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CURRENT AFFAIRS

ECONOMIC DEVELOPMENT

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1. <u>Sericulture in India</u>

Why in News?

Cocoon production in Karnataka has picked up to meet the growing demand for indigenous silk.

- Production had been hit by a mulberry disease in recent times.
- Silk imports from China have been badly hit on account of **Coronavirus.**

Key Points

- **Sericulture:**
    - It is an **agro-based industry.**
    - It involves **rearing of silkworms** for the production of raw silk, which is the yarn obtained out of cocoons spun by certain species of insects.
    - The major activities of sericulture consist of:
        - food-plant cultivation to feed the silkworms which spin silk cocoons and
        - reeling the cocoons for unwinding the silk filament for value-added benefits such as processing and weaving.
    - **Domesticated silkworms (Bombyx mori)** are raised for the purpose of sericulture.
- The **Government of India** has allocated ₹2161.68 crores for three years i.e. **2017-2020** to its **<u>Central Sector Scheme</u>** '**Silk Samagra**' for the development of sericulture in the country.

Silk Production in India:

- There are **five major types of silk of commercial importance,** obtained from different species of silkworms.
    - **Mulberry**
    - **Oak Tasar**
    - **Tropical Tasar**
    - **Muga**
    - **Eri**
- Except for mulberry, other non-mulberry varieties of silks are **wild silks,** known as **Vanya silks.**
- India has the **unique distinction of producing all these commercial varieties** of silk.
- **South India** is the leading silk producing area of the country and is also known for its famous silk weaving enclaves like **Kancheepuram, Dharmavaram, Arni,** etc.
- India is the **second largest producer of silk in the world.**
    - Among the four varieties of silk produced in 2015-16, Mulberry accounts for 71.8%, Tasar 9.9%, Eri 17.8% and Muga 0.6% of the total raw silk production.
- The demand for superior quality **bivoltine silk** is increasing in India for domestic consumption as well as value added silk products for the export market.

2. Nidhi Companies

Why in News?

Recently, the Central Government has amended the provisions related to Nidhi companies under the Companies Act, 2013 and the Rules.

- Under the new provisions, Nidhi companies have to apply to the central government for updation of their status or declaration as "Nidhi Company".
- The amendments have been made to make the regulatory regime for Nidhi Companies more effective.
- This will accomplish the objectives of transparency & investor friendliness in the corporate environment of the country.

Key Points

- Under **Nidhi Rules, 2014**, Nidhi is a company which has been incorporated as a Nidhi with the object of
  - Cultivating the habit of thrift and saving amongst its members
  - **Receiving deposits from, and lending to, its members only, for their mutual benefit**.
- It is a company **registered** under the **Companies Act, 2013**.
- It works on the principle of mutual benefits that are regulated by the **Ministry of Corporate Affairs**.
- Nidhi Company is a class of **Non-Banking Financial Company** (NBFC) and **Reserve Bank of India** (RBI) has powers to issue directives for them related to their deposit acceptance activities.
- However, since these Nidhis deal with their **shareholder-members only**, RBI has exempted them from the core provisions of the RBI Act and other directions applicable to NBFCs.

3. Crude Oil Prices

Why in News?

Recently, the International oil prices crashed by about 31%, the biggest fall since the 1991 Gulf War.

- The fall in prices came after the COVID-19 spread out and the disintegration of the OPEC+ alliance.

Reasons for Oil Price Crash

Oil prices have dropped under the twin pressure of high supply and low demand.

- **High-Supply Scenario: Price War**
  - The price war between Russia and Saudi Arabia has raised the possibility of the market being flooded with excess oil production, leading to a supply shock.
- **Low Demand Scenario: Coronavirus impact**

- The impact of Covid-19 is being felt on the global demand for oil, too, as a dramatic increase in Covid-19 cases has put **further downward pressure on demand for commodities**, including oil.
- Slowdown of World's second largest economy -China due to the coronavirus outbreak has disrupted oil imports.
- The shut-down of factories in China, disruptions in supply chains, and travel restrictions imposed across the world depress demand.

Impact On Other Players

- It marks the disintegration of OPEC+ as the price war ended more than three years of cooperation on supporting the market.
  - Also, failure of OPEC and Russia to reach an agreement on oil production cuts, possibly signalling the end of a nearly five-decade-long intervention by oil producers in the international market.
- The race to the bottom could result in many casualties among global oil producers, including the US shale oil industry.
  - A collapse of these shale oil producers may set off defaults in the bond markets, setting off a downward vicious cycle in US markets.

Impact On India

1. Opportunities for India

- **Reduce Current Account Deficit:**
  - India imports more than 80% of its oil needs, the price crash offers a breather on the macroeconomic front.
  - The collapse in oil prices will cut the country's import bill, and soften its current account deficit.
- **Ease Inflationary Pressure:**
  - The fall in crude prices will also help ease inflationary pressures that have been building up over the past few months.
  - This will increase the space for the monetary policy committee to ease rates further.
- **Improve Fiscal Health:** Low oil prices offer an opportunity to raise some revenue and improve its fiscal balance.
  - The revenue earned, can be used by the government to spend or meet its fiscal commitments in the form of budgetary transfers to states, payment of dues and compensation for revenue shortfalls to state governments under the goods and services tax (GST) framework.
- **Providing relief to Telcos:**
  - The potential excise duty windfall from oil prices could come in handy for the government to provide relief to staggered telecom companies.

- The government will have fiscal leeway to allow a longer schedule for the payments they have to make, arising out of the Supreme Court ruling on adjusted gross revenues.

- **Reviving Economic Growth:** Further, the additional tax revenue thus generated through higher excise duty should be used to clear all dues of the central government.
    - Also, putting cash in the hands of households and small businesses may tackle the slowdown in consumption in the Indian economy.

2. Negative fallouts: However, there could be a flip side for India too from the oil price slump.

- The value of Indian oil and gas companies will be impacted (Reliance-Aramco deal may get delayed).
- Remittances from the Persian Gulf will reduce.
- Centre's disinvestment programme as the sale of Bharat Petroleum Corporation Limited (BPCL) could run into trouble.

Way Forward

- Irrespective of the recent price trends, Centre should persist with measures to reduce the country's oil dependency over the long run.
- It should strive to increase use of renewables, and catalyse a shift to electric vehicles.
- The gains made by excise duty, should be used for productive infrastructure investments.
- More effort should be put in to ramp up the stagnating domestic oil output. The country's strategic oil reserves should be increased by making use of attractive buying opportunities in global markets.