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News Analysis (24 Jul, 2019)

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Economic Growth Forecast

According to the **IMF's World Economic Outlook,** July 2019, India's economy will grow at 7% in the year 2019, picking up to 7.2 % in the year 2020.

- In its April Report, **International Monetary Fund (IMF**) expected India to grow at 7.3% and 7.5% in the year 2019 and 2020 respectively.
- The **downward revision of 0.3%** for both years is due to **weaker-than-expected outlook for domestic demand.** However, India will still be the fastest growing major economy of the world.
  - **Both investment and consumption demand is low in India. This is partly a reflection of the uncertainties associated with the just concluded general elections in India, as well as tightening of borrowing conditions for small and medium enterprises.**
- The 7% forecast for the year 2019 is in line with the projections made by the **Reserve Bank of India**, Chief Economic Adviser and the Asian Development Bank.
- Global growth has been forecast at 3.2% in 2019, picking up to 3.5% in 2020 (0.1 percentage point lower than in the April WEO projections for both years).
- The emerging market and developing economy group is expected to grow at 4.1% in 2019, rising to 4.7% in 2020 (a cut by 0.3% points for 2019 and by 0.1% points for 2020).
- **Reasons:** Among the factors cited by the report **for the lower growth forecast** includes **increased trade and technology tensions** between the United States and China, **prolonged uncertainty on Brexit,** and **weaker-than-expected activity in emerging market** and developing economies.
- **Solution:** As per the IMF, multilateral and national policy actions are vital to place global growth on a stronger footing. Also, fiscal policy should balance multiple objectives such as **smoothing demand as needed, protecting the vulnerable, bolstering growth potential** with spending that supports structural reforms, and **ensuring sustainable public finances** over the medium term.

- If growth weakens relative to the baseline, macroeconomic policies will need to turn more accommodative, depending on country circumstances. Priorities across all economies are **to enhance inclusion, strengthen resilience, and address constraints on potential output growth.**

World Economic Outlook

- It is a survey by the IMF that is usually published **twice a year** in the months of April and October.
- It analyzes and predicts **global economic developments** during the near and medium term.
- It is also updated twice a year, usually in the months of July and October.

Source: The Hindu

2011 Census Data on Migration

According to census data, **Uttar Pradesh and Bihar have a disproportionately high number of out-migrants,** while migrants constitute more than one-third of the population in metros like Delhi and Mumbai.

Migration is the movement of people from one place to another. It can be over a short or long distance, be short-term or permanent, voluntary or forced, intranational or international.

- According to the 2011 Census, **Uttar Pradesh and Bihar are responsible for the most number of migrants** as 20.9 million people migrated outside the state from the two states.
- This is 37% of the total number of people who were inter-state migrants according to that enumeration.
- **Delhi and Mumbai are widely considered migrant magnets** and the 2011 Census bears that out. According to it migrants from other states in Delhi and Mumbai numbered 9.9 million, or almost a third of the combined population of 29.2 million.
- **The Hindi belt is the main source of migrants.** According to the census, four states, Uttar Pradesh, Bihar, Rajasthan and Madhya Pradesh accounted for 50% of India's total inter-state migrants.
- On the other hand, Maharashtra, Delhi, Gujarat, Uttar Pradesh and Haryana housed 50% of the country's inter-state migrants.
- These shares are much higher than the share of these states in India's total population.
- **Uttar Pradesh figures in both lists –** while there are people who leave it in search of livelihoods, there are also clearly people who head for it in search of livelihoods.

Inter-state migrations in India

- Uttar Pradesh has the highest share of out-migrants while **Maharashtra has the highest share of in-migrants.**
- The number of inter-state migrants grew at 55% between the 1991 and 2001 Census.
- This came down to just 33% between the 2001 and 2011 Census.

Reasons behind Migration

- **The reasons vary by gender,** two-thirds of women migrated from their last place of residence because of marriage. The gender-gap in migration for economic purposes (work, business and education) increases with the distance of migration.
    - For every woman who migrated for work, business or education, the number of men who migrated within district, across districts but within states and across states was 3.2, 4.3 and 7.4 respectively.
- Among men, **work and business** account for one-third of total migrations, which is also the single largest reason for migration among men.
- While migration for **marriage** among women is skewed towards closer distances, men do not seem to factor in distance while migrating for work.

Source: Hindustan Times

India's Falling Fertility Rate

India's total fertility rate (TFR) is declining. It is now **2.2 per woman,** nearing the replacement rate of 2.1, according to the latest government data.

- The government's Sample Registration System in 22 states shows that TFR for India declined to 2.2 in 2017 after being stable at 2.3 between 2013 and 2016.
- The 2017 figure is just 10 basis points more than the replacement level of 2.1%.

TFR indicates the average number of children expected to be born to a woman during her reproductive span of 15-49 years.

The replacement level is the number of children needed to replace the parents, after accounting for fatalities, skewed sex ratio, infant mortality, etc. Population starts falling below this level.

Key Points

- The total fertility rate has **more than halved in both urban and rural areas,** falling even below the replacement level in the former where it is 1.7, down from 4.1 in 1971.

    - In rural areas, TFR has fallen from 5.4 to 2.4 during the same period.
    - For rural areas, it varies from 1.6 in Delhi and Tamil Nadu to 3.3 in Bihar.
    - For urban areas, the variation is from **1.1 in Himachal Pradesh to 2.4 in Uttar Pradesh and Bihar**.
    - Of the 22 states, **only six have a TFR of 2 or more in urban areas**. There are 10 states where TFR is below 2 in rural regions.
- In different age groups, **the 25-29 age is the most fertile**, except in Bengal, Chhattisgarh, Andhra Pradesh and Maharashtra, where it peaked between 20 and 24. Only J&K hits the peak after 30.
- TFR goes below 2 in both urban and rural areas, where **girls complete schooling** and reduces further as they pass college.

    Bihar, with the highest TFR of 3.2, had the maximum percentage of illiterate women at 26.8%, while Kerala, where the literacy rate among women is 99.3%, had among the lowest fertility rates.
- As more cities come up, people move for jobs and employment tenure gets shorter, TFR may fall further.

Reasons Behind Falling TFR

- Higher education
- Increased mobility
- Late marriage
- Financially independent women and
- Overall prosperity

Implications for Policymakers

- India has entered a **37-year period of demographic dividend**, which could spell faster economic growth and higher productivity.
- As such, the government needs to **engineer its policies to harness the opportunity**.
- It must also formulate policies to **take care of higher medical costs** as the population ages and productivity shrinks.
- India will also need to have an **affordable social security system** that provides pension to the elderly and takes care of their daily needs and medical expenses.

Source: Mint

Mauritius Leaks

According to the recently released data by the **International Consortium of Investigative Journalists (ICIJ)**, as many as 50 entities, or **one-fourth** of those disclosed in the Mauritius leaks, had India as their only country or one of the countries of activity.

> Although investment in India through Mauritius is declining but Mauritius has seen a sizeable amount of funds getting routed through by entities operating or investing in India.

Mauritius Leaks

- In Mauritius Leaks, data of 200,000 leaked documents (in the form of emails, contracts and bank statements) reveals how one country's **low tax rates** (like Mauritius) were **leveraged and misused** by Multinational Companies for **tax avoidance**.
- After Swiss leaks, Panama papers and Paradise papers, Mauritius leaks show how the island nation was used by a long list of corporates to facilitate partnerships with multinationals and, without paying any capital gains tax, remit profits as Foreign Direct Investment (FDI) to India.

Tax treaty between India and Mauritius

- The **Double Taxation Avoidance Agreement (DTAA)** was signed between India and Mauritius in 1982. Under this, any entity could apply for tax residency and pay zero capital gains tax. This became the principal reason why Mauritius emerged as a top channel for investments being routed into India.
- In 2016 India amended its Double Taxation Avoidance Agreement (DTAA) with Mauritius, and the new provisions related to capital gains tax were introduced.
- **GAAR (General Anti Avoidance Rule):** It is an anti-tax avoidance law under Income Tax Act, 1961 of India and is framed by the Department of Revenue under the Ministry of Finance.
- **Common Reporting Standard (CRS):** It is an information standard for the **Automatic Exchange Of Information (AEOI)** regarding bank accounts on a global level, between tax authorities with the objective of combating tax evasion.

International Consortium of Investigative Journalists

- ICIJ is a **United States** based **nonprofit organization** with a global network of **reporters** and **media organizations** who work together to investigate the most important issues in the world.
- ICIJ has released several important **investigations** – including the Pulitzer Prize-winning **Panama Papers**.
- ICIJ is fully **funded by donations**.
- ICIJ encourages **tips, leaks** and **story ideas** from the **public**, whistleblowers, as well as from outstanding investigative journalists.

Source: B.S

In Situ Crop Residue Management

The Central Sector Scheme on **‘Promotion of agricultural mechanization for In-Situ management of crop residue in the states of Punjab, Haryana, Uttar Pradesh and National capital territory of Delhi’** has been launched for the period from 2018-19 to 2019-20.

> The scheme aims to address the problem of **air pollution** (caused due to **stubble burning in the areas of Punjab**, Haryana, Uttar Pradesh and National capital territory of Delhi) by **subsidizing** the machinery required for **in-situ management** of **crop residue.**

Objectives

- Reducing the **air pollution** and preventing **loss of nutrients** and **soil microorganisms** caused by burning of crop residue.
- Promoting **in-situ management** of **crop residue** through the use of appropriate **mechanization inputs.**
- Promoting **Farm Machinery Banks** (FMB) or **Custom Hiring Centres (CHC)** for custom hiring of in-situ crop residue management machinery to offset the adverse economies of scale arising due to small landholding and high cost of individual ownership.
- Creating **awareness** among stakeholders through:
  - Demonstration of crop residue management methods
  - Capacity building activities
  - Education and communication strategies for effective utilization and management of crop residue

Implementation

By providing **financial assistance** to:

- Farmers for **procurement** of in-situ crop residue management machinery and equipments.
- **Co-operative societies** of farmers, **self-help groups**, **registered farmers societies** / farmers groups, **private** entrepreneurs for establishment of farm machinery banks or custom hiring centres.
- **State governments, Krishi Vigyan Kendras** (KVK) , **Indian Council of Agricultural Research** (ICAR) institutions, Central Government institutions, Public Sector Units (PSU) etc. for the activities to be undertaken towards

Information, Education and Communication (IEC).

Need

- Stubble burning releases **particulate matter, CO, CO_2, ash and SO_2** and these gases affect human health due to general degradation in air quality resulting in **aggravation of eye and skin diseases.**
- Stubble burning results not only into **loss of nutrients** from soil but also alters soil properties like **soil temperature, pH, moisture,** available **phosphorus** and **soil organic matter.**

Source: PIB

International Conference on Electric Mobility

In order to discuss the various challenges and opportunities in creating an ecosystem for electric vehicles, **the Associated Chambers of Commerce & Industry of India (ASSOCHAM)** is organizing an International Conference on "Electric Mobility: Challenges and Opportunities" on 26th July, 2019 in New Delhi.

- The global automotive industry is at the **cusp of a paradigm shift** from internal combustion engine vehicles to zero emission vehicles.
- India, too, is actively going ahead for **cost effective and viable solutions** to the problem of poor air quality in a number of its cities.
- The country has announced a significant **shift to an all electric public fleet by 2030**, necessitating attention and action by players across sectors including automobile, power and utilities, oil and gas, etc.
- The Conference would bring together all concerned groups and stakeholders of various segments of Electric vehicle Industry to a common platform to discuss and explore the future opportunities and creating and ecosystem for Electric Mobility.

Major Focus Areas of the Conference

- Central and State level policy framework on EV adoption in India
- Roadmap for achieving the target of **FAME-II policy**
- Indian EV market and key trends
- Assessment of manufacturing ecosystem etc.

ASSOCHAM as a Knowledge Chamber, initiated its endeavour of value creation for Indian industry in 1920.

- Having in its fold more than 300 Chambers and Trade Associations, and serving more

than 4 lakh members from all over India.
- It has contributed significantly in shaping up the Trade, Commerce and Industrial environment of the country.
- Not only large industry and trade but also small and medium industrial enterprises, engaged in agriculture and transport, as well as professional bodies and several new industry associations have entered ASSOCHAM's fold.

Source: Business Standard

Bharatmala Project

A total of 225 road projects with an aggregate length of 9,613 km have been appraised and approved till March, 2019 under Bharatmala Pariyojana.

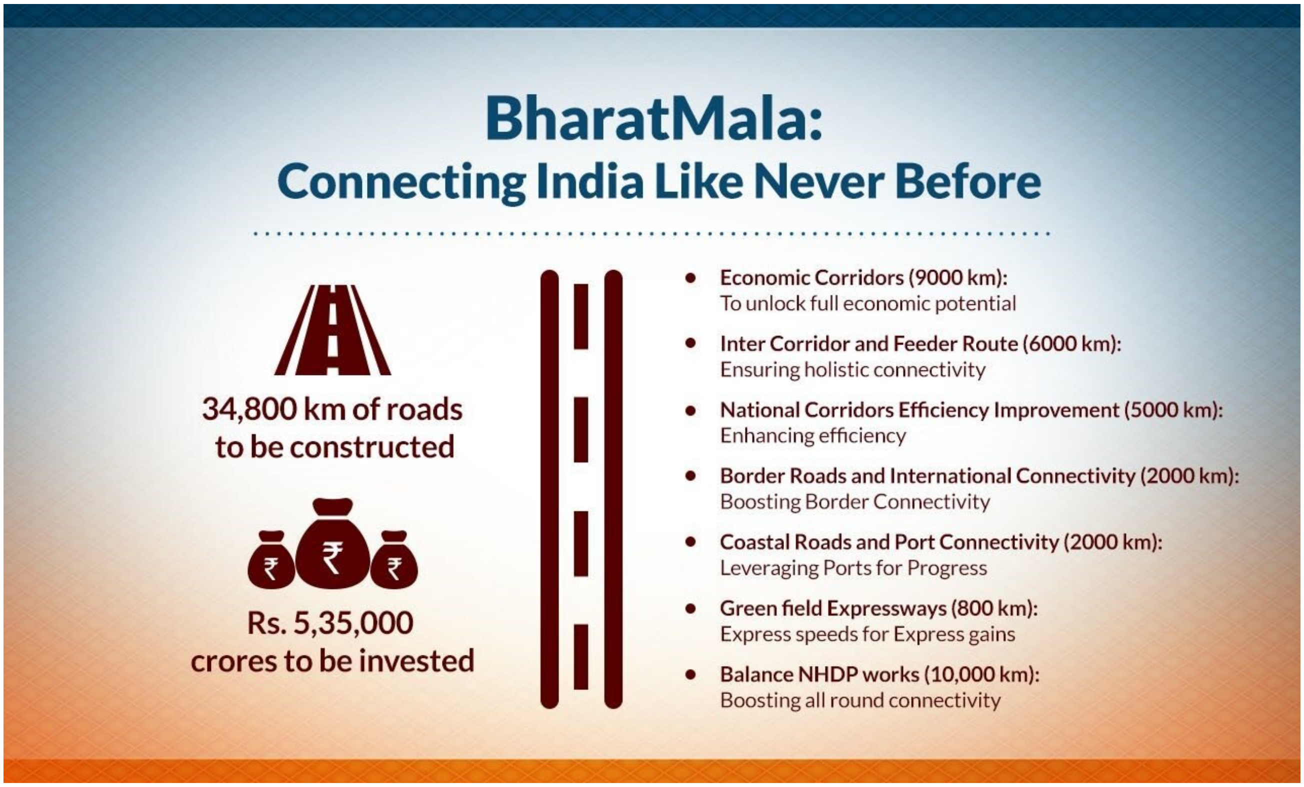
Objectives

- Optimizing efficiency of the movement of goods and people across the country.
- Generating large number of direct and indirect employment opportunities in the construction & infrastructure sector and also as part of the enhanced economic activity resulting from better road connectivity across the country.
- Connecting 550 Districts in the country through NH linkages.

Highlights of Bharatmala Pariyojana

- It calls for **improvement in efficiency of existing corridors** through development of Multimodal Logistics Parks and elimination of choke points.
- It enhances focus on **improving connectivity in North East** and leveraging synergies with Inland Waterways.
    - North East Economic corridor enhancing connectivity to state capitals and key towns.
    - Multimodal freight movement via 7 Waterway terminals on River Brahmaputra – Dhubri, Silghat, Biswanath Ghat, Neamati, Dibrugarh, Sengajan, Oriyamgh.
- It emphasis on the **use of technology & scientific planning** for project preparation and asset monitoring.
- It calls for seamless connectivity with **neighboring countries:**
    - 24 Integrated check posts (ICPs) identified
    - Transit through Bangladesh to improve North East connectivity
    - Integrating Bangladesh – Bhutan – Nepal and Myanmar – Thailand corridors which will make NorthEast hub of East Asia
- Satellite mapping of corridors to identify upgradation requirements

Components of Bharatmala Project



Terror Financing and Fake Indian Currency

In written replies to questions in the Lok Sabha, the Minister of State for Home Affairs mentioned steps taken to combat the menace of terror financing and fake Indian currency.

- Strengthening the provisions in the **Unlawful Activities (Prevention) Act, 1967**
  - by criminalizing the production or smuggling or circulation of high quality counterfeit Indian currency as a terrorist act,
  - and enlarging the scope of proceeds of terrorism to include any property intended to be used for terrorism.
- A **Terror Funding and Fake Currency (TFFC)** Cell has been constituted in National Investigation Agency (NIA) to conduct focused investigation of terror funding and fake currency cases.
- **FICN Coordination Group (FCORD):** Fake Indian Currency Notes (FICN) network is one of the channels of terror financing in India. FICN Coordination Group (FCORD) has been formed by the Ministry of Home Affairs to share intelligence/information among the security agencies of the states/centre to counter the problem of circulation of fake currency notes.
- **Memorandum of Understanding (MoU) has been signed between India and Bangladesh** to prevent and counter smuggling and circulation of fake currency notes. Also, security at the international borders has been strengthened by using new

surveillance technology, deploying additional manpower for round the clock surveillance, establishing observation posts along the international border, erection of border fencing and intensive patrolling.

Source: PIB

Aaykar Diwas

The 159th Income Tax Day i.e. Aaykar Diwas is being celebrated on 24th July, 2019 by the **Central Board of Direct Taxes (CBDT)** and all field offices.

Why 24th July?

> On **24th July 1860**, **Income Tax** was introduced for the first time in India by **Sir James Wilson** to compensate for the losses incurred by the British regime during the **first** war of independence against British Rule.

The CBDT will also launch a **“Kardaata e-Sahyog Abhiyaan**” to assist and support taxpayers and other stakeholders in enabling them to e-file their returns and discharge other tax related obligations.

source: PIB
