on voluntary reporting. As the market grows, transparency will emerge as an increasingly important issue.
- Retail investment is still limited because green bonds are not yet well integrated into mainstream funds, indices and other products.
- The cost of issuing green bonds might be lower in the future.

7. SFIO Probe Into DHFL Financial Irregularities

Why in News?

The Central government will soon order a **Serious Fraud Investigation Office** (SFIO) probe into the alleged financial irregularities at debt-ridden mortgage firm Dewan Housing Finance Corporation (DHFL) after a report by the Registrar of Companies (RoC) indicated fund diversion.

Serious Fraud Investigation Office (SFIO)

- SFIO is a multi-disciplinary organisation under the **Ministry of Corporate Affairs.**
- It consists of experts from the field of accountancy, forensic auditing, law, information technology, investigation, company law, capital market and taxation.
- It investigates and recommends prosecution for white-collar crimes.
- It is headquartered in **New Delhi**.
- It has been accorded statutory status under the Companies Act, 2013.
- It has powers to arrest people for the violation of the Company Law.
- It is being supported by the Computer Forensic and Data Mining Laboratory in investigations.

8. Withdraw Prohibited Subsidies-WTO Panel To India

Why in News?

- The WTO's Dispute Settlement Panel has ruled that India's export subsidy schemes, including the provision for special economic zones, violated core provisions of global trade norms.
- The Panel concluded that these schemes are inconsistent with certain provisions of WTO's **Agreement on Subsidies and Countervailing Measures (SCM).**
- The Panel has asked India to withdraw the concerned export subsidy schemes within the given time frame from the adoption of the report.

Subsidies and Countervailing Measures (SCM) Agreement

- **Subsidies** include any financial contribution made by a government or government agency, including:
    - Direct transfer of funds (such as grants, loans, and infusion of equity).
    - Potential direct transfer of funds (for example, loan guarantees).

- Fiscal incentives such as tax credits.
    - Any form of income or price support.
- The WTO only permits countervailing duties to be charged after the importing nation has conducted an in-depth investigation into the subsidised exports.
    - **Countervailing Duties (CVDs)** are tariffs levied on imported goods to offset subsidies made to producers of these goods in the exporting country.
- The SCM Agreement disciplines the use of subsidies and regulates the actions that countries can take to counter the effects of subsidies.
- There are two types of prohibited subsidies:
    - Subsidies contingent upon export performance.
    - Subsidies contingent upon the use of domestic content over imported goods.
- All countries that become members of the WTO will automatically be subject to the SCM Agreement.

About World Trade Organisation

- The World Trade Organisation (WTO) is the only international organisation dealing with the global rules of trade.
- Its main function is to ensure that trade flows as smoothly, predictably and freely as possible.
- **Headquarters:** Geneva, Switzerland
- **Established:** 1st January 1995
- **Created by:** Uruguay Round negotiations (1986-94)
- **Membership:** 164 members representing 98% of world trade
- Functions:
    - Administering WTO trade agreements.
    - Forum for trade negotiations.
    - Handling trade disputes.
    - Monitoring national trade policies.
    - Technical assistance and training for developing countries.
    - Cooperation with other international organisations.

9. <u>SEBI Tightens Norms On Bad Loan Reporting</u>

Why in News?

- Market regulator Securities and Exchange Board of India (SEBI) has issued strict framework for banks to report bad loans.
- There have been several instances of under-reporting of bad loans by lenders, prompting regulatory action by the RBI.
- SEBI's decision has been taken in consultation with the central bank.

New Framework

- Listed banks will have to disclose any divergence in bad loan provisioning within 24 hours of receiving the RBI's Final Risk Assessment Report, rather than waiting to publish the details in their annual financial statements.
  - This comes into force with immediate effect.
- A **bad loan provision** is an expense set aside as an allowance for uncollected loans and loan payments.
  - It is used to cover factors associated with potential loan losses, bad loans, customer defaults, and renegotiated terms of a loan that incur lower than previously estimated payments.

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