Drishti IAS Presents...

PT SPRINT 2022

ECONOMY

(January 2021 – March 2022)

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Contents

Economic Survey

Why in News?

Recently, the **Economic Survey 2021-22** was tabled in **Parliament** by the Finance Minister soon after the President's address to both Houses of Parliament.

- The central theme of this year's Economic Survey is the **"Agile approach".**
- This year's survey uses various examples to highlight the **use of satellite and geospatial data** to reflect the infrastructural growth in the country.

What is the Economic Survey?

- The Economic Survey of India is an **annual document released by the Ministry of Finance**.
- It **contains the most authoritative and updated source of data on India's economy.**
  - It is a report that the government presents on the state of the economy in the past one year, the key challenges it anticipates, and their possible solutions.
- It is **prepared by the Economics Division of the Department of Economic Affairs (DEA)** under the guidance of the Chief Economic Advisor.
- It is usually presented a day before the Union **Budget** is presented in the **Parliament**.
  - The **first Economic Survey in India was presented in the year 1950-51**. Up to 1964, it was presented along with the Union Budget. From 1964 onwards, it has been delinked from the Budget.

India's Response to Pandemic

- **Barbell Strategy, Safety Nets & the Agile Framework:** India's response to the pandemic has been unique and it consists of "Barbell Strategy, Safety Nets & the Agile Framework."
- **Barbell strategy**: It means the framework for dealing with uncertain evolving situations, and it combines two disparate legs in order to deal with an unpredictable future. Barbell was deployed for the Covid response by combining safety-nets for vulnerable sections on one hand while responding iteratively based on Bayesian-updating of information on the other.
- **Agile' framework:** A key enabler of this flexible, iterative Agile approach is the use of High Frequency Indicators (HFIs)," which includes data on Railways & Ports Freight, Air Freight, Domestic Air Passenger Traffic, Rail Passenger Traffic beside others.
- **Safety Nets:** The government put in place economic safety nets comprising the world's largest free food program, direct cash transfers and relief measures for small businesses.

State of Economy

- Following a contraction of 7.3% in 2020-21, the **Indian economy is expected to grow by 9.2% in real terms in 2021-22** (according to initial advanced projections).
- **GDP** is expected to **grow in real terms by 8-8.5% in 2022-23.**
- In 2022-23, a **combination of large foreign exchange reserves, continued foreign direct investment, and expanding export revenues** will provide an effective cushion **against a potential global liquidity withdrawal.**
- The **"second wave's"** economic effect was significantly less than the full lockdown in 2020-21, but the health consequences were far more severe.
- The **Indian government's unique reaction** included safety-nets to soften the impact on vulnerable sectors of society and the business sector, a major increase in capital investment to promote growth, and supply-side reforms to ensure long-term expansion.

Fiscal Developments

- **Sustained revenue collection and a targeted expenditure** policy has **contained the Fiscal Deficit** for April to November, 2021 at 46.2% of Budget Estimates.
- **Gross Tax Revenue** registers a **growth of over 50%** during April to November, 2021 in YoY terms.
  - This performance is strong compared to **pre-pandemic levels of 2019-2020 also.**
- During April-November 2021, Capex (Capital Expenditure) has grown by 13.5% (YoY) with **focus on infrastructure-intensive sectors.**
- With the **enhanced borrowings on account of Covid-19,** the Central Government debt has gone up from 49.1% of GDP in 2019-20 to 59.3% of GDP in 2020-21, but is expected to follow a **declining trajectory with the recovery of the economy.**
- Stressing the need to continue the focus on capital expenditure, **it has indicated that the government is on course to achieve the fiscal deficit target of 6.8% of GDP for the current year (2021-22).**

External Sectors

- After China, Japan, and Switzerland, **India was the world's fourth largest FX (Foreign Exchange) reserve holding** as of the end of November 2021.
- Despite dismal tourism income, there was **a large increase in net services**, with both receipts and payments surpassing pre-pandemic levels.
- During the current fiscal year, **India's merchandise exports and imports rebounded rapidly**, surpassing pre-Covid levels.
- **Net capital flows increased** to US$ 65.6 billion in the first half of 2021-22, owing to ongoing foreign investment inflows, a resurgence in net external commercial borrowings, increased banking capital, and additional Special Drawing Rights (SDR) allocation.
- **India's external debt increased to** US$ 593.1 billion at the end of September 2021, up from US$ 556.8 billion in 2020-21, as a result of the IMF's increased Special Drawing Right (SDR) allocation and greater commercial borrowings.

Monetary Management and Financial Intermediation

- **Indian markets outperformed counterparts** among key developing market economies from April to December 2021. The system's liquidity **remained in surplus.**
- In 2021-22, the **repo rate was maintained at 4%.**
- To provide additional liquidity, the **RBI implemented several initiatives** such as the G-Sec Acquisition Program and Special Long-Term Repo Operations.
- Scheduled Commercial Banks (SCBs) had a **Gross Non-Performing Advances ratio of 6.9% at the end of September 2021, down from 11.2%** at the end of 2017-18.

Prices and Inflation

- The **average headline CPI-Combined inflation reduced to 5.2%** in 2021-22 (April- December) from 6.6% in 2020-21.
- **Food inflation eased**, resulting in a decrease in retail inflation.
  - Throughout the year, effective supply-side management kept the prices of most important commodities under control.
  - To keep the price of pulses and edible oils from rising too high, proactive measures were implemented.
- The reduction in national excise and subsequent reductions in Value Added Tax by most states **helped to bring down the price of gasoline and diesel.**
- **Wholesale inflation, as measured by the Wholesale Price Index (WPI), increased to 12.5% in 2021-22.** (April to December). This has been attributed to: Previous year's low base, increase in economic activity, sharp rise in the price of crude oil and other imported commodities on the worldwide market, and high freight costs.
- **Difference between CPI-C and WPI Inflation:** The difference rose to 9.6% points in May 2020. However, this year's disparity reversed, with retail inflation sliding 8.0% points behind wholesale inflation in December 2021.
  - This difference can be explained by factors such as: Variations related to the base effect, differences in the scope and coverage of the two indices, price collections, items covered, commodity weights, and the WPI being more sensitive to cost-push inflation driven by imported inputs.
  - As the base impact in WPI gradually fades, the disparity between CPI-C and WPI is likely to shrink.

Sustainable Development and Climate Change

- **India's total score on the NITI Aayog SDG India Index and Dashboard improved to 66** in 2020-21 up from 60 in 2019-20 and 57 in 2018-19.
- India **possesses the tenth largest forest area in the world.** From 2010 to 2020, India placed third in the world in terms of increasing forest acreage.
  - Accounting for 2% of the world's total forest area, the forests covered 24% of India's total geographical area, in 2020.
- The **Plastic Waste Management Amendment Rules, 2021,** were notified in August 2021, with the goal of eliminating single-use plastic by 2022.
- **Notification on Extended Producer Responsibility** for plastic packaging was drafted.
- The **compliance rate of Grossly Polluting Industries (GPIs) in the Ganga main stem and its tributaries increased** from 39% in 2017 to 81% in 2020.
- As part of the **national declaration presented at the 26th Conference of Parties (COP 26) in Glasgow in November 2021**, the Prime Minister declared aggressive targets to be met by 2030 to allow for further emissions reductions.

- The need of **launching the one-word movement 'LIFE' (Lifestyle for Environment),** which promotes thoughtful and purposeful consumption over mindless and destructive consumption, was emphasized.

Agriculture and Food Management

- Agriculture has witnessed **strong growth in the last two years**, accounting for 18.8% of the country's Gross Value Added (GVA) in 2021-22, with growth of 3.6% in 2020-21 and 3.9% in 2021-22.
- Crop diversity is **aided by the Minimum Support Price (MSP) policy.**
- In the most recent Situation Assessment Survey (SAS), **net earnings from crop output grew by 22.6%** as compared to the 2014 SAS Report.
- **Agriculture's allied areas, including as animal husbandry, dairying, and fisheries, are rapidly developing** as high-growth sectors and important drivers of total growth in the agricultural sector.
- Over the five years ending in 2019-20, the **livestock sector grew at a CAGR of 8.15%.** It has been a consistent source of revenue for farming households, contributing for around 15% of their monthly income on average.
- **Food processing is made easier** by the government through infrastructure development, subsidised transportation, and support for the formalisation of micro food businesses.
- India has **one of the world's largest food management programmes.**
- Through **programmes such as the PM Gareeb Kalyan Yojana (PMGKY),** the government has expanded the coverage of the food security network.

Industry and Infrastructure

- During April-November 2021, the **Index of Industrial Production (IIP) increased** by 17.4% YoY, compared to a contraction of 15.3% in April-November 2020.
- **Capital expenditure for the Indian railways has increased** to Rs. 155,181 crores in 2020-21 from an average annual of Rs. 45,980 crores during 2009-14 and it has been budgeted to further increase to Rs. 215,058 crores in 2021-22 – a five times increase in comparison to the 2014 level.
- Extent o**f road construction per day increased substantially** in 2020-21 to 36.5 Kms per day from 28 Kms per day in 2019-20 – a rise of 30.4%.
- Despite the pandemic, the **net profit to sales ratio of large corporations reached an all-time high of 10.6%** in the July-September quarter of 2021-22 (according to RBI Study).
- The introduction of the Production Linked Incentive (PLI) plan, massive infrastructure boosts - both physical and digital, as well as steps to minimise transaction costs and increase ease of doing business— **all will help to speed up the recovery of the economy.**

Services

- In the July-September quarter of 2021-22, the GVA of services surpassed the pre-pandemic level; nevertheless, the **GVA of contact intensive sectors such as commerce, transportation, and others remained below the pre-pandemic level.**
- In 2021-22, the whole service sector GVA is **predicted to expand by 8.2%.**
- **Rail freight crossed its pre-pandemic level** between April-December 2021, while air freight and port traffic virtually reached pre-pandemic levels, and domestic air and rail passenger traffic is gradually increasing — indicating that the second wave's impact was far more subdued than the first wave's.
- The service sector **accounted for about 54% of total FDI inflows into India** in the first half of 2021-22.
- The **removal of telecom rules in the IT-BPO industry and the opening up of the space sector to private companies** are two major government changes.
- After the United States and China, India has become the **world's third largest start-up ecosystem.** From 733 in 2016-17, the number of new recognized start-ups climbed to over 14000 in 2021-22.
- In 2021, **44 Indian start-ups earned unicorn status,** bringing the total number of unicorns to 83, the majority of which will be in the services sector.

Social Infrastructure and Employment

- With the recovery of the economy, **employment statistics in the last quarter of 2020-21 returned to pre-pandemic levels.**
- According to data from the quarterly Periodic Labour Force Survey (PFLS) up to March 2021, employment in the pandemic-affected urban sector has nearly restored to pre-pandemic levels.
- According to Employees Provident Fund Organisation (EPFO) data, **job formalisation continued throughout**

the second Covid wave, with the negative impact of Covid on work formalisation being substantially smaller than during the first Covidwave.

- The **proportion of GDP spent on social services (health, education, and others) by the Centre and States climbed** from 6.2% in 2014-15 to 8.6% in 2021-22 (BE).
- According to the **National Family Health Survey 5:**
  - The **total fertility rate (TFR)** decreased from 2.2 in 2015-16 to 2 in 2019-21.
  - **Infant Mortality Rate (IMR),** under-five mortality rate, and institutional births all improved in 2019-21 over 2015-16.
- 83 districts have been designated as **'Har Ghar Jal' districts** under the Jal Jeevan Mission (JJM).
- **Funding for the Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS)** has been increased to create a cushion for unorganised labour in rural regions throughout the epidemic.
- India is **among the few countries producing Covid vaccines**. The country started with two made in India Covid vaccines.
  - In line with India's vision of **Atmanirbhar Bharat**, India's **first domestic Covid -19 vaccine, Whole Virion Inactivated Coronavirus Vaccine (COVAXIN)**, was developed and manufactured by Bharat Biotech International Limited in collaboration with National Institute of Virology of Indian Council of Medical Research (ICMR).
- The **progress of vaccination should be seen not just as a health response indicator, but also as a buffer against economic disruptions** caused by repeated pandemic waves.

Sector Reforms

- Instead of relying on demand management, India **has been concentrating on reforms on the supply-side**, such as:
  - Deregulation of numerous sectors
  - Simplification of processes
  - Removal of legacy issues like 'retrospective tax'
  - Privatisation
- These are **a few of the major reforms in different sectors:**
  - Over a four-year period from 2021-22 to 2024-25, the **Central Government's key assets have a total monetisation potential of Rs. 6 lakh crore**.
  - In the telecom industry, **100% FDI via the automated route** is permissible.
  - **Setting up of Production Linked Incentive (PLI) schemes** for 13 sectors including Automobile, Telecom and pharmaceuticals drugs.
  - **Increasing private sector engagement** in conventional satellite communication and remote sensing industries by liberalizing them.
  - The **automatic route increased FDI in the defence sector by 74%,** while the **government route increased it by 100%.**
  - **Deposit insurance has been enhanced per depositor per bank** from Rs. 1 lakh to Rs. 5 lakh.
  - **Revised definition of MSMEs.**

Budget 2022-23

Why in News?

Recently, the Minister of Finance presented the **Union Budget 2022-23.** With this Budget, India has marked the 75 years of Independence through **Azadi ka Amrit Mahotsav.**

- Apart from this, the budget also lays down a plan for **next 25 years and refers to the same period as Amrit Kaal.**
- It has also announced some **important measures for taxpayers.**

Budget and Constitutional Provisions

- According to A**rticle 112 of the Indian Constitution**, the Union Budget of a year is referred to as the Annual Financial Statement (AFS).
- It is a statement of the estimated receipts and expenditure of the Government in a Financial Year (which begins on 1st April of the current year and ends on 31st March of the following year).
- Overall, the **Budget contains:**
  - Estimates of revenue and capital receipts,
  - Ways and means to raise the revenue,
  - Estimates of expenditure,
  - Details of the actual receipts and expenditure of the closing financial year and the reasons for any deficit or surplus in that year, and

- The economic and financial policy of the coming year, i.e., taxation proposals, prospects of revenue, spending programme and introduction of new schemes/projects.
- In Parliament, the Budget **goes through six stages:**
  - Presentation of Budget.
  - General discussion.
  - Scrutiny by **Departmental Committees**.
  - Voting on Demands for Grants.
  - Passing an Appropriation Bill.
  - Passing of Finance Bill.
- The Budget Division of the Department of Economic Affairs in the Ministry of Finance is the nodal body responsible for preparing the Budget.
- The first Budget of Independent India was presented in 1947.

What are the Key Highlights of Budget 2022?

- **Growth Rate:** India's economic growth in the current year (2021-22) is estimated to be **9.2% of GDP,** the highest among all large economies.
  - The revised **Fiscal Deficit** in the current year is estimated **at 6.9% of GDP (Gross Domestic Product)** as against 6.8% projected in the Budget Estimates.
  - The Fiscal Deficit in 2022-23 is estimated **at 6.4% of GDP**, which is consistent with the broad path of fiscal consolidation announced last year to reach a fiscal deficit **level below 4.5% by 2025-26.**
- **Amrit Kaal:** India has entered into Amrit Kaal, the **25-year-long leadup to India@100.** During the **Amrit Kaal**, the government aims to attain the following vision:
  - Complementing the **macro-economic level growth** focus with a **micro-economic level all-inclusive welfare focus.**
  - Promoting **digital economy & fintech, technology enabled development, energy transition, and climate action.**
  - Relying on a **virtuous cycle** starting from private investment with public capital investment helping to crowd-in private investment.
- **Blueprint of Amrit Kaal:** Four Priorities:
  - **PM GatiShakti**
  - **Inclusive Development**
  - **Productivity Enhancement & Investment, Sunrise Opportunities, Energy Transition, and Climate Action**
  - **Financing of Investments**
- **Productivity Linked Incentive:** 60 lakh new jobs to be created under the **productivity linked incentive scheme** in 14 sectors.
- Other Major Announcements in Budget:
  - **Railways: One Station One Product concept** to help local businesses & supply chains.
  - **Parvatmala:** It is a **National Ropeways Development Program**, Parvatmala to be taken up on PPP mode.
  - **Kisan Drones:** For crop assessment, digitization of land records, spraying of insecticides and nutrients.
  - **MSME:** Udyam, **e-shram, NCS and ASEEM portals** to be interlinked.
  - **Skill Development: Digital Ecosystem for Skilling and Livelihood (DESH-Stack e-portal)** will be launched to empower citizens to skill, reskill or upskill through on-line training.
  - **Education: 'One class-One TV channel' programme** of PM eVIDYA to be expanded to 200 TV channels.
  - **Health:** An open platform for the **National Digital Health Ecosystem** to be rolled out.
  - **Saksham Anganwadi (New Generation Anganwadi):** Integrated benefits to women and children through Mission Shakti, Mission Vatsalya, Saksham Anganwadi and Poshan 2.0.
  - **PM-DevINE:** New scheme **Prime Minister's Development Initiative for North-East Region** (PM-DevINE) launched to fund infrastructure and social development projects in the North-East.
  - **Vibrant Villages Programme:** Vibrant Villages Programme for development of Border villages with sparse population, limited connectivity and infrastructure on the northern border.
  - **Sunrise Opportunities:** Government contribution to be provided for R&D in Sunrise Opportunities like Artificial Intelligence, Geospatial Systems and Drones, Semiconductor and its eco-system, Space Economy, Genomics and Pharmaceuticals, Green Energy, and Clean Mobility Systems.
  - **GIFT-IFSC:** World-class foreign universities and institutions to be allowed in the **GIFT City.**
    - An **International Arbitration Centre** to be set up for timely settlement of disputes under international jurisprudence.
  - **Digital Rupee:** Introduction of Digital Rupee by the Reserve Bank of India starting 2022-23.

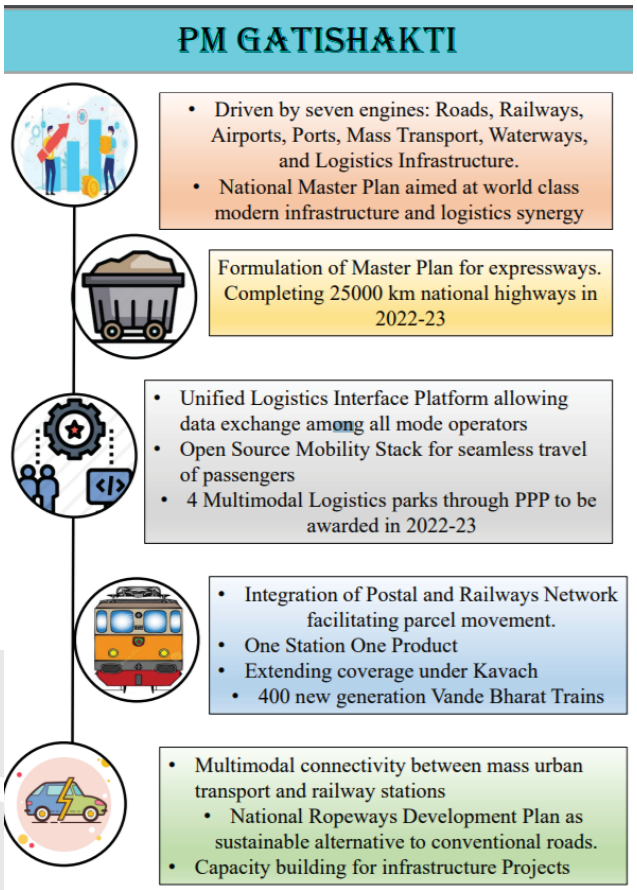
Budget 2022-23: PM GatiShakti

What is PM GatiShakti?

- **About:**
  - PM GatiShakti National Master Plan for Multi-Modal Connectivity, **launched in October 2021**, is an initiative **aimed at coordinated planning and execution of infrastructure projects.** The objective is **to bring down logistics costs.**
  - **GatiShakti is a digital platform** bringing development projects of 16 ministries, including railways and roadways, together for integrated planning and implementation.
  - When launched, the **GatiShakti scheme subsumed the Rs 110 lakh crore National Infrastructure Pipeline** announced in 2019.
- **Focus Area for Budget 2022-23:**
  - Its scope will **encompass the seven engines** (Roads, Railways, Airports, Ports, Mass Transport, Waterways and Logistics Infrastructure).
  - It will also include the **infrastructure developed by the state governments** as per the GatiShakti Master Plan.
  - The touchstone of the Master Plan will be **world-class modern infrastructure and logistics synergy** among different modes of movement – both of people and goods – and location of projects.

What are the Major Proposals for PM GatiShakti?

- **Road Transport:**
  - PM GatiShakti Master Plan for **Expressways will be formulated in 2022-23** to facilitate faster movement of people and goods.
  - **National Highways network** to be expanded by 25,000 km in 2022-23. **Rs. 20,000 crore** to be mobilized for the expansion.
- **Seamless Multimodal Movement of Goods and People:**
  - The **data exchange** among all mode operators will be brought on **Unified Logistics Interface Platform (ULIP)**, designed for **Application Programming Interface (API).**



  - This will provide **real time information to all stakeholders**, lead to **efficient movement of goods** through different modes, and improve international competitiveness.
  - **Open-source mobility stack**, for organizing seamless travel of passengers will also be facilitated.
- **Multimodal Logistics Parks:**
  - Contracts for implementation of **Multimodal Logistics Parks** at four locations through **PPP (Public-Private Partnerships)mode** will be awarded in **2022-23.**
- **Railways:**
  - Railways will **develop new products and efficient logistics services** for **small farmers and Small and Medium Enterprises**, besides taking the lead in integration of **Postal and Railways networks** to provide seamless solutions for movement of parcels.
  - **'One Station-One Product'** concept to help local businesses & supply chains.
  - As a part of **Atmanirbhar Bharat**, **2,000 km of network** will be brought under **Kavach, the**

indigenous world-class technology for safety and capacity augmentation in 2022-23.

- **400 new-generation Vande Bharat Trains** to be manufactured during the next three years.
- **100 PM GatiShakti Cargo Terminals** for multimodal logistics facilities will be developed during the next three years.

- **Mass Urban Transport including Connectivity to Railways**
  - Innovative ways of **financing and faster implementation** will be encouraged **for building metro systems** of appropriate type at scale.
  - **Multimodal connectivity between mass urban transport and railway stations** will be facilitated on priority.
- **Parvatmala: National Ropeways Development Programme:**
  - As a preferred ecologically sustainable alternative to conventional roads in difficult hilly areas, **National Ropeways Development Programme** will be taken up on PPP mode.
    - The aim is to **improve connectivity and convenience** for commuters, besides **promoting tourism.**
  - This may also **cover congested urban areas**, where conventional mass transit systems are not feasible.
- **Capacity Building for Infrastructure Projects:**
  - With technical support from the **Capacity Building Commission,** central ministries, state governments, and their infra-agencies will have their skills upgraded.
  - This will **ramp up capacity in planning, design, financing** (including innovative ways), and implementation management of the PM GatiShakti infrastructure projects.

Budget 2022-23: Inclusive Development

Why in News?

Recently, the Finance Minister presented the **Union Budget 2022-23** in **Parliament**.

- In this section we will discuss the **'Inclusive Development' Pillar of the Budget 2022-23.**

What is New for Agriculture & Food Processing?

- **Agriculture:**
  - **Rs. 2.37 lakh crore direct payment to 1.63 crore farmers** for procurement of wheat and paddy.
  - **Chemical-free Natural Farming** will be promoted throughout the country, with a focus on farmers' lands in 5-km wide corridors along river Ganga, at the first stage.
  - **2023** has been announced as the **International Year of Millets.** Support will be provided.
  - A **comprehensive scheme to increase domestic production of oilseeds** will be implemented.
  - **For delivery of digital and hi-tech services to farmers**, a scheme in **Public Private Partnership (PPP)** mode will be launched.
  - **NABARD** to facilitate funds with **blended capital to finance startups for agriculture & rural enterprise.**
  - **'Kisan Drones'** for crop assessment, digitization of land records, spraying of insecticides and nutrients.
- **Ken Betwa project:**
  - 1400 crore outlay for implementation of the **Ken – Betwa link project.** 9.08 lakh hectares of farmers'

lands to receive irrigation benefits by Ken-Betwa link project.

- Draft DPRs (Detailed Project Reports) of five river links, namely **Damanganga-Pinjal, Par-Tapi-Narmada, Godavari-Krishna, Krishna-Pennar and Pennar-Cauvery have been finalised.**

- **Food Processing:**
  - For farmers to adopt suitable varieties of fruits and vegetables, and to use appropriate production and harvesting techniques, g**overnment will provide a comprehensive package with participation of state governments.**

What is there for Industry & Skill Development?

- **Micro, Small and Medium Enterprises (MSMEs):**
  - **Udyam**, **e-shram,** National Career Service and **Atma Nirbhar Skilled Employee Employer Mapping (ASEEM)** portals to be interlinked.
  - 130 lakh MSMEs provided with additional credit under **Emergency Credit Linked Guarantee Scheme (ECLGS)**
    - ECLGS to be extended up to March 2023. Guarantee cover under ECLGS to be expanded by Rs. 50,000 Crore to total cover of Rs. 5 Lakh Crore.
  - Rs 2 lakh Crore additional credit for Micro and Small Enterprises to be facilitated under the **Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE).**
  - **Raising and Accelerating MSME Performance (RAMP) programme** with outlay of Rs 6000 Crore to be rolled out. This will help the MSME sector become more resilient, competitive and efficient.
- **Skill Development:**
  - **Digital Ecosystem for Skilling and Livelihood (DESH-Stack e-portal)** will be launched to empower citizens to skill, re skill or upskill through on-line training.
  - Startups will be promoted to facilitate **'Drone Shakti' and for Drone-As-A-Service (DrAAS).**

What About the Education & Health Sector?

- **Education:**
  - 'One class-One TV channel' programme of **PM eVIDYA** to be expanded to 200 TV channels.
  - **Virtual labs and skilling e-labs** to be set up to promote critical thinking skills and simulated learning environment.
  - High-quality e-content will be developed for delivery through **Digital Teachers**.
  - **Digital University** for world-class quality universal education with personalised learning experience to be established.

- **Health:**
  - An open platform for the **National Digital Health Ecosystem** to be rolled out. **National Tele Mental Health Programme** for quality mental health counselling and care services to be launched.
  - A network of 23 tele-mental health centres of excellence will be set up, with **NIMHANS** being the nodal centre and International Institute of Information Technology-Bangalore (IIITB) providing technology support.
  - Integrated benefits to women and children through **Mission Shakti, Mission Vatsalya, Saksham Anganwadi** and **Poshan 2.0.**
    - Two lakh anganwadis to be upgraded to Saksham Anganwadis.

What is there for Upgrading Basic Amenities?

- **Har Ghar, Nal Se Jal:**
  - Rs. 60,000 crore allocated to cover 3.8 crore households in 2022-23 under **Har Ghar, Nal se Jal.**
- **Housing for All:**

- Rs. 48,000 crore allocated for completion of 80 lakh houses in 2022-23 under **PM Awas Yojana.**

- **Prime Minister's Development Initiative for North East Region (PMDevINE):**
  - New scheme PM-DevINE launched **to fund infrastructure and social development projects in the North-East.**
  - An initial allocation of Rs. 1,500 crore was made to enable livelihood activities for youth and women under the scheme.
- **Vibrant Villages Programme:**
  - Border villages with sparse population, limited connectivity and infrastructure often get left out from the development gains. S**such villages on the northern border will be covered under the new Vibrant Villages Programme.**
  - The **activities will include** construction of village infrastructure, housing, tourist centres, road connectivity, provisioning of decentralised renewable energy, direct to home access for Doordarshan and educational channels, and support for livelihood generation.

How is the Budget Promoting Digital Payments?

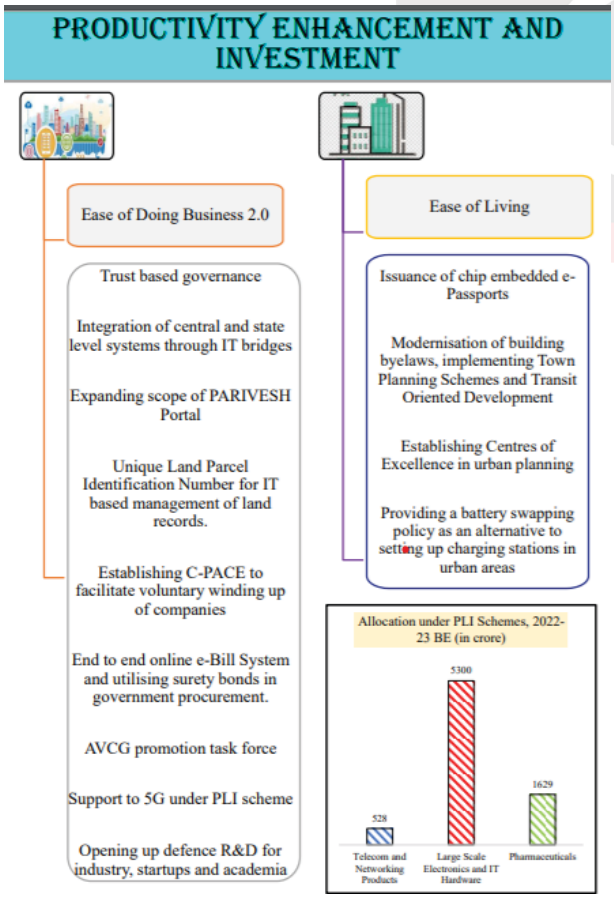
- **Anytime – Anywhere Post Office Savings:** In 2022, 100% of 1.5 lakh post offices will come on the **core banking system enabling financial inclusion and access to accounts through net banking, mobile banking, ATMs**, and also provides online transfer of funds between post office accounts and bank accounts.
- **Digital Banking:** It has been proposed to set up **75 Digital Banking Units (DBUs) in 75 districts of the country by Scheduled Commercial Banks.**
- **Digital Payments:** The **financial support for the digital payment ecosystem announced in the previous Budget will continue in 2022-23.**

Budget 2022-23: Productivity Enhancement & Investment, Sunrise Opportunities, Energy Transition, and Climate Action

How does the Budget promote Ease of Living and Doing Business?

- **Next Phase of Ease of Doing Business & Ease of Living:**
  - In recent years, over 25,000 compliances were reduced and 1486 union laws were repealed, result of **'minimum government & maximum governance'**, and Ease Of Doing Business (EODB).
  - For the Amrit Kaal, the next phase of **Ease of Doing Business EODB 2.0** and Ease of Living, will be launched.
    - EODB 2.0 would entail digitisation of manual processes, integration of central and state level systems through IT bridges, single-point access for all citizen-centric services and standardisation and removal of overlapping compliance requirements.
  - The government will follow the idea of **'trust-based governance'.**
- **Green Clearances:** Expansion of the single window portal, **PARIVESH (Proactive and Responsive Facilitation by Interactive, Virtuous and Environmental Single-window Hub), for all green clearances**, which was launched in 2018.
- **e-Passport: e-Passports** with embedded chip and futuristic technology to be rolled out.
- **Urban Development:** A **high-level committee of reputed urban planners, urban economists and institutions** will be formed to make recommendations on urban sector policies, capacity building, planning, implementation and governance.
- **Urban Planning:**
  - Modernization of building bye laws, Town Planning Schemes (TPS), and **Transit Oriented Development (TOD)** will be implemented.
  - Battery swapping policy to be brought out for setting up charging stations at scale in urban areas.
- **Land Records Management:**
  - **Unique Land Parcel Identification Number** for IT-based management of land records.
  - The facility for transliteration of land records across **any of the Schedule VIII languages** will also be rolled out.
  - The adoption or linkage with **National Generic Document Registration System (NGDRS)** with the **'One-Nation One-Registration Software'** will be promoted as an option for uniform process for registration and 'anywhere registration' of deeds & documents.

- **Amendments in Insolvency and Bankruptcy Code** to facilitate cross border **insolvency resolution.**
- **Accelerated Corporate Exit:** The **Center for Processing Accelerated Corporate Exit (C-PACE)** with process re-engineering, will be established to facilitate and speed up the voluntary winding-up of these companies from the currently required 2 years to less than 6 months.
- **Government Procurement:** To enhance transparency and to reduce delays in payments, a completely paperless, end-to-end **online e-Bill System will be launched for use by all central ministries for their procurements.**
- **AVGC Promotion Task Force:** An **Animation, Visual effects, Gaming, and Comic (AVGC)** promotion task force to be set-up to realize the potential of this sector.
- **Telecom Sector :** A scheme for design-led manufacturing will be launched **to build a strong ecosystem for 5G** as part of the **Production Linked Incentive Scheme**.
- **Export Promotion:** The **Special Economic Zones Act will be replaced with a new legislation** that will enable the states to become partners in **'Development of Enterprise and Service Hubs'.**



- **Atma Nirbharta in Defence:**
  - 68% of the capital procurement budget will be earmarked for domestic industry in 2022-23, up from 58% in 2021-22.
  - Defense R&D will be opened up for industry, startups and academia with 25% of defense R&D budget earmarked.
  - Independent nodal umbrella body to be set up for meeting testing and certification requirements.
- **Sunrise Opportunities: Artificial Intelligence, Geospatial Systems and Drones, Semiconductor and its ecosystem, Space Economy, Genomics and Pharmaceuticals, Green Energy,** and **Clean Mobility Systems** have immense potential to assist sustainable development at scale and modernize the country.

How does the Budget promote Energy Transition and Climate Action?

- **Solar Power:**
  - To facilitate domestic manufacturing for the ambitious **goal of 280 GW of installed solar capacity by 2030**, an additional allocation of **19,500 crore for Production Linked Incentive for manufacture of high efficiency modules**, will be made.
- **Circular Economy:**
  - The **Circular Economy** transition is expected to help in productivity enhancement as well as creating large opportunities for new businesses and jobs.
  - The action plans for ten sectors such as electronic waste, end-of-life vehicles, used oil waste, and toxic & hazardous industrial waste are ready.
- **Transition to Carbon Neutral Economy:**
  - **Five to seven per cent biomass pellets** will be co-fired in thermal power plants resulting in CO_2 savings of 38 MMT annually.
    - This will also provide extra income to farmers and job opportunities to locals and **help avoid stubble burning** in agriculture fields.
  - Four pilot projects for **coal gasification** and conversion of coal into chemicals required for the industry will be set-up.
  - **Financial support to farmers** belonging to Scheduled Castes and Scheduled Tribes, who want to take up **agro-forestry.**

Note:

Budget 2022-23 Highlights: Financing of Investments

What is in the Budget related to Financing of Investments?

- **Public Capital Investment:**
  - Outlay for capital expenditure **stepped up sharply by 35.4% to Rs. 7.50 lakh crore in 2022-23** in comparison to the current year. Outlay in 2022-23 to be **2.9% of GDP.**
  - The **'Effective Capital Expenditure'** of the Central Government is estimated at **10.68 lakh crore in 2022-23**, which will be about **4.1% of GDP.**
    - Capital expenditure is the money spent by the government on the development of machinery, equipment, building, health facilities, education, etc. It also includes the expenditure incurred on acquiring fixed assets like land and investment by the government that gives profits or dividends in future.
- **Green Bonds:** As a part of the government's overall market borrowings in 2022-23, **sovereign Green Bonds** will be issued for mobilizing resources for green infrastructure.
- **GIFT-IFSC:**
  - **World-class foreign universities and institutions** will be allowed in the **Gujarat International Finance Tec-City (GIFT City)** to offer courses in Financial Management, FinTech, Science, Technology, Engineering and Mathematics free from domestic regulations, except those by **International Financial Services Centre Authority (IFSCA)** to facilitate availability of high-end human resources for financial services and technology.
  - An **International Arbitration Centre** will be set up in the GIFT City for timely settlement of disputes under international jurisprudence.
  - **Services for global capital for sustainable & climate finance** in the country will be facilitated in the GIFT City.
- **Infrastructure Status: Data Centres and Energy Storage Systems** including dense charging infrastructure and grid-scale battery systems will be included in the **harmonized list of infrastructure.**
- **Venture Capital and Private Equity Investment:** The government will form **an expert panel** to encourage venture capital and private equity investments.
  - Venture Capital and Private Equity invested more than 5.5 lakh crore last year facilitating one of the largest **start-up** and growth ecosystems.
- **Blended Finance for Sunrise Sectors:** For encouraging important **sunrise sectors such as Climate Action, Deep-Tech, Digital Economy, Pharma and Agri-Tech,** the government will **promote thematic funds for blended finance** with the government **share being limited to 20%** and the funds being managed by private fund managers.
  - Government backed Funds **National Investment and Infrastructure Fund (NIIF)** and SIDBI Fund of Funds have provided scale capital creating a multiplier effect.
- **Digital Rupee:** Government will introduce **Digital Rupee**, using **blockchain** and other technologies, to be issued by the **Reserve Bank of India starting 2022-23.**
- **Financial Assistance to States for Capital Investment:**
  - The outlay for the **'Scheme for Financial Assistance to States for Capital Investment'** is being enhanced from Rs. 10,000 crore in Budget Estimates 2021-22 to Rs. 15,000 crore in Revised Estimates 2021-22.
  - **For 2022-23**, the allocation is **1 lakh crore** to assist the states in catalysing overall investments in the economy.
    - These fifty-year interest free loans are over and above the normal borrowings allowed to the states.
    - This allocation **will be used for PM GatiShakti related and other productive capital investment of the states.** It will also include components for:
      - Supplemental funding for priority segments of **PM Gram Sadak Yojana**, including support for the states' share,
      - Digitisation of the economy, including **digital payments and completion of Optic Fibre Cable (OFC) network,** and
      - Reforms related to building byelaws, town planning schemes, transit-oriented development, and transferable development rights.
  - In 2022-23, in accordance with the recommendations of the **15th Finance Commission**, the states will be

allowed a **fiscal deficit of 4% of GSDP (Gross State Domestic Product) of which 0.5% will be tied to power sector reforms**.

Budget 2022-23: Direct Taxes

What is there for Individuals?

- **Updated Return:**
  - The government has proposed to provide a one-time window to correct omissions in Income Tax Returns (ITRs) filed.
  - Taxpayers can file the updated returns within two years from the assessment years.

- **Tax relief to persons with disability:**
  - The government proposed **to allow the payment of annuity and lump sum amount to the differently abled dependent during the lifetime of parents/ guardians,** i.e., on parents/ guardians attaining the age of sixty years.
  - The **present law provides for deduction to the parent or guardian only if the lump sum payment or annuity is available to the differently abled person on the death of the subscribe**r i.e. parent or guardian.
- **Parity between employees of State and Central government:**
  - Tax deduction limit increased from 10%to 14% on employer's contribution to the
  - **National Pension System** account of State Government employees which b**rings them at par with central government employees.**
  - It would help in enhancing social security benefits.

What is there for Corporates Businesses & Co-operatives?

- **Reduced Alternate minimum tax rate and Surcharge for Cooperatives:**
  - To provide a **level playing field between co-operative societies and companies,** the government proposed to reduce this rate for the cooperative societies also to **15%.**
  - Proposed to **reduce the surcharge on co-operative societies from present 12% to 7%** for those having total income of more than 1 crore and up to 10 crores.
  - This would help in **enhancing the income of cooperative societies** and its members who are mostly from rural and farming communities.
- **Incentives for Start-ups:**
  - Earlier, the eligible **start-ups** established before March 2022 had been provided a tax incentive for three consecutive years out of ten years from incorporation.
  - In view of the **Covid pandemic,** the government will **extend the period of incorporation of the eligible start-up by one more year,** that is, up to March 2023 for providing such tax incentive.

What about the Virtual Digital Assets?

- **Scheme for taxation of virtual digital assets:**
  - **Specific tax regime for virtual digital assets** introduced. **Any income from transfer of any virtual digital asset to be taxed at the rate of 30%.**
  - No deduction in respect of any expenditure or allowance to be allowed while computing such income except cost of acquisition.
  - Loss from transfer of virtual digital assets cannot be set off against any other income.
  - To capture the transaction details, **Tax Deduction at Source (TDS) to be provided on payment made in relation to transfer of virtual digital assets at the rate of 1%** of such consideration above a monetary threshold.
  - Gift of virtual digital assets also to be taxed in the hands of the recipient.

What is there to make Taxation Simpler?

- **Litigation Management:**
  - In cases where the question of law is identical to the one pending in the High Court or **Supreme Court**, the filing of appeal by the department shall

be deferred till such question of law is decided by the court.
- To greatly help in reducing repeated litigation between taxpayers and the department.

- **Deterrence against tax-evasion:**
  - **No set off of any loss to be allowed against undisclosed income** detected during search and survey operations.
- **Tax incentives to International Financial Services Centres (IFSC):**
  - Subject to specified conditions, **the following to be exempt from tax:**
    - Income of a non-resident from offshore derivative instruments.
    - Income from over the counter derivatives issued by an offshore banking unit.
    - Income from royalty and interest on account of lease of ship.
    - Income received from portfolio management services in **IFSC**.

What has the Government done for Tax Rationalisation?

- **Rationalising TDS Provisions:**
  - **Benefits passed on to agents** as a business promotion strategy taxable in the hands of agents.
  - Tax deduction provided to the person giving benefits, if the aggregate value of such benefits exceeds Rs 20,000 during the financial year.
- **Rationalisation of Surcharge:**
  - **Surcharge on AOPs** (consortium formed to execute a contract) capped at 15% .
    - Done **to reduce the disparity in surcharge between individual companies and AOPs.**
  - **Surcharge on long term capital gains** arising on transfer of any type of assets capped at 15%.
    - To give a **boost to the start up community.**

Budget 2022-23: Indirect Taxes

What are the Key Proposals?

- **Record GST Collection: GST** collections touched a record of Rs 1.40 lakh crore in January 2022 on rapid economic recovery (despite the coronavirus pandemic).
  - GST showcases the spirit of **Cooperative Federalism** and fulfills the dream of India as **one market-one tax.**
- **Special Economic Zones:** Customs Administration of **SEZs** shall be fully IT driven and function on the **Customs National Portal** with a focus on higher facilitation and with only risk-based checks.
- **Customs Reforms and Duty Rate Changes: Faceless Customs** has been fully established. Customs' reforms have played a very vital role in:
  - Domestic capacity creation,
  - Providing a level playing field to MSMEs,
  - Easing the raw material supply side constraints,
  - Enhancing ease of doing business
  - Being an enabler to other policy initiatives such as **PLIs** and Phased Manufacturing Plans.
- **Project Imports and Capital Goods: National Capital Goods Policy, 2016** aims at **doubling the production of capital goods by 2025.**
  - This would create **employment opportunities** and result in increased economic activity.
  - However, several duty exemptions, even extending to over three decades in some cases, have been granted to capital goods for various sectors like power, fertilizer, textiles, leather, footwear, food processing and fertilizers.
    - These exemptions have hindered the growth of the domestic capital goods sector.
  - The budget proposed gradual **phasing out of the concessional rates** in capital goods and project imports.
  - The Budget provided for applying a **moderate tariff of 7.5% which** will be conducive to the growth of the domestic sector and **'Make in India'.**
- **Sector-specific Proposals:**
  - **Electronics:** Customs duty rates to be balanced to provide a graded rate structure - to facilitate domestic manufacturing of wearable devices and electronic smart meters.
    - Announced **a new Phased Manufacturing Programme (PMP)** for producing wrist wearable devices, hearable devices and electronic smart meters in the country.
    - The PMP incentivises the manufacture of low value accessories initially, and then moves on to the manufacture of higher value component.

- **Gems and Jewelry:** Customs duty on cut and polished diamonds and gemstones being reduced to 5%.
  - Nil customs duty to be imposed on simply sawn diamond.
- **MSME & Exports:** Exemption being rationalised on implements and tools for agri-sector which are manufactured in India.
  - Further, to incentivise exports, exemptions are being provided on many items.
- **Tariff to Encourage Blending of Fuel:** Tariff measures will be introduced to encourage the blending of fuel.
  - Meanwhile, unblended fuel will attract an additional differential excise duty of Rs 2/ litre from 1st October, 2022, to further encourage the blending of fuel.

Government Schemes/Initiatives

National Technical Textiles Mission

Why in News

The Ministry of Textiles cleared 20 strategic research projects worth Rs 30 crores in the areas of **Specialty fibers and Geotextiles** under the Programme **'National Technical Textiles Mission.'**

- India is an aspiring player **with USD 40 billion in this market (8% Share).** The **biggest players are the USA,** western Europe, China and Japan (20-40% share).

Key Points

- **About:**
  - Approved in 2020 by the **Cabinet Committee on Economic Affairs** (CCEA) to position the country as a global leader in technical textiles and increase the use of technical textiles in the domestic market.
  - Aims at taking the domestic market size from USD 40 billion to USD 50 billion by 2024.
  - **Implementation:** For four years starting from 2020-2021.
- **Components:**

Technical Textiles

- Technical textiles **are functional fabrics** that have applications across various industries including automobiles, civil engineering and construction, agriculture, healthcare, industrial safety, personal protection etc.
- Based on usage, there are **12 technical textile segments:** Agrotech, Meditech, Buildtech, Mobiltech, Clothtech, Oekotech, Geotech, Packtech, Hometech, Protech, Indutech and Sportech.
  - **For example**, 'mobiltech' refers to products in vehicles such as seat belts and airbags, airplane seats; geotech, which is incidentally the fastest growing sub-segment, used to hold back soil, etc.

  - **First component:** Focuses on research, development and innovation.
  - **Second component:** Promotion and development of the market for technical textiles.
  - **Third component:** Focuses on export promotion so that technical textile exports from the country reach from Rs 14,000 crores to Rs 20,000 crores by 2021-2022 and ensure 10% average growth every year till the Mission ends.
    - An **export promotion council** for technical textiles will be set up.
  - **Fourth component:** Focuses on education, training and skill development.

Design Linked Incentive for Semiconductors

Why in News

The Ministry of Electronics and Information (MeitY) is seeking applications from 100 domestic **semiconductor** chip design firms, companies, start-ups and **MSMEs** under its Design Linked Incentive (DLI) Scheme.

- The DLI scheme is part of the MeitY's **comprehensive Program for the Development of Semiconductors and Display Manufacturing Ecosystems** in the country.
- Lately, there has been an abrupt and **cascading shortage of semiconductors worldwide.**

Key Points

- **About:**
  - Under the DLI Scheme **financial incentives and design infrastructure support will be extended to domestic companies, startups and MSMEs**.

Semiconductors

- Any of a **class of crystalline solids intermediate in electrical conductivity** between a conductor and an insulator.
- Semiconductors are employed in the manufacture of various kinds of electronic devices, including **diodes, transistors, and integrated circuits**. Such devices have found wide application because of their compactness, reliability, power efficiency, and low cost.
- As discrete components, **they have found use in power devices, optical sensors, and light emitters, including solid-state lasers.**

S.No	Conductors	Semiconductors	Insulators
1	Easily conducts the electrical current.	Conducts the electric current less than conductor and greater than insulator.	Does not conduct any current.
2	Has only one valence electron in its outermost orbit.	Has four valence electron in its outermost orbit.	Has eight valence electron in its outermost orbit.
3	Conductor formed using metallic bonding.	Semiconductors are formed due to covalent bonding.	Insulators are formed due to ionic bonding.
4	Valence and conduction bands are overlapped.	Valence and conduction bands are separated by forbidden energy gap of 1.1eV.	Valence and conduction bands are separated by forbidden energy gap of 6 to 10eV.
5	Resistance is very small	Resistance is high	Resistance is very high
6	It has positive temperature coefficient	It has negative temperature coefficient	It has negative temperature coefficient
7	Ex: copper,aluminium,etc	Ex: silicon, germanium, etc	Ex: Mica, Paper, etc

  - The incentives **will be provided across various stages of development and deployment of semiconductor design** for Integrated Circuits (ICs), Chipsets, System on Chips (SoCs), Systems & IP Cores and semiconductor linked design **for over a period of 5 years.**
- **Eligibility:**
  - The approved applicants that claim incentives under the scheme will be encouraged to **retain their domestic status** (i.e., more than 50% of the capital in it is beneficially owned by resident Indian citizens and/ or Indian companies, which are ultimately owned and controlled by resident Indian citizens) for a **period of three years**.
  - An **applicant must meet the Threshold and Ceiling Limits** to be eligible for disbursement of incentives under the Scheme.
- **Aim:**
  - To **nurture at least 20 domestic companies** involved in semiconductor design and facilitate them to achieve turnover of more than Rs.1500 Crore in the next 5 years.
- **Nodal Agency:**
  - **C-DAC (Centre for Development of Advanced Computing),** a scientific society operating under MeitY.
- **Three Components of DLI:**
  - **Chip Design Infrastructure Support:** C-DAC will set up the India Chip Centre to host the state-of-the-art design infrastructure (viz. EDA Tools, IP Cores and support for MPW (Multi Project Wafer fabrication) & post-silicon validation) and facilitate its access to supported companies.
  - **Product Design Linked Incentive:** A reimbursement of up to 50% of the eligible expenditure subject to a ceiling of Rs.15 Crore per application will be provided as fiscal support to the approved applicants who are engaged in semiconductor design.
  - **Deployment Linked Incentive:** An incentive of 6% to 4% of net sales turnover over 5 years subject to a ceiling of Rs.30 Crore per application will be provided to approved applicants whose semiconductor design for ICs, Chipsets, SoCs, Systems & IP Cores and semiconductor linked design are deployed in electronic products.

Scheme on Enhancement of Competitiveness in the Indian Capital Goods Sector- Phase-II

Why in News

The **Ministry of Heavy Industries (MHI)** has notified the **Scheme on Enhancement of Competitiveness in the Indian Capital Goods Sector- Phase-II** for providing assistance to Common Technology Development and Services Infrastructure.

Key Points

- **About:**
  - The objective of Phase II of the Scheme is **to expand and enlarge the impact created by the Phase I pilot scheme**, thereby providing greater impetus through creation of a strong and globally competitive capital goods sector that contributes at least 25% to the manufacturing sector.
    - The scheme on 'Enhancement of competitiveness in the Indian Capital Goods Sector' was notified in November, 2014 to **encourage technology development and infrastructure creation.**
- **Financial Outlay:**
  - The scheme has a financial outlay of Rs. 1207 crores with Budgetary support of Rs.975 crore and Industry Contribution of Rs. 232 crore.
- **Components:**
  - Identification of Technologies through **Technology Innovation Portals.**
  - Setting up of four **New Advanced Centers of Excellence** and augmentation of Existing Centers of Excellence.
  - **Promotion of skilling in the Capital Goods Sector**– creation of Qualification packages for skill levels 6 and above.
  - Setting up of four **Common Engineering Facility Centers (CEFCs)** and augmentation of existing CEFCs.
  - Augmentation of Existing **Testing and Certification Centers.**
  - Setting up of ten **Industry Accelerators for Technology Development.**
- **Capital Goods:**
  - Capital goods are **physical assets that a company uses in the production process to manufacture products and services** that consumers will later use. Capital goods include **buildings, machinery, equipment, vehicles, and tools**.
  - Capital goods are **not finished goods**, instead, they are used **to make finished goods**.
  - The Capital Goods sector has a multiplier effect and has bearing on the growth of the user industries as it provides critical input, i.e., machinery and equipment to the remaining sectors covered under the manufacturing activity.

Bank Deposit Insurance Programme

Why in News

Recently, the Prime Minister said that **Rs 1,300 crore had been paid to over 1 lakh depositors** who could not access their money as their banks faced financial crises.

- The **deposits worth Rs 76 lakh crore** were insured under the **Deposit Insurance and Credit Guarantee Corporation (DICGC) Act** providing full coverage to around 98% of bank accounts.
- Earlier, the Union Cabinet cleared the **Deposit Insurance and Credit Guarantee Corporation (DICGC) Bill, 2021.**

Deposit Insurance: It is a **protection cover against losses** accruing to bank deposits if a bank fails financially and has no money to pay its depositors and has to go in for liquidation.

Credit Guarantee: It is the **guarantee that often provides for a specific remedy** to the creditor if his debtor does not return his debt.

Key Points

- **Limit for Deposit Insurance:**
  - Currently, a depositor has a **claim to a maximum of Rs 5 lakh per account** as insurance cover. This amount is termed **'deposit insurance'**
    - The cover of Rs 5 lakh per depositor is provided by the **Deposit Insurance and Credit Guarantee Corporation (DICGC)**.
  - Depositors **having more than Rs 5 lakh in their account have no legal recourse** to recover funds in case a bank collapses.
  - Premium for the insurance has been raised from **10 paise for every Rs 100 deposit, to 12 paise** and a limit of 15 paise has been imposed.
    - The premium for this insurance is paid by banks to the DICGC, and not be passed on to depositors.
    - The Insured banks **pay advance insurance premiums** to the corporation semi-annually within two months from the beginning of each financial half year, based on their deposits as at the end of previous half year.
- **Coverage:**

- Banks, including regional rural banks, local area banks, foreign banks with branches in India, and cooperative banks, are mandated to take deposit insurance cover with the DICGC.

- **Types of Deposits Covered:**
  - DICGC insures all bank deposits, such as saving, fixed, current, recurring, etc. **except the following types of deposits:**
    - Deposits of foreign Governments.
    - Deposits of Central/State Governments.
    - Inter-bank deposits.
    - Deposits of the State Land Development Banks with the State co-operative banks.
    - Any amount due on account of any deposit received outside India.
    - Any amount which has been specifically exempted by the corporation with the previous approval of the RBI.
- **Need of Deposit Insurance:**
  - Troubles for depositors in getting immediate access to their funds in banks in recent cases such as **Punjab & Maharashtra Co-operative (PMC) Bank**, **Yes Bank** and **Lakshmi Vilas Bank** had put spotlight on the subject of deposit insurance.

DICGC

- **About:**
  - It came into **existence in 1978** after the merger of **Deposit Insurance Corporation (DIC) and Credit Guarantee Corporation of India Ltd. (CGCI)** after passing of the Deposit Insurance and Credit Guarantee Corporation Act, 1961 by the Parliament.
  - It serves as a **deposit insurance and credit guarantee** for banks in India.
  - It is a fully owned subsidiary of and is governed by the **Reserve Bank of India (RBI).**
- **Funds:**
  - The Corporation maintains the following funds :
    - Deposit Insurance Fund
    - Credit Guarantee Fund
    - General Fund
  - The first two are **funded respectively by the insurance premia and guarantee fees received** and are utilized for settlement of the respective claims.
  - The **General Fund is utilized for meeting the establishment and administrative expenses** of the Corporation.

Market Based Economic Despatch (MBED) Phase 1

Why in News

Recently, the **Ministry of Power** released Framework for Implementation of **Market Based Economic Despatch (MBED) Phase 1** to **reduce consumers' power purchase costs** by 5%.

- It is an important step in reforming electricity market operations and in moving towards the **"One Nation, One Grid, One Frequency, One Price" framework.** Its implementation is planned to start **with effect from 1st April 2022.**

Key Points

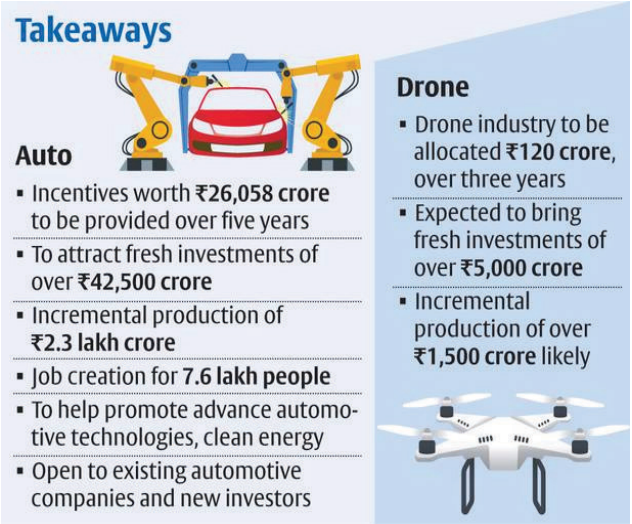
- **About:**
  - The **power demand by all states is proposed to be met through a central pool** allocating power at the optimal price.
    - **Currently**, power distribution companies (discoms) have been sourcing power from available sources within the states, invariably ending with a higher energy cost.
  - MBED will ensure that the **cheapest generating resources** across the country are dispatched to meet the overall system demand.
  - It will thus be a **win-win for both the distribution companies (discoms) and the generators** and ultimately result in significant annual savings for the electricity consumers.
  - MBED **aims to establish a uniform pricing framework** that prioritizes the least cost and most efficient generators while backing down more expensive ones, thereby creating a national merit order.
  - This is **in line with the draft National Electricity Policy (NEP) 2021,** which aims to more than double the penetration of short-term power markets by 2023–2024.
- **One Nation, One Grid, One Frequency:**
  - India has a **significant inter-regional power transmission capacity** through its complex interconnected power grid that requires close coordination between grid operators and power project generators across coal, gas, hydro, nuclear and green energy sources run by the Centre, states, and the private sector.

- With **significant investments** over the last decade, the Indian power system has **achieved larger inter-regional transfers of electricity** and eliminated most constraints to realise its status as "One Nation, One Grid, One Frequency".
- It is the **state-owned Power System Operation Corp. Ltd (Posoco),** which manages these complex functions through the National Load Despatch Centre (NLDC), Regional Load Despatch Centres (RLDCs) and State Load Despatch Centres (SLDCs).
  - The country has 33 SLDCs, five RLDCs (for the five regional grids that form the national grid) and one NLDC.
- Despite this enablement, the **existing electricity scheduling and despatch mechanisms in the country are siloed** and the day-ahead procedures result in **sub-optimal utilization of the country's generating resources**.
  - The **day-ahead market** is a financial market where market participants purchase and sell electric energy at financially binding day-ahead prices for the following day.

PLI Scheme for Auto & Drone Sector

Why in News

Recently, the Union Cabinet approved a Rs. 26,058 crore **Production Linked Incentive (PLI) scheme** for auto, auto-components and **Drone** industries to enhance India's manufacturing capabilities.



- The scheme for the sector is part of the overall production-linked incentives announced for 13 sectors in the **Union Budget 2021-22** with an outlay of Rs 1.97 lakh crore.
- It is a significant milestone in India's journey towards **'Atma Nirbharta'** and will **enable the country to join the top order of Auto** and **Drone** manufacturing **nations.**

Key Points

- **PLI Scheme:**
  - PLI scheme, introduced in March 2020, aims **to give companies incentives on incremental sales** from products manufactured in domestic units.
  - Apart from **inviting foreign companies to set shop in India,** it also aims **to encourage local companies** to set up or expand existing manufacturing units.

HOW DOES THE INCENTIVE WORK

It is a kind of subsidy to the sector

Is a direct payment from the budget to goods made in India	**Amount** varies from sector to sector	**Is based on** disadvantage /disability faced by a sector

  - It has also been approved for sectors such as automobiles, **pharmaceuticals, IT hardware including laptops, mobile phones & telecom equipment, white goods, chemical cells, food processing, Textile Sector** etc.
- **PLI for Auto Sector:**
  - **About:**
    - It excludes conventional **petrol, diesel and CNG segments** (Internal Combustion Engine) since it has sufficient capacity in India.
    - It is incentivizing **only advanced automotive technologies** or auto components whose supply chains are weak, dormant, or non-existing.
    - It is **aimed at boosting new technology and the economy of clean fuels.**
  - **Components:**
    - **Champion OEM (Original Equipment Manufacturers) Scheme:**
      - It is a **sales value linked plan**, applicable to Battery Electric and **Hydrogen Fuel** Cell Vehicles of all segments.

- **Champion Incentive Scheme:**
  - It is a **Sales Value Linked** plan for advanced technology components, Complete and Semi-Knocked Down (CKD/SKD) kits, vehicle aggregates of 2-wheelers, 3-wheelers, passenger vehicles, commercial vehicles and tractors.
- **Significance:**
  - This scheme along with the already launched **PLI for Advanced Chemistry Cell** and **Faster Adoption of Manufacturing of Electric Vehicles (FAME)** Scheme will give a **big boost to the manufacture of Electric Vehicles.**
  - It will contribute towards **reducing carbon emissions and oil imports**.
  - It will **encourage production of auto components using advanced technologies** that will boost localisation, domestic manufacturing and also attract foreign investments.
  - It will help setting up **new facilities and create more jobs.** It is expected to generate **7.5 lakh jobs for the auto sector**.

- **PLI for Drone Sector:**
  - **About:**
    - It covers a **wide variety of drone components,** including airframe, propulsion systems, power systems, batteries, inertial measurement unit, flight control module, ground control station, communication systems, cameras, sensors, spraying systems, emergency recovery system, and trackers.
    - It is **expected to bring fresh investments of over Rs 5,000 crore and incremental production of over Rs 1,500 crore** and create additional employment of about **10,000 jobs.**
  - **Significance:**
    - It will **encourage entrepreneurs to strive towards building drones**, components, and software for the global market. It will also **open many more verticals for the utilisation of drones**.
    - It will **help reduce imports**.At present 90 %of the drones in India are imported.
      - The government intends to make India into a **global drone hub by 2030.**

Transport and Marketing Assistance Scheme

Why in News

Recently, the **Ministry of Commerce and Industry** has revised the **Transport and Marketing Assistance (TMA) scheme** for specified agriculture products.

- It will be effected on or after 1st April, 2021, up to 31st March, 2022.

Key Points

- **About:**
  - It was **launched in 2019**, for providing **financial assistance for the transport and marketing of agricultural products to boost exports** of such commodities to certain countries in Europe and North America.
    - In the year 2018, the government approved an **Agriculture Export Policy** with an aim to double the shipments to USD 60 billion by 2022.
    - **APEDA** (Agricultural and Processed Food Products Export Development Authority) works towards expanding the export potential of Indian agricultural and food products.
  - Under the TMA, the **government reimburses a certain portion of freight charges and provides assistance** for the marketing of agricultural produce.
    - The assistance, at notified rates, will be available for export of eligible agriculture products to the permissible countries, as specified from time to time.
  - The **revised scheme has included dairy products** among other agriculture products in its purview and **increased the rates of assistance.**
    - Rates of assistance have been increased, by 50% for exports by sea and 100% through the air.
  - TMA would be reimbursed through the Regional Authorities of **DGFT (Directorate General of Foreign Trade)**.
- **Objective:**
  - To **provide assistance for the international component** of freight and marketing of agricultural produce.

- To **mitigate the disadvantage of higher cost of transportation of export of** specified agriculture products due to trans-shipment.
- To **promote brand recognition for Indian agricultural products** in the specified overseas markets.

Agriculture Export Policy 2018

- The vision of Agriculture Export Policy is **to harness the export potential of Indian agriculture**, through suitable policy instruments, to make India global power in agriculture and raise farmers income.
- The Policy was approved with the objective,
  - **To diversify the export basket**, destinations and boost high value and value-added agricultural exports including a focus on perishables.
  - **To promote novel, indigenous**, organic, ethnic, traditional and non-traditional Agri products exports.
  - **To provide an institutional mechanism** for pursuing market access, tackling barriers and dealing with sanitary and phytosanitary issues.
  - **Enable farmers to get the benefit** of export opportunities in the overseas market.

Agricultural and Processed Food Products Export Development Authority

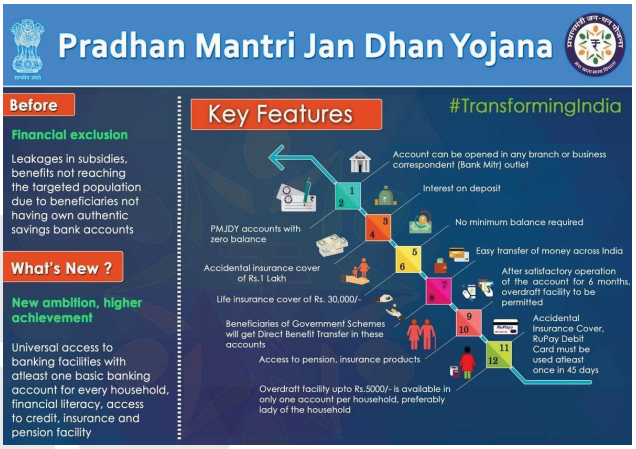
- APEDA is a non-trading, statutory body established by the Government of India under the **Agricultural and Processed Food Products Export Development Authority Act** passed by the Parliament in December, 1985.
- It **functions under the Ministry of Commerce and Industry.** The Authority has its **headquarters in New Delhi.**
- It has been **mandated with the responsibility of export promotion and development of the scheduled products** viz. fruits, vegetables, meat products, dairy products, alcoholic and non-alcoholic beverages etc.
- It has also been **entrusted with the responsibility to monitor import of sugar.**
- In 2017, APEDA launched **a mobile app- "Farmer Connect"** to allow farmers to apply online to facilitate their farm registration, tracking the status of application & approvals by State Government and Lab sampling by authorized Laboratories.

Seven Years of Pradhan Mantri Jan Dhan Yojana

Why in News

Recently, the government has asked the banks to improve access of account holders in the **Pradhan Mantri Jan Dhan Yojana (PMJDY)** scheme to micro-credit and micro investment products, like flexi-recurring schemes.

- PMJDY - National Mission for **Financial Inclusion** has **completed seven years of successful implementation.**



Key Points

- **Objective of PMJDY:**
  - Ensuring **access to various financial services to the excluded sections** i.e. weaker sections & low income groups **at an affordable cost** and **using the technology** for the same.
- **Six Pillars of the Scheme:**
  - **Universal Access to Banking Services** – Branch and Banking Correspondents.
    - Accounts opened are **online accounts in the core banking system** of banks.
    - Focus has shifted from **'Every Household'** to **Every Unbanked Adult'.**
  - **Basic Savings Bank Accounts with OverDraft (OD) Facility** of Rs. 10,000/- to every household.
  - **Financial Literacy Program–** Promoting savings, use of ATMs, using basic mobile phones for banking, etc.
    - Interoperability through **RuPay** debit card or **Aadhaar** enabled Payment System (AePS).
  - **Creation of Credit Guarantee Fund –** To provide banks some guarantee against defaults.

- **Insurance** – Free accidental insurance cover on RuPay cards increased from Rs. 1 lakh to Rs. 2 lakh for PMJDY accounts opened after August 2018.
- **Pension Scheme** for the Unorganized sector.

➢ **Achievements:**

- **Accounts:**
  - The **number of accounts rose to 43.04 crore in August 2021** from 17.9 crore in August 2015.
  - Of this, **55.47%** Jan Dhan account holders **are women** and **66.69%** holders **are in rural and semi-urban areas.**
- **Deposits:**
  - The **deposits have shot up to Rs. 1.46 lakh crore from Rs. 22,901** crore during 2015-2021.
- **Operative Accounts:**
  - As per extant **Reserve Bank of India** guidelines, a PMJDY **account is treated as inoperative** if there are **no customer induced transactions** in the account for over a **period of two years.**
    - In August 2021, out of total 43.04 crore PMJDY accounts, 36.86 crore (85.6%) were operative.
  - Continuous **increase in percentage of operative accounts** is an indication that more and more of these accounts are being used by customers on a regular basis.
- **RuPay Usage:**
  - Number of RuPay cards & their usage has also **increased over time.**
- **Jan Dhan Darshak App:**
  - This app is being used for **identifying villages which are not served by banking touchpoints within 5 km.** The efforts have resulted in a significant decrease in the number of such villages.
- **Pradhan Mantri Garib Kalyan Package (PMGKP) for PMJDY Women:**
  - Under **PMGKP**, a total of Rs. 30,945 crore have been credited in accounts of women PMJDY account holders during **Covid lockdown.**
- **Smooth DBT Transactions**:
  - About 5 crore PMJDY account holders receive **Direct Benefit Transfer (DBT)** from the Government under various schemes.

➢ **Impact:**

- **Increased Financial Inclusion:**
  - PMJDY has been the foundation stone for **people-centric economic initiatives**. Whether it is **DBT**, **Covid-19** financial assistance**, PM-KISAN,** increased wages under **MGNREGA**, life and health insurance cover, the first step of all these initiatives is to provide every adult with a bank account, which PMJDY has nearly completed.
- **Formalisation of Financial System:**
  - It provides an **avenue to the poor for bringing their savings into the formal financial system**, an avenue to remit money to their families in villages besides taking them out of the clutches of the usurious money lenders.
- **Prevention of Leakage:**
  - DBTs via PM Jan Dhan accounts have **ensured every rupee reaches its intended beneficiary** and prevents systemic leakage.

➢ **Challenges:**

- **Connectivity:**
  - Lack of physical and digital connectivity is posing a major hurdle in achieving financial inclusion for rural India.
- **Technological Issue:**
  - The technological issues affecting banks from poor connectivity, networking and bandwidth problems to managing costs of maintaining infrastructure especially in rural areas.
- **Procedure not Clear:**
  - Most of the people are aware but still so many are not turned around as they are not understanding the proper procedure of opening an account and required documents at a time.

SAMRIDH Programme

Why in News

Recently, the **Ministry of Electronics & Information Technology (MeitY)** has launched the '**Start-up Accelerators of MeitY for Product Innovation, Develop-ment and growth (SAMRIDH)'** programme.

Key Points

➢ To **create a conducive platform to Indian Software Product start-ups** to enhance their products and secure investments for scaling their business.

- Focuses on accelerating the **300 start-ups** by providing customer connect, investor connect, and international immersion in the **next three years.**
- To provide **investment of up to Rs 40 lakh to the start-up** based on current valuation and growth stage of the Start-Up **through selected accelerators.**
- Being **implemented by MeitY Start-up Hub (MSH).**
  - MSH acts as a n**ational coordination, facilitation and monitoring centre** that will integrate all the incubation centres, start-ups and innovation related activities of MeitY.
- To further the Indian start-up growth which has seen the emergence of 63 unicorns and is **now the third largest unicorn hub** globally with a total valuation of USD 168 billion.
  - "Unicorn" is a term used in the venture capital industry to describe a privately held startup company with a value of over $1 billion.

Ubharte Sitaare Alternative Investment Fund

Why in News

Recently, the **Ministry of Finance** has launched **'Ubharte Sitaare'** **Alternative Investment Fund** to facilitate debt and equity funding to **export-oriented** **MSMEs** (Micro Small and medium Enterprises).

- The fund is **expected to identify Indian enterprises with potential advantages**, but **which are currently underperforming** or unable to tap their latent potential to grow.

Key Points

- **About:**
  - Under the scheme, an identified company is supported **even if it is currently underperforming or may be unable to tap its latent potential to grow.**
  - The scheme diagnoses such challenges and provides support through **a mix of structured support covering equity, debt and technical assistance.** It will also have a **Greenshoe Option of Rs 250 crore**.
    - A **greenshoe option** is an **over-allotment option,** which is a term that is commonly used to describe a special arrangement in a share offering for example an **IPO (Initial Public Offering)** that will enable the investment bank to support the share price after the offering **without putting their own capital at risk.**

Alternative Investment Fund

- Anything alternative to traditional forms of investments **gets categorized as alternative investments.**
- In India, AIFs are defined in **Regulation 2(1)(b) of Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012.**
- It refers to **any privately pooled investment fund, (whether from Indian or foreign sources), in the form of a trust or a company or a body corporate or a Limited Liability Partnership (LLP)**, which are not presently covered by any Regulation of SEBI governing fund management nor coming under the direct regulation of any other sectoral regulators in India.
- Thus, the definition of AIFs includes venture **Capital Fund, hedge funds, private equity funds, commodity funds, Debt Funds, infrastructure funds, etc.**

  - The fund has been set up jointly by **Exim Bank and SIDBI** (Small Industries Development Bank of India) which will invest in the fund by way of equity and equity-like products in export-oriented units, in both manufacturing and services sectors.
- **Criteria for Selecting Companies:**
  - **Unique value:**
    - Companies will be selected for support based on their **unique value proposition in technology, products or processes that match global requirements;**
  - **Financial Strength:**
    - Fundamentally strong companies **with acceptable financials, and outward orientation; small and mid-sized companies with ability to penetrate global markets**, with an annual turnover of up to approx. Rs 500 crore.
  - **Business Model:**
    - Companies with **a good business model, strong management capabilities, and focus on product quality.**
- **Support:**
  - Eligible companies can be supported by both **financial and advisory** services by way of **equity** / equity-like instruments, term **loans** for modernisation, **technology** or capacity **upgradation**;

and technical assistance for product adaptation, market development activities and viability studies.

- **Objectives:**
  - To enhance India's competitiveness in **select sectors through finance and extensive handholding support.**
  - Identify and nurture companies having **differentiated technology, products or processes**, and enhance their export business; assist units with export potential, which are unable to scale up their operations for want of finance.
  - Identify and mitigate challenges faced by **successful companies which hinder their exports.**
  - Assist existing exporters i**n widening their basket of products and target new markets** through a strategic and structured export market development initiative.

TAPAS Initiative

Why in News

Recently, the **Ministry for Social Justice and Empowerment** has launched an online portal **TAPAS (Training for Augmenting Productivity and Services)**.

Key Points

- **About:**
  - It offers various courses in the field of social defence for the capacity building of stakeholders. It is an initiative of **National Institute of Social Defense (NISD).**
    - **Social defence** is generally understood as the **protection of society against crime through a systematically organized and coherent action** by both the State and civil society.
  - It is a standard **MOOC (Massive Open Online Course)** platform with course material such as **filmed lectures and e-study material.**
    - MOOC is a free **Web-based distance learning program** that is designed for the participation of large numbers of geographically dispersed students.
  - It also includes **discussion forums to support and encourage interactions** among students and course coordinators.
  - It **can be taken up by anyone** who wishes to enhance his or her knowledge on the topics and there is no fee for joining.
  - The platform has been made with a **quadrant approach**, which is:
    - Video, Text, Self Assessment and Discussions.
- **Courses:**
  - The five basic courses are on **Drug (Substance) Abuse** Prevention, Geriatric/**Elderly** Care, Care and Management of Dementia, **Transgender** Issues and on comprehensive course on Social Defence Issues.
- **Objective:**
  - To **impart training and enhance the knowledge and skills for the capacity building** of the participants.

Ministry of Cooperation: A New Push to Co-operatives

Why in News

Recently, a separate **'Ministry of Co-operation'** has been created by the Central Government for realizing the vision of **'Sahkar se Samriddhi'** (Prosperity through Cooperation) and to give a **new push to the cooperative movement.**

- The Government has signaled its **deep commitment to community based developmental partnership**. It also fulfils the **budget announcement made by the Finance Minister in 2021.**

Key Points

- **Significance of Ministry of Cooperation:**
  - It will provide a **separate administrative, legal and policy framework for strengthening the cooperative movement** in the country.
  - It will help deepen **Co-operatives** as a true people based movement **reaching upto the grassroots.**
  - It will work to **streamline processes for 'Ease of doing business'** for co-operatives and **enable development of Multi-State Co-operatives (MSCS).**
- **About 'Co-operatives':**
  - According to the **International Labour Organisation (ILO)**, a cooperative is an **autonomous association of persons united voluntarily to meet their common economic, social and cultural needs** and aspirations through a jointly owned and democratically controlled enterprise.

- There are many **types of cooperatives** such as **Consumer** Cooperative Society, **Producer** Cooperative Society, **Credit** Cooperative Society, **Housing** Cooperative Society and **Marketing** Cooperative Society.
- The **United Nations General Assembly** had declared the year **2012 as the International Year of Cooperatives.**
- India is an agricultural country and laid the foundation of **World's biggest cooperative movement in the world.**
- In India, a **Co-operative based economic development model is very relevant** where each member works with a spirit of responsibility.

➢ **Constitutional Provisions Related to Cooperatives:**

- The **Constitution (97th Amendment) Act, 2011** added a new **Part IXB** right after Part IXA (Municipals) regarding the cooperatives working in India.
- The word "cooperatives" was added after "unions and associations" in **Article 19(1)(c) under Part III of the Constitution**. This enables all the citizens to form cooperatives by giving it the status of fundamental right of citizens.
- A new **Article 43B** was added in the **Directive Principles of State Policy (Part IV)** regarding the "promotion of cooperative societies".

Co-operative Movement in India

➢ **Co-operative Movement in Pre-Independence Era:**

- The Cooperatives were **first started in Europe** and the British Government replicated it in India to **mitigate the miseries of the poor farmers, particularly harassment by moneylenders.**
- The term Cooperative Societies came into existence when the **farmers of Pune and Ahmednagar (Maharashtra) spearheaded an agitation against the money lenders who were charging exorbitant rates of interest**.
- British government came forward and passed three acts- **the Deccan Agricultural Relief Act (1879), the Land Improvement Loan Act (1883) and the Agriculturists Loan Act (1884).**
  - The **first credit cooperative society was formed in Banking in 1903** with the support of the Government of Bengal. It was registered under the **Friendly Societies Act** of the British Government.
- But the enactment of the **Cooperative Credit Societies Act, 1904** gave Cooperative a definite structure and shape.
- In **1919**, cooperation became a provincial subject and the provinces were authorised to make their own cooperative laws under the **Montague-Chelmsford Reforms.**
  - The categorization carried on to the **Government of India Act, 1935**.
- In 1942, the Government of British India enacted the **Multi-Unit Cooperative Societies Act** to cover Cooperative Societies with membership from more than one province.

➢ **Co-operative Movement in Post-Independence Era:**

- After independence, **cooperatives became an integral part of Five-Year Plans.**
- In **1958**, the **National Development Council (NDC)** had recommended a **national policy on cooperatives** and also for training of personnel and setting up of Co-operative Marketing Societies.
- **National Cooperative Development Corporation (NCDC)**, a statutory corporation, was set up under National Cooperative Development Corporation Act ,1962.
- In **1984**, Parliament of India enacted the **Multi-State Cooperative Societies Act** to remove the plethora of different laws governing the same types of societies.
- The Government of India announced a **National Policy on Co- operatives in 2002.**

Startup India Seed Fund Scheme

Why in News

Recently, the Government has launched the **Startup India Seed Fund Scheme (SISFS).**

➢ The Scheme was announced during the **'Prarambh: StartupIndia International Summit'** which marked **the five-year anniversary of the Startup India initiative.**

Key Points

➢ About the Startup India Seed Fund Scheme (SISFS):

- **Aim:** To provide financial assistance to startups for proof of concept, prototype development, product trials, market entry, and commercialization.

- **Launched by: Department for Promotion of Industry and Internal Trade (DPIIT)** with an outlay of Rs. 945 Crore.
- **Some Eligibility Conditions:**
  - A startup, recognized by DPIIT, **incorporated not more than 2 years ago** at the time of application.
  - Startups **should not have received more than Rs. 10 lakh of monetary support** under any other Central or State Government scheme.
- **Features:**
  - It will **support an estimated 3,600 entrepreneurs through 300 incubators** in the **next 4 years.**
  - An **Experts Advisory Committee (EAC),** constituted by DPIIT, will be **responsible for the overall execution** and monitoring of the Scheme.
  - **Grants of upto Rs. 5 crore will be provided to the eligible incubators** selected by the committee.
  - The **selected incubators will provide grants of up to Rs. 20 lakh** for validation of proof of concept, or prototype development, or product trials to **startups.**
  - **Investments of up to Rs. 50 lakh will be provided to the startups** for market entry, commercialization, or scaling up through convertible debentures or debt-linked instruments.
- **Expected Benefit:**
  - It will **help in creating a robust startup ecosystem in Tier 2 and 3 regions,** as the smaller towns in India are often not provided with appropriate funding.

Seed Funding

- It typically r**epresents the first official money** that a business venture or enterprise raises.
- It helps a company to finance its first steps, including things like market research and product development.
- There are many potential investors in a seed funding situation: founders, friends, family, incubators, venture capital companies and more.
- One of the most common types of investors participating in seed funding is a so-called **"angel investor."**
  - Angel investors tend to appreciate riskier ventures (such as startups with little by way of a proven track record so far) and expect an equity stake in the company in exchange for their investment.

Department for Promotion of Industry and Internal Trade

- The department was earlier called Department of Industrial Policy & Promotion and was renamed as DPIIT in January, 2019.
- It comes under the **Ministry of Commerce and Industry.**
- In 2018, matters related to **e-commerce** were transferred to the Department and in 2019, the Department was given charge for matters related to Internal Trade, welfare of traders and their employees and Startups.
- The role of DPIIT is to promote/accelerate industrial development of the country by facilitating investment in new and upcoming technology, **foreign direct investment** and support balanced development of industries.
- **Major engagements of DPIIT:**
  - **Business Reform Action Plan (BRAP) ranking of states,**
  - **Industrial Corridors,**
  - **Invest India,**
  - **Make in India initiative, etc.**

National Mission on Edible Oil-Oil Palm

Why in News

Recently, the Prime Minister has announced a new national initiative on palm oil production to help increase farm incomes.

- The scheme, called National Edible Oil Mission-Oil Palm (NMEO-OP), **for self-reliance in edible oil** involves investment of over Rs. 11,000 crore (over **a five year period**).

Key Points

- **Aims:**
  - To **harness domestic edible oil prices** that are dictated by expensive palm oil imports.
  - To **raise the domestic production of palm oil** by three times to 11 lakh MT by 2025-26.
    - This will involve **raising the area under oil palm cultivation** to 10 lakh hectares by 2025-26 and 16.7 lakh hectares by 2029-30.

- **Features:**
  - The **special emphasis of the scheme will be in India's north-eastern states and the Andaman and Nicobar Islands** due to the conducive weather conditions in the regions.
  - Under the scheme, **oil palm farmers will be provided financial assistance** and will get remuneration under a price and viability formula.
- **Significance of the Scheme:**
  - **Reduction in Import dependance:**
    - It is expected to incentivise production of palm oil to reduce dependence on imports and help farmers cash in on the huge market.
    - India is the **largest consumer of vegetable oil in the world**. Of this, palm oil imports are almost 55% of its total vegetable oil imports.
  - **Rise in Yields:**
    - India **produces less than half of the roughly 2.4 crore tonnes of edible oil that it consumes annually.** It imports the rest, buying palm oil from Indonesia and Malaysia, soyoil from Brazil and Argentina, and sunflower oil, mainly from Russia and Ukraine.
    - In India, **94.1% of its palm oil is used in food products, e**specially for cooking purposes. This makes palm oil extremely **critical to India's edible oils economy.**

Palm Oil

- Palm oil is currently the **world's most consumed vegetable oil.**
- It is used extensively in the production of detergents, plastics, cosmetics, and biofuels.
- **Top consumers** of the commodity are India, China, and the **European Union (EU).**

Edible Oil Economy

- There are **two major features,** which have significantly contributed to the development of this sector. One was the **setting up of the Technology Mission on Oilseeds in 1986 w**hich was **converted into a National Mission on Oilseeds and Oil Palm (NMOOP) in 2014.**
  - Further it was **merged with NFSM (National Food Security Mission).**
- This gave a thrust to Government's efforts for augmenting the production of oilseeds. This is evident by the very impressive **increase in the production of oilseeds from about 11.3 million tons in 1986-87 to 33.22 million tons in 2019-20.**
- The **other dominant feature** which has had significant impact on the present status of edible oilseeds/oil industry has been the **program of liberalization under which the Government's economic policy allows greater freedom to the open market and encourages healthy competition and self regulation** rather than protection and control.
- The **Yellow Revolution** is one of the colour revolutions that was launched to increase the production of Edible oilseeds in the country to meet domestic demand.
- The government has also launched the **Kharif Strategy 2021 for oilseeds.**
  - It will bring an additional 6.37 lakh hectare area under oilseeds and is likely to produce 120.26 lakh quintals of oilseeds and edible oil amounting to 24.36 lakh quintals.
- **Oils Commonly Used in India:** Groundnut, mustard, rapeseed, sesame, safflower, linseed, niger seed, castor are the major traditionally cultivated oilseeds.
  - Soybean and sunflower have also assumed importance in recent years.
  - Coconut is most important amongst the plantation crops.

Insolvency and Bankruptcy Code (Amendment Bill), 2021

Why in News

Recently, the government introduced the **Insolvency and Bankruptcy Code (Amendment Bill), 2021** in the Lok Sabha.

- The Bill is set to replace the **Insolvency and Bankruptcy Code Amendment Ordinance 2021** promulgated in April 2021.
  - It introduced an **alternate insolvency resolution process** for **Micro, Small and Medium Enterprises (MSMEs)** with defaults **up to Rs 1 crore** called the **Pre-packaged Insolvency Resolution Process (PIRP).**
- In March 2021 a sub-committee of the **Insolvency Law Committee (ILC)** recommended a **pre-pack** framework within the basic structure of the **Insolvency and Bankruptcy Code (IBC), 2016.**

Insolvency and Bankruptcy Code

- It is a reform **enacted in 2016.** It **amalgamates various laws** relating to the insolvency resolution of business firms.
- It lays down **clear-cut and faster insolvency proceedings to help creditors**, such as banks, recover dues and prevent bad loans, a key drag on the economy.

Key Words

- **Insolvency:** It is a situation where **individuals or companies are unable to repay** their outstanding debt.
- **Bankruptcy:** It is a **situation whereby a court of competent jurisdiction has declared a person or other entity insolvent**, having passed appropriate orders to resolve it and protect the rights of the creditors. It is a legal declaration of one's inability to pay off debts.

Key Points

- **Major Provisions:**
  - Distressed Corporate Debtors (CDs) are permitted to initiate **a PIRP** with the **approval of two-thirds of their creditors** to resolve their outstanding debt under the new mechanism.
    - A CD is a corporate person **who owes debt to any other person.**
  - The PIRP also allows for **a Swiss challenge to the resolution plan** submitted by a CD in case operational creditors are not paid 100 % of their outstanding dues.
    - A **Swiss Challenge** is a method of bidding, often used in public projects, in which an interested party initiates a proposal for a contract or the bid for a project.
- **About PIRP:**
  - A pre-pack is the **resolution of the debt of a distressed company through an agreement between secured creditors and investors** instead of a public bidding process.
    - This system of insolvency proceedings has become an **increasingly popular mechanism** for insolvency resolution in the UK and Europe over the past decade.
  - Pre-packs are **largely aimed at providing MSMEs with an opportunity to restructure their liabilities and start with a clean slate** while still providing adequate protections so that the system is not misused by firms to avoid making payments to creditors.
  - Unlike in the case of **Corporate Insolvency Resolution Process (CIRP)**, **debtors remain in control of their distressed firm during the PIRP**.
  - Under the **pre-pack system**, financial creditors will **agree to terms with a potential investor** and seek approval of the resolution plan from the **National Company Law Tribunal (NCLT)**..
- **Need of Pre-Packs:**
  - CIRP is a **time taking resolution.** At the end of December 2020, over 86% of the 1717 ongoing insolvency resolution proceedings had crossed **the 270-day threshold.**
    - Under the IBC, **stakeholders are required to complete the CIRP within 330 days** of the initiation of insolvency proceedings.
    - One of the key reasons behind delays in the CIRPs are **prolonged litigations by erstwhile promoters and potential bidders.**
- **Key Features of Pre-Packs:**
  - **Insolvency Practitioner:**
    - Pre-Pack **usually requires services of an insolvency practitioner** to assist the stakeholders in the conduct of the process.
    - The extent of **authority** of the practitioner **varies across jurisdictions.**
  - **Consensual Process:**
    - It envisages **a consensual process** - prior understanding among or approval by stakeholders about the course of action to address stress of a CD, before invoking the formal part of the process.
  - **No requirement of Court Approval:**
    - It does **not always require approval of a court**. Wherever it requires approval, the courts **often get guided by commercial wisdom of the parties.**
    - Outcome of the pre-pack process, where approved by the court, is **binding on all stakeholders.**
- **Benefits of pre-packs:**
  - **Quick resolution:**
    - It is limited to **a maximum of 120 days** with only 90 days available to the stakeholders to bring the resolution plan to the NCLT.

- Besides offering a way for MSMEs to restructure their debts, the pre-pack scheme could also **reduce the burden on benches of the NCLT** by offering a faster resolution mechanism than ordinary CIRPs.
  - **Minimises Disruptions to the Business:**
    - Existing **management retains control** in the case of pre-packs rather than resolution professionals in CIRP, hence **avoids the cost of disruption of business** and continues to retain employees, suppliers, customers, and investors.
  - **Addresses the entire liability side:**
    - PIRP will **help CD to enter into consensual restructuring** with lenders and **address the entire liability** side of the company.
- **Challenges of PIRP:**
  - **Raising additional capital:**
    - Initially **CDs may not raise additional capital or debt from Investors or Banks**, because of the risk involved in recovering the money being provided by these Investors and lenders.
  - **Small timeline:**
    - Resolution Plan under PIRP is 90 days with an additional 30 days to AA (Adjudicating Authority) for support of the scheme. It is **challenging for CoC (Committee of Creditors) members to decide on the Base resolution Plan within this short period** without any broad parameters on which the Resolution Plan be approved.

Revamped Distribution Sector Scheme

Why in News

Recently, the **Cabinet Committee on Economic Affairs** has approved a **Reforms-based and Results-linked, Revamped Distribution Sector Scheme** worth Rs. 3.03 trillion wherein the Centre's share will be Rs. 97,631 crore.

- It aims to improve the **operational efficiencies** and **financial sustainability of discoms (excluding Private Sector DISCOMs).**

Key Points

- **About:**
  - It will provide **conditional financial assistance** to strengthen the **supply infrastructure of discoms (power distribution companies).**
    - The **financial assistance** will be based on **meeting pre-qualifying criteria** and upon achievement of **basic minimum benchmarks.**
  - All the **existing power sector reforms schemes** such as **Integrated Power Development Scheme**, **Deen Dayal Upadhyaya Gram Jyoti Yojana**, and **Pradhan Mantri Sahaj Bijli Har Ghar Yojana** will be **merged** into this umbrella program.
  - The scheme will be **available till 2025-26.**
- **Implementation:**
  - It would be based on the **action plan worked out for each state** rather than a **'one-size-fits-all' approach.**
- **Nodal Agencies:**
  - Rural Electrification Corporation and Power Finance Corporation.
- **Components:**
  - **Consumer Meters and System Meters:**
    - The scheme involves a **compulsory smart metering ecosystem** across the distribution sector—starting from electricity feeders to the consumer level, including in about 250 million households.
    - It is proposed to install approximately **10 crore prepaid Smart Meters** by December, **2023 in the first phase.**
  - **Feeder Segregation:**
    - Scheme also focuses on funding for **feeder segregation for unsegregated feeders**, which would enable solarization under the **PM-KUSUM Scheme.**
    - Solarization of feeders will lead to cheap/ free day time power for irrigation and additional income for the farmers.
  - **Modernization of Distribution system in Urban Areas:**
    - **Supervisory Control and Data Acquisition (SCADA)** in all urban areas.
  - **Rural and Urban area System strengthening.**
- **Special Category States:**
  - North-Eastern State of Sikkim and States/Union Territories of Jammu & Kashmir, Ladakh, Himachal Pradesh, Uttarakhand, Andaman & Nicobar Islands, and Lakshadweep will be treated as Special Category States.

- **Objectives:**
  - Reduction of **AT&C losses (operational losses due to inefficient power system)** to pan-India levels of 12-15% by 2024-25.
  - Reduction of **cost-revenue gap** to zero by 2024-25.
  - Developing Institutional Capabilities for Modern DISCOMs.

Economic Situation

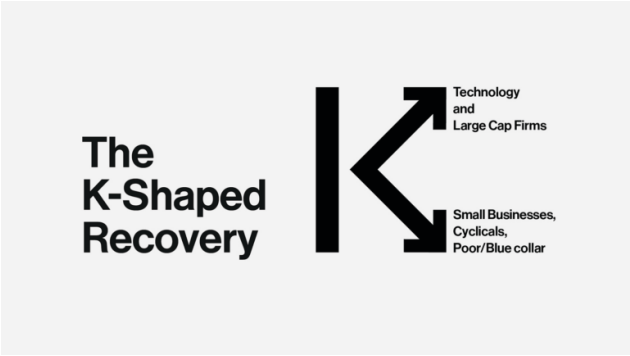
K-Shaped Economic Recovery

Why in News

According to the latest round of ICE360 Survey 2021, K-shaped recovery emerges from the economy hit by the coronavirus pandemic.

Key Points

- **Economic Recovery:**
  - It is the business cycle stage following a **recession** that is characterized by a sustained period of improving business activity.
  - Normally, during an economic recovery, GDP grows, incomes rise, and unemployment falls and as the economy rebounds.
- **Types:**
  - Economic recovery can take many forms, which is depicted using alphabetic notations. For example, a **Z-shaped recovery, V-shaped recovery, U-shaped recovery, elongated U-shaped recovery, W-shaped recovery, L-shaped recovery** and K-shaped recovery.
- **K-Shaped Recovery:**
  - A K-shaped recovery occurs when, following a recession, **different parts of the economy recover at different rates, times, or magnitudes.** This is in contrast to an even, uniform recovery across sectors, industries, or groups of people.
  - A K-shaped recovery **leads to changes in the structure of the economy** or the broader society as economic outcomes and relations are fundamentally changed before and after the recession.
  - This type of recovery is called **K-shaped** because the path of different parts of the economy when charted together may diverge, resembling the two arms of the Roman letter "K".



Quarterly Employment Survey

Why in News

The **Labour Bureau, Ministry of Labour and Employment** released the results of the **Quarterly Employment Survey (QES)** for the **Second Quarter of 2021 (July-September).**

- Total employment generated by nine select sectors stood at 3.10 crore in the July-September 2021 quarter, which is 2 lakh more than that of the April-June period.

Key Points

- **About QES:**
  - **About:** QES is **part of the All-India Quarterly Establishment-based Employment Survey (AQEES).**
    - It **covers establishments employing 10 or more workers in the organised segment in 9 sectors.**
    - These **nine sectors** are Manufacturing, Construction, Trade, Transport, Education, Health, Accommodation and Restaurant, IT/ BPO and Financial Services.
    - These sectors account for a majority of the total employment in non-farm establishments.
  - **Objective:** To enable the government to frame a "sound national policy on employment."
  - **International Commitment:** The release of this survey emanates from India's ratification of the **International Labour Organization's (ILO) Employment Policy Convention,** 1964.
    - This requires the ratifying countries to implement "an active policy designed to promote full, productive and freely chosen employment."
    - India does not have a **National Employment Policy (NEP)** yet.

Note:

- **QES vs PLFS:** While the QES provides a demand-side picture, the **National Sample Survey** or **Periodic Labour Force Survey (PLFS)** gives the supply side picture of the labour market.
  - Also, PLFS is conducted by the National Statistical Organization (NSO), MoSPI (Ministry of Statistics and Programme Implementation).

- **All-India Quarterly Establishment-based Employment Survey (AQEES):**
  - The AQEES has been taken up by the Labour Bureau t**o provide frequent (quarterly) updates about the employment and related variables of establishments, in both organised and unorganised segments** of nine selected sectors.
  - There are two components under AQEES:
    - Quarterly Employment Survey (QES) and
    - Area Frame Establishment Survey (AFES).
  - QES would provide the employment estimates for the establishments employing 10 or more workers.
  - AFES covers the unorganised segment (with less than 10 workers) through a sample survey.

Anti-Dumping Duty

Why in News

As per Directorate General of Trade Remedies' (DGTR) recommendations, India has imposed **Anti-Dumping Duties on five Chinese products,** including certain aluminium goods and some chemicals, for five years.

Directorate General of Trade Remedies

- It is the **apex national authority under the Ministry of Commerce and Industry for administering all trade remedial measures** including anti-dumping, countervailing duties and safeguard measures.
- It provides **trade defence support to the domestic industry** and exporters in dealing with increasing instances of trade remedy investigations instituted against them by other countries.

Key Points

- **Dumping:**
  - Dumping is said to occur when the **goods are exported by a country to another country at a price lower than the price it normally charges** in its own home market.
  - This is **an unfair trade practice which can have a distortive effect** on international trade.
- **Objective of Anti-Dumping Duty (ADD):**
  - Imposition of Anti-dumping duty is **a measure to rectify the situation arising out of the dumping** of goods and its trade distortive effect.
    - In the long-term, anti-dumping duties **can reduce the international competition of domestic companies** producing similar goods.
  - It is **a protectionist tariff that a domestic government imposes** on foreign imports that it believes are priced below fair market value.
  - The use of anti-dumping measures as an instrument of fair competition is **permitted by the World Trade Organisation.**
- **Different from Countervailing Duties:**
  - ADD is a customs duty on imports providing a protection against the dumping of goods at prices substantially lower than the normal value whereas **Countervailing duty is a customs duty on goods that have received government subsidies** in the originating or exporting country.
- **WTO's Provisions Related to Anti-Dumping Duty:**
  - **Validity:** An anti-dumping duty is valid for **a period of five years** from the date of imposition unless revoked earlier.
  - **Sunset Review:** It can be extended for **a further period of five years through a sunset or expiry review investigation.**
    - A Sunset review/ expiry review is **an evaluation of the need for the continued existence of a program** or an agency. It allows for an assessment of the effectiveness and performance of the program or agency.
    - Such a review can be initiated **suo moto or on the basis of a duly substantiated request** received from or on behalf of the domestic industry.

All India Survey on Domestic Workers

Why in News

Recently, the Union Minister for Labour and

Employ-ment flagged off the **first ever All India Survey on Domestic Workers (DW).**

- This was a **first-ever such survey** in independent India and will be completed in a year.

Key Points

- **About:**
  - The **main objectives of the survey** are:
    - Estimate the number/proportion of DWs at National and State level.
    - Household Estimates of Live-in/ Live-out DWs.
    - Average number of DWs engaged by different types of households.
  - Parameters the survey **aims to** capture the number and proportion of household workers by major states, with separate rural and urban break-ups, their percentage distribution, households that employ them and socio-demographic characteristics.
  - The survey **would cover 37 States and Union Territories**, covering 1.5 lakh households in 742 districts.
  - The survey for domestic workers is **among five national jobs surveys** that will be conducted periodically and provide crucial data for an upcoming national employment policy.
    - The other four surveys are the All-India Survey of Migrant Workers, All-India Survey of Employment Generated by Professionals and All-India Survey of Employment Generated in the Transport Sector, **All-India Quarterly Establishment-based Employment Survey (AQEES).**
- **Domestic Worker:**
  - **About:**
    - Any person engaged by a household shall be classified as a domestic worker **if the frequency of visits by the worker to the household is at least four days during the last 30 days** and the goods and/or services produced by the worker are consumed by the members of the household against payment either through cash or kind.
  - **Status of Domestic Workers:**
    - According to the latest data on the **e-Shram portal**, around **8.8% of the registered 8.56 crore informal sector workers** fall in the category of domestic workers.
      - India has around **38 crore workers in the informal sector.**
    - At the current rate of registration in the e-shram portal, there would be **3-3.5 crore domestic workers in the country.**
    - Domestic workers are the **third-largest category of workers** after agriculture and construction.
    - India is a signatory of the **International Labour Organisation** Convention C-189 (Domestic Workers Convention, 2011).

India Becomes the Highest Recipient of Remittances

Why in News

According to the **World Bank's Migration and Development Brief**, India has become the world's largest recipient of **Remittances**, receiving USD 87 billion (a gain of 4.6% from previous year) in 2021.

- India is followed by **China, Mexico, the Philippines, and Egypt**.
- **The United States being the biggest source**, accounting for over 20% of all Remittances.

Key Points

- **World Bank's Migration and Development Brief:**
  - This is prepared by the Migration and Remittances Unit, Development Economics (DEC)- the premier research and data arm of the World Bank. .
  - The brief aims to provide an update on key developments in the area of **migration** and remittance flows and related policies over the past six months.
  - The brief is produced **twice a year.**
- **Remittances:**
  - Remittances are usually understood as financial or in-kind transfers made by migrants to friends and relatives back in communities of origin.
  - These are basically sum of **two main components** - Personal Transfers in cash or in kind between resident and non-resident households and Compensation of Employees, which refers to the income of workers who work in another country for a limited period of time.
  - Remittances help in stimulating economic development in recipient countries, but this can also make such countries over-reliant on them.

Rising Current Account Deficit

Why in News

According to **a recent report by British brokerage Barclays, India's trade deficit has been jumping continuously since July 2021.** The **widening Current Account Deficit (CAD)** is driven by the **massive spike in commodity prices led by crude oil.**

- The CAD is **expected to reach $45 billion or 1.4% of GDP by March 2022.** This will put **pressure on the fragile economic recovery.**

Key Points

- **Definition:** A current account deficit occurs **when the total value of goods and services a country imports exceeds the total value of goods and services it exports.**
  - The **balance of exports and imports of goods** is referred to as the **trade balance.** Trade Balance is a **part of 'Current Account Balance'.**
- **Factor involved in India's Current Account Deficit:**
  - **High Oil Imports:** In India, close to 85% of the oil demand is met through imports.
    - Due to this it is estimated that every $10 per barrel rise in global crude prices will widen the trade deficit by $12 billion or 35 bps of **Gross Domestic Product (GDP).**
  - **High Gold Imports:** Another force driving down the foreign exchange is gold imports.
    - Recovering domestic demand and the ongoing festive season are boosting Gold imports.
    - The **World Gold Council** expects gold demand this year to surpass the 2020 levels and it expects the demand for gold to remain high given the rising wealth effects and incomes.
  - **Services, the Positive side:** The report held that the monthly services surplus has improved from an average of $6.6 billion in 2019 to $7 billion in 2020, and to $8 billion in the first nine months of 2021.
- **Overall Impact:** The report ruled out an alarming situation and said that **with record high foreign reserves, there are no major risks to macro stability or balance of payments conditions.**
  - However, the widening deficit trend may continue for some time as a combination of demand recovery and rising commodity prices will continue to widen the trade deficit sharply.

Balance of Payments

- **Definition:**
  - Balance of Payments (BoP) of a country can be defined as **a systematic statement of all economic transactions of a country with the rest of the world** during a specific period usually one year.
- **Purposes of Calculation of BoP:**
  - Reveals the financial and economic status of a country.
  - Can be used as an indicator to determine whether the country's currency value is **appreciating or depreciating.**
  - Helps the Government to decide on fiscal and trade policies.
  - Provides important information to analyze and understand the economic dealings of a country with other countries.
- **Components of BoP:**
  - For preparing BoP accounts, economic transactions between a country and the rest of the world are **grouped under - Current account, Capital account and Errors and Omissions.** It **also shows changes in Foreign Exchange Reserves.**
  - **Current Account:** It shows export and import of visibles (also called merchandise or goods - represent trade balance) and invisibles (also called non-merchandise).
    - Invisibles include services, transfers and income.
  - **Capital Account:** It shows a capital expenditure and income for a country.
    - It gives a summary of the net flow of both private and public investment into an economy.
    - **External Commercial Borrowing (ECB), Foreign Direct Investment, Foreign Portfolio Investment,** etc form a part of capital account.
  - **Errors and Omissions:** Sometimes the balance of payments does not balance. This imbalance is shown in the BoP as errors and omissions. It reflects the country's inability to record all international transactions accurately.
  - **Changes in Foreign Exchange Reserves:** Movements in the reserves comprises **changes in the foreign currency assets held by the Reserve Bank of India (RBI) and also in Special Drawing Rights (SDR) balances.**

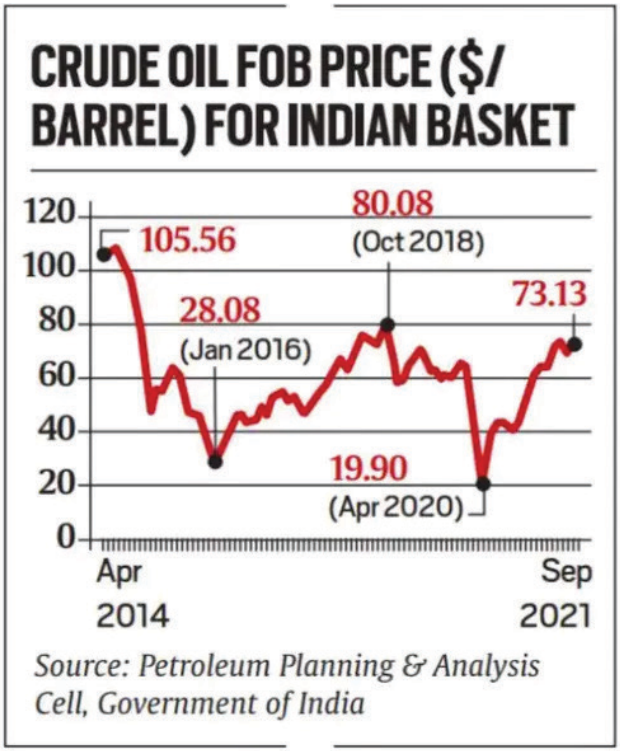
- Overall the BoP account can be a surplus or a deficit. If there is a deficit then **it can be bridged by taking money from the Foreign Exchange (Forex) Account.**
  - If the reserves in the forex account are falling short then this scenario is referred to as **BoP crisis.**

High Crude Oil Prices

Why in News

As the global recovery gains strength, the **price of crude oil is nearing its highest level since 2018**.

- The **prices of natural gas and coal are also hitting record highs** amid an **intensifying energy shortage.**



Key Points

- **Oil Pricing:**
  - Generally, the **Organization of the Petroleum Exporting Countries (OPEC)** used to **work as a cartel** and fix prices in a favourable band.
    - **OPEC is led by Saudi Arabia**, which is the **largest exporter of crude oil in the world** (single-handedly exporting 10% of the global demand).
    - OPEC has a **total of 13 Member Countries** viz. Iran, Iraq, Kuwait, United Arab Emirates (UAE), Saudi Arabia, Algeria, Libya, Nigeria, Gabon, Equatorial Guinea, Republic of Congo, Angola, and Venezuela.
  - OPEC **could bring down prices by increasing oil production** and raise prices by cutting production.
  - The global oil pricing mainly **depends upon the partnership between the global oil exporters** instead of a well-functioning competition.
  - Cutting oil production or completely shutting down an oil well is a difficult decision, because restarting it is immensely costly and complicated.
    - Moreover, if a country cuts production, it risks losing market share if other countries do not follow the suit.
  - Recently, OPEC has been working with Russia, as **OPEC+** to fix the global prices and supply.
    - In 2016, **OPEC allied with other top non-OPEC oil-exporting nations** to form an even more powerful entity named OPEC+ or OPEC Plus.
- **Reasons for High Prices:**
  - **Slow Production:**
    - Key oil producing **countries have kept crude oil supplies on a gradually increasing production** schedule despite a **sharp increase in global crude oil prices**.
      - OPEC+ had agreed to sharp cuts in supply in 2020 in response to **Covid-19** global travel restrictions in 2020 but the organisation has been slow to boost production as demand has recovered.
  - **Supply Side Issues:**
    - Supply side issues in the US including **disruptions caused by hurricane Ida** and **lower than expected natural gas supplies from Russia** amid increasing demand in Europe have raised the prospect of natural gas shortages in the winter.
- **Impact on India:**
  - **Current Account Deficit:**
    - The increase in oil prices will increase the country's import bill, and further disturb its current account deficit (excess of imports of goods and services over exports).
  - **Inflation**:
    - The increase in crude prices could also further increase **inflationary pressures** that have been building up over the past few months.

- **Fiscal Health:**
  - If oil prices continue to increase, **the government shall be forced to cut taxes on petroleum and diesel** which may cause loss of revenue and deteriorate its **fiscal balance.**
    - The growth slowdown in the last two years has already resulted in a precarious fiscal situation because of tax revenue shortfalls.
    - The revenue lost will **erode the government's ability 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.
- **Economic Recovery:**
  - Although the rising prices have impacted the world, **India is particularly at a disadvantage** as any increase in global prices can affect its import bill, stoke inflation and increase its trade deficit, which in turn will **slow its economic recovery.**
    - India and other oil importing nations have called on OPEC+ to **boost oil supply faster,** arguing that elevated crude oil prices could undermine the recovery of the global economy.
- **Natural Gas Price:**
  - The increase in gas prices has put upward pressure on the price of both **Compressed Natural Gas (CNG)** used as a transport fuel and **Piped Natural Gas (PNG)** used as a cooking fuel.

Difference between Brent and WTI

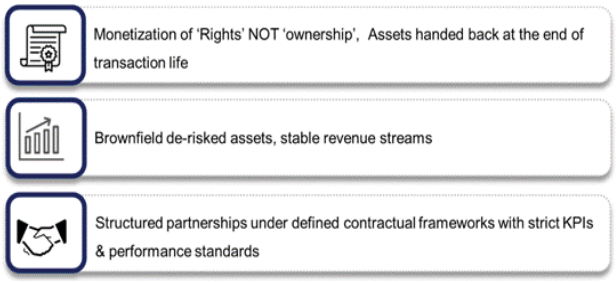
- **Origin:**
  - Brent crude oil **originates from oil fields in the North Sea** between the Shetland Islands and Norway.
  - West Texas Intermediate (WTI) is sourced from **US oil fields,** primarily in Texas, Louisiana, and North Dakota.
- **Light and Sweet:**
  - Both oils are relatively light, but **Brent has a slightly higher API gravity,** making WTI the lighter of the two.
    - American Petroleum Institute (API) gravity is an indicator of the density of crude oil or refined products.
  - **WTI with a lower sulphur content** (0.24%) than Brent (0.37%), is **considered "sweeter".**
- **Benchmark Prices:**
  - **Brent crude price is the international benchmark price used by OPEC** while **WTI crude price is a benchmark for US oil prices.**
    - Since India imports primarily from OPEC countries, **Brent is the benchmark for oil prices in India.**
- **Cost of Shipping:**
  - **Cost of shipping for Brent crude is typically lower,** since it is produced near the sea and it can be put on ships immediately.
  - Shipping of **WTI is priced higher since it is produced in landlocked areas** like Cushing, Oklahoma where the storage facilities are limited.

National Monetisation Pipeline

Why in News

Recently, the government of India has launched the **National Monetisation Pipeline (NMP)**. The NMP **estimates aggregate monetisation potential of Rs 6 lakh crores through core assets of the Central Government, over a four-year period**, from FY 2022 to FY 2025.

- The plan is in line with **Prime Minister's strategic divestment policy**, under which the government will retain presence in only a few identified areas with the rest tapping the private sector.



Key Points

- **About the NMP:**
  - It **aims to unlock value in brownfield projects by engaging the private sector, transferring to them revenue rights and not ownership in the projects,** and **using the funds generated for infrastructure creation across the country.**

- The NMP has been announced to provide a **clear framework for monetisation** and give potential investors a ready list of assets to generate investment interest.
- **Union Budget 2021-22** has identified monetisation of operating public infrastructure assets as a key means for sustainable infrastructure financing.
- Currently, **only assets of central government line ministries and Central Public Sector Enterprises (CPSEs) in infrastructure sectors** have been included.
- The government has stressed that these are brownfield assets, which **have been "de-risked" from execution risks,** and therefore should encourage private investment.
- **Roads, railways and power sector assets will comprise over 66% of the total estimated value of the assets to be monetised,** with the remaining upcoming sectors including telecom, mining, aviation, ports, natural gas and petroleum product pipelines, warehouses and stadiums.
  - In terms of annual phasing by value, 15% of assets with an indicative value of Rs 0.88 lakh crore are envisaged for rollout in the current financial year.
- The NMP **will run co-terminus with the Rs 100 lakh crore National Infrastructure Pipeline (NIP)** announced in December 2019. Now, Gati Shakti has subsumed NIP.
  - The estimated amount to be raised through monetisation is around 14% of the proposed outlay for the Centre of Rs 43 lakh crore under NIP.
  - NIP will enable a forward outlook on infrastructure projects which will create jobs, improve ease of living, and provide equitable access to infrastructure for all, thereby making growth more inclusive. NIP **includes economic and social infrastructure projects.**
  - Other Initiatives for Infrastructure Development include **Scheme of Financial Assistance to States for Capital Expenditure**, **Industrial corridors**, etc.

➢ **Associated Challenges:**
- **Lack of identifiable revenue streams** in various assets.
- The **slow pace of privatisation in government companies** including Air India and BPCL.
  - Further, less-than-encouraging bids in the recently launched PPP initiative in trains indicate that attracting private investors' interest is not that easy.

Monetisation

➢ In a monetisation transaction, the government is basically **transferring revenue rights to private parties for a specified transaction period** in return for upfront money, a revenue share, and commitment of investments in the assets.

➢ **Real Estate Investment Trusts (Reits)** and **Infrastructure Investment Trusts (Invits),** for instance, are the key structures used to monetise assets in the roads and power sectors.
- These are also listed on stock exchanges, providing investors liquidity through secondary markets as well.

➢ While these are a structured financing vehicle, other monetisation models on **PPP (Public Private Partnership)** basis include:
- Operate Maintain Transfer (OMT),
- Toll Operate Transfer (TOT), and
- Operations, Maintenance & Development (OMD).

Greenfield vs Brownfield Investment

➢ **Greenfield Project:**
- It refers to investment in a manufacturing, office, or other physical company-related structure or group of structures in an area where no previous facilities exist.

➢ **Brownfield investment:**
- The projects which are modified or upgraded are called brownfield projects.
- The term is used for purchasing or leasing existing production facilities to launch a new production activity.

- **Asset-specific Challenges:**
  - Low Level of capacity utilisation in gas and petroleum pipeline networks.
  - Regulated tariffs in power sector assets.
  - Low interest among investors in national highways below four lanes.
  - Konkan Railway, for instance, has multiple stakeholders, including state governments, which own stake in the entity.

Doing Away With Retrospective Taxation

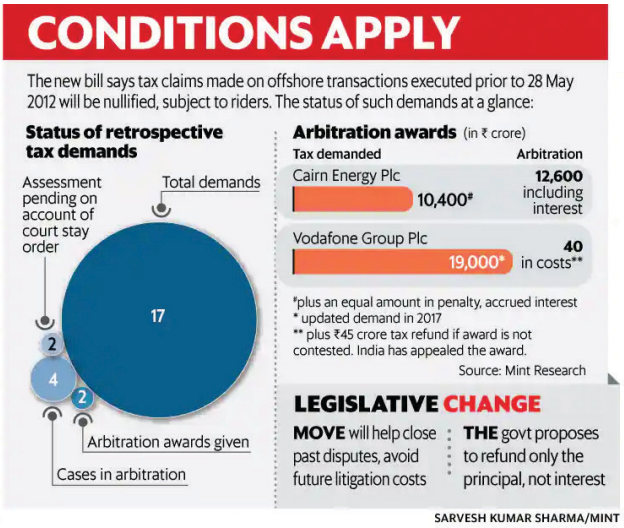
Why in News

Recently, the Government of India has introduced **The Taxation Laws (Amendment) Bill, 2021** in the Lok Sabha.

- The bill **seeks to withdraw tax demands made using a 2012 retrospective legislation** to tax the indirect transfer of Indian assets.

Key Points

- **Background:**
  - The retrospective tax law **was passed in 2012 following a Supreme Court verdict in favour of US-based Vodafone.**
    - The **Dutch arm of Vodafone Group bought a Cayman Islands-based company in 2007, which indirectly held a majority stake in Indian firm Hutchison Essar Ltd**—later renamed Vodafone India—for $11 billion.
  - It was **introduced after an amendment to the Finance Act** enabled the tax department to **impose retrospective capital gains tax** for deals — **involving the transfer of shares in foreign entities located in India — after 1962.**
  - While the amendment was aimed at penalising Vodafone, many other companies got caught in the crossfire and have created a host of problems for India over the years.
    - It remains one of the **most contentious amendments to the income tax law.**
  - Last year, India **lost a case in international arbitral tribunal** at The Hague against taxing **Cairn Energy Plc and Cairn UK holdings Ltd** on alleged capital gains the company made when in 2006 it reorganised its business in the country before listing the local unit.
- **Proposed Changes in Bill:**
  - Amendments to the Income-tax Act and Finance Act, 2012 to effectively state that **no tax demand shall be raised for any indirect transfer of Indian assets if the transaction was undertaken before 28th May 2012.**
  - **Tax raised** for the indirect transfer of Indian assets before May 2012 would be **"nullified on fulfillment of specified conditions"** such as the withdrawal of pending litigation and an undertaking that no damages claims would be filed.
  - It also **proposes to refund the amount paid by companies facing trail** in these cases without interest thereon.



- **Significance of the Bill:**
  - The bill marks a step in the direction of addressing the long-pending demand of foreign investors seeking the removal of retrospective tax for the sake of **better tax clarity.**
  - This would help in establishing an **investment-friendly business environment,** which can increase economic activity and help raise more revenue over time for the government.
  - This could help restore India's reputation and **improve ease of doing business.**

Retrospective Taxation

- It allows a country to pass a rule on taxing certain products, items or services and deals and charge companies from a time behind the date on which the law is passed.
- Countries use this route to correct any anomalies in their taxation policies that have, in the past, allowed companies to take advantage of such loopholes.
- Retrospective Taxation hurts companies that had knowingly or unknowingly interpreted the tax rules differently.
- Apart from India, many countries including the USA, the UK, the Netherlands, Canada, Belgium, Australia and Italy have retrospectively taxed companies.

Capital Gain

- This gain or profit comes **under the category of 'income'.**
- Hence, the capital gain tax will be required to be paid for that amount in the year in which the transfer of the capital asset takes place. This is called the capital gains tax, which can be both short-term or long-term.
  - **Long-term Capital Gains Tax:** It is a levy on the profits from the sale of assets held for more than a year. The rates are 0%, 15%, or 20%, depending on the tax bracket.
  - **Short-term Capital Gains Tax:** It applies to assets held for a year or less and is taxed as ordinary income.
- Capital gains can be reduced by deducting the capital losses that occur when a taxable asset is sold for less than the original purchase price. The total of capital gains minus any capital losses is known as the "net capital gains".
- **Capital assets** are significant pieces of property such as homes, cars, investment properties, stocks, bonds, and even collectibles or art.

e-Shram Portal

Why in News

Recently, the **Ministry of Labour and Employment launched the e-Shram portal.**

Key Points

- **About e-Shram Portal:**
  - **Aim:** To **register 38 crore unorganised workers** such as construction labourers, migrant workforce, street vendors, and domestic workers, among others.
    - The workers will be issued **an e-Shram card** containing a **12 digit unique number.**
    - If a worker is registered on the eSHRAM portal and meets with an accident, he will be **eligible for Rs 2.0 Lakh on death or permanent disability and Rs 1.0 lakh on partial disability.**
  - **Background:** The formation of e-Shram portal came after the Supreme Court **directed the Government to complete the registration process of unorganized workers** so that they can avail the welfare benefits given under various government schemes.
  - **Implementation: Government in States/UTs** will conduct registration of unorganised workers across the country.
- **Status of Unorganised Sector in India:**
  - The Ministry of Labour and Employment has **categorized the unorganized labour force under four groups:**
    - **Occupation:**
      - Small and marginal farmers, landless agricultural labourers, sharecroppers, fishermen, those engaged in animal husbandry, beedi making, etc.
    - **Nature of Employment:**
      - Attached agricultural labourers, bonded labourers, migrant workers, contract and casual labourers come under this category.
    - **Specially Distressed Category:**
      - Toddy tappers, scavengers, carriers of head loads, drivers of animal driven vehicles, loaders and unloaders.
    - **Service Category:**
      - Midwives, Domestic workers, Fishermen and women, Barbers, Vegetable and fruit vendors, News paper vendors etc.
  - According to the **Periodic Labour Force Survey** (PLFS 2018-19), 90% of workers were in the informal sector, which is 419 million of the 465 million workers.
  - Informal workers in rural and urban areas **have been hit the most due to the pandemic**, because of the seasonality of their employment and lack of formal employee-employer relationship.
- **Initiatives Already Taken to Support Unorganised Sector:**
  - **Pradhan Mantri Shram Yogi Maan-dhan (PM-SYM)**
  - **Labour Code**
  - **Pradhan Mantri Rojgar Protsahan Yojana (PMRPY)**
  - **PM SVANidhi: Micro Credit Scheme for Street Vendors**
  - **Atmanirbhar Bharat Abhiyan**
  - **Deendayal Antyodaya Yojana National Urban Livelihoods Mission**
  - **PM Garib Kalyan Ann Yojana (PMGKAY)**
  - **One Nation One Ration Card**
  - **Atmanirbhar Bharat Rozgar Yojana**

- Pradhan Mantri Kisan Samman Nidhi
- World Bank Support to India's Informal Working Class

Annual Public Enterprises Survey

Why in News

Recently, the **60th Public Enterprises (PE) Survey 2019-20** was released by the **Department of Public Enterprises (DPE),** Ministry of Finance.

- It is the **single largest source of information on Central Public Sector Enterprises (CPSEs)** and acts as a basis for informed policy making.
- The government has **reallocated the Department of Public Enterprises** (DPE) to the **finance ministry from the ministry of heavy industries.**

Key Points

- **About Public Enterprises (PE) Survey:**
  - PE Survey is a **100% enumeration of the CPSE universe**. It captures essential statistical data for all CPSEs on various financial and physical parameters.
  - PE Survey divides CPSEs into **five sectors** namely:
    - Agriculture,
    - Mining & Exploration,
    - Manufacturing, Processing & Generation,
    - Services,
    - Enterprises Under Construction.
  - The Department of Public Enterprises (DPE) started bringing out the Public Enterprises Survey from the financial year **1960-61 on the recommendations of** the **Estimates Committee** of the **2nd Lok Sabha, 73rd report (1959-60).**
- **About DPE And CPSEs:**
  - DPE is the **nodal department** for all the Central Public Sector Enterprises (CPSEs) and formulates policy pertaining to CPSEs.
  - According to DPE, **CPSEs mean those Government companies, besides Statutory Corporations, wherein more than 50% of the share in equity is held by the Central Government.**
    - The subsidiaries of these companies, if registered in India, are also categorized as CPSEs.
    - It does not cover departmentally run public enterprises, banking institutions and insurance companies.
  - CPSEs are classified into 3 categories namely **Maharatna, Navratna and Miniratna.**
    - Presently, there are **10 Maharatna, 14 Navratna and 74 Miniratna CPSEs.**

Classification of CPSEs

Category	Launch	Criteria	Examples
Maharatna	**Maharatna Scheme** was introduced for CPSEs in May, 2010, in order to **empower mega CPSEs to expand their operations and emerge as global giants.**	Having **Navratna status.** Listed on Indian stock exchange with minimum prescribed public shareholding under **Securities and Exchange Board of India (SEBI)** regulations. An **average annual turnover of more than Rs. 25,000 crore** during the last 3 years. An average annual **net worth of more than Rs. 15,000 crore** during the last 3 years. An average **annual net profit after tax of more than Rs. 5,000 crore** during the last 3 years. Should have **significant global presence/international operations.**	Bharat Heavy Electricals Limited, Bharat Petroleum Corporation Limited, Coal India Limited, GAIL (India) Limited, etc.
Navratna	**Navratna Scheme** was introduced in **1997** in order to identify CPSEs that enjoy comparative advantages in their respective sectors and **to support them in their drive to become global players.**	The **Miniratna Category – I and Schedule 'A' CPSEs, which have obtained 'excellent' or 'very good' rating** under the Memorandum of Understanding system in three of the last five years, and have composite score of 60 or above in the **six selected performance parameters,** namely, Net profit to net worth. Manpower cost to total cost of production/services. Profit before depreciation, interest and taxes to capital employed. Profit before interest and taxes to turnover. Earning per share. Inter-sectoral performance.	Bharat Electronics Limited, Hindustan Aeronautics Limited, etc.
Miniratna	**Miniratna scheme** was introduced in **1997** in pursuance of the policy objective **to make the public sector more efficient and competitive** and to grant enhanced autonomy and delegation of powers to the profit-making public sector enterprises.	**Miniratna Category-I:** The CPSEs which have **made profit in the last three years continuously,** pre-tax profit is Rs.30 crores or more in at least one of the three years and have a positive net worth are eligible to be considered for grant of Miniratna-I status. **Miniratna Category-II:** The CPSEs which have **made profit for the last three years continuously and have a positive net worth** are eligible to be considered for grant of Miniratna-II status. Miniratna CPSEs **should have not defaulted in the repayment of loans/interest payment on any loans** due to the Government. Miniratna CPSEs **shall not depend upon budgetary support or Government guarantees.**	**Category-I:** Airports Authority of India, Antrix Corporation Limited, etc. **Category-II:** Artificial Limbs Manufacturing Corporation of India, Bharat Pumps & Compressors Limited, etc.

PSUs Exempted from Minimum Public Shareholding

Why in News

The Ministry of Finance **has amended the Securities Contracts (Regulation) Rules, 1957** to exempt listed public sector companies from the minimum public shareholding norm.

Key Points

- **The Amendment:**
  - **About:**
    - The **government can now exempt any listed public sector enterprise from the Minimum Public Shareholding (MPS) norm**, which mandates at least 25% public float for all listed entities.
  - **Rationale to the New Amendment:**
    - The framework for the MPS has been revised **to make it easier for large companies to launch IPOs** (Initial Public Offers).

- The move comes as the **government prepares for the IPO of Life Insurance Corp (LIC) of India,** likely to be the biggest listing ever.

- **Concerns:**
  - **Can Affect Liquidity in PSU Stocks:**
    - Investors, especially foreign ones, are wary of investing in such stocks due to absence of liquidity – because of high promoter holding.
  - **Can Impact Foreign Investment:**
    - Maintenance of minimum public float by listed companies helps attract higher foreign capital and increases India's weight in international indices like MSCI (Morgan Stanley Capital International) and FTSE (Financial Times Stock Exchange).
    - Government firms not adhering to these norms could be a drag on inflow of foreign capital.
  - **Can Impact Strategic Disinvestment Program:**
    - This can be detrimental at a time the government is planning **Strategic Sales** in various PSUs including BPCL, Shipping Corporation, and Air India.
    - Low free float is one of the reasons why PSU stocks command low valuation in the market.
  - **Non-Uniform Governance Standards:**
    - Various government expert committees have in their reports argued all listed entities, government or private, should be treated at par on governance standards.

- **Minimum Public Shareholding (MPS):**
  - **About:**
    - The MPS (also called free float) rule **requires all listed companies in India to ensure that at least 25% of their equity shares are held by non-promoters, i.e. public.**
    - Public shareholders **could be individual or financial institutions** and they normally **buy shares through public offer or secondary markets**.
    - In order **to bring more transparency** in the working of listed companies, the concept of minimum public shareholding was introduced.
      - In **2010**, **SEBI amended the Securities Contracts Regulation Rules** to insist on this 25% public float for private sector companies.
    - The **average promoter holding in India is among the highest globally.**
      - In the 2019-20 Budget, the government had proposed to increase the minimum public float from 25% to 35%.
  - **Compliance Status:**
    - While the timeline for achieving 25% MPS for listed companies was 2013, the timeline for public sector companies i.e. PSUs and public sector banks (PSBs), were extended multiple times closer to the deadline due to lack of efforts from such companies towards compliance.
      - The previous such extension granted them time till 2nd August, 2021 for compliance.
    - With the latest amendment, the Central government has empowered itself to exempt selected public sector companies from the 25% MPS norm.
  - **Significance:**
    - Adequate free float in a listed company is **essential for providing sufficient liquidity in trading stocks** thereby facilitating efficient price discovery and maintaining market integrity.
    - Public float ensures that there is **lesser price manipulation in the stock.**
    - Forcing promoters to relax their grip on listed companies **can improve corporate governance** by giving public shareholders and institutions greater say in corporate actions.
      - There are very few investment opportunities in the stock market and so forcing promoters to sell shares would **improve the supply of shares.**

SEBI

- SEBI is **a statutory body** established in April, 1992 in accordance with the provisions of the Securities and Exchange Board of India Act, 1992.
- The basic functions of the Securities and Exchange Board of India is to protect the interests of investors in securities and to promote and regulate the securities market.

Listed Companies

- "Listed" is a term that describes a company that is included and on a given stock exchange (such as **NSE**, BSE) so that its stock can be traded.

Promoter

- The meaning of 'promoter' and 'promoter group' is **defined in Companies Act, 2013 and SEBI (ICDR) Regulations, 2018.**
- Generally, a promoter conceives an idea for setting-up a particular business at a given place and performs various formalities required for starting a company.

Primary Market and Secondary Market

- The primary market is where securities are created, while the secondary market is where those securities are traded by investors.
- In the primary market, companies sell new stocks and bonds to the public for the first time, such as with an initial public offering (IPO).
- The secondary market is basically the stock market and refers to the New York Stock Exchange, the Nasdaq, and other exchanges worldwide.

Stock Liquidity

- Liquidity generally refers to **how easily or quickly a security can be bought or sold in a secondary market.** Liquid investments can be sold readily and without paying a hefty fee to get money when it is needed.

Rule for Taxing Contributions to EPF

Why in News

Recently, the Finance Ministry has notified the rules for taxing interest income on contributions made to the **Employees' Provident Fund (EPF).**

Key Points

- **Background**:
  - In February 2021, the **Budget** proposed that **tax exemption** will **not be available** on interest income on **Provident Fund** (PF) contributions **exceeding Rs 2.5 lakh in a year.**
  - In March 2021, the **government introduced an amendment** to the **Finance Bill, 2021** in which it **proposed to double the cap on contribution from Rs 2.5 lakh to Rs 5 lakh** for tax-exempt interest income, if the contribution is made to a fund where there is no contribution by the employer.

Employees' Provident Funds Scheme

- EPF is the main scheme under the **Employees' Provident Funds and Miscellaneous Act, 1952.**
- This scheme **offers the institution of provident funds for factory employees and other establishments.**
- The **employee and employer each contribute 12% of the employee's basic salary** and dearness allowance towards EPF.
  - The **Economic Survey** 2016-17 had suggested that **employees be allowed to choose** whether or not to save 12% of their salary into EPF or keep it as take home pay.
- As per current laws, **a person mandatorily becomes a member of EPF** if his **monthly salary does not exceed Rs. 15,000.**

  - With this, the **government provided relief for contributions made to the General Provident Fund** that is available only to government employees and there is no contribution by the employer.

- **New Rules:**
  - Interest income on **contributions made to the EPF beyond Rs. 2.5 lakh** (for private sector employees) and **Rs.5 lakh** (for government sector employees**) will be taxed.**
  - Beginning this Fiscal Year (FY) 2021-22 , the **government will tax interest on contributions made in excess of these limits**, with separate accounts to be maintained within the provident fund account for 2021-22 and subsequent years for taxable contribution and non-taxable contribution made by an individual.
    - A **Fiscal Year (FY)**, also known as a **budget year,** is a period of **time used by the government and businesses for accounting purposes** to formulate annual financial statements and reports.
  - The **Central Board of Direct Taxes (CBDT)** has **inserted Rule 9D** in the **Income-Tax Rules, 1962**, according to which **income through interest accrued during the previous year that is not exempt** (over Rs 2.5 lakh for private and Rs 5 lakh for government employees) **shall be computed as the interest accrued during the previous year** in the taxable contribution account.
- **Perpetuity of Tax:**
  - As per the notification, the interest income on the additional contribution (over Rs 2.5 lakh for

private and Rs 5 lakh for government employees) for a year **will get taxed every year.**

- This means that if one's annual contribution to PF in FY 2021-22 is Rs 10 lakh, the interest income on Rs 7.5 lakh will get taxed not only for FY 2021-22 but also for all subsequent years.

- **Need:**
  - The Budget proposal had noted that the **government has found instances where some employees are contributing huge amounts** to these funds and are getting the benefit of tax exemption at all stages — contribution, interest accumulation and withdrawal.
  - With an **aim to exclude High Net-Worth individuals (HNIs)** from the benefit of high tax-free interest income on their large contributions, the government has proposed to impose a threshold limit for tax exemption.

Special Drawing Rights: IMF

Why in News

Recently, the **International Monetary Fund (IMF)** has made **an allocation of Special Drawing Rights (SDR) 12.57 billion** (equivalent to around $17.86 billion at the latest **exchange rate**) **to India.**

- Now, the **total SDR holdings of India stand at SDR 13.66 billion**.

Key Points

- The SDR is **neither a currency nor a claim on the IMF.** Rather, it is a **potential claim on the freely usable currencies of IMF members.** SDRs can be exchanged for these currencies.
- The SDR serves as the **unit of account of the IMF** and some other international organizations.
- The currency value of the SDR is determined by summing the values in US dollars, based on market exchange rates, of a SDR basket of currencies.
- The SDR **basket of currencies** includes the **US dollar, Euro, Japanese yen, pound sterling** and **the Chinese renminbi** (included in 2016).
- The SDR currency value is **calculated daily** (except on IMF holidays or whenever the IMF is closed for business) and the valuation basket is **reviewed and adjusted every five years.**
- **Quota (the amount contributed to the IMF)** of a country is denominated in SDRs.
  - Members' **voting power is related directly** to their quotas.
  - IMF **makes the general SDR allocation to its members** in proportion to their existing quotas in the IMF.
- **India's foreign exchange reserves** also incorporate SDR other than gold reserves, foreign currency assets and Reserve Tranche in the IMF.

Financial Stability and Development Council (FSDC) Meeting

Why in News

Recently, the Finance Minister chaired the **24th meeting** of the **Financial Stability and Development Council (FSDC).**

- The council **discussed** issu-es relating to management of **stressed assets**, strengthening institutional mechanisms for financial stability analysis, issues related to **IBC (Insolvency and Bankruptcy Code)**, data sharing mechanisms of government authorities, internationalisation of the Indian rupee and pension sector related issues.

Key Points

- **Establishment:**
  - A **non-statutory apex council under the Ministry of Finance** constituted by the Executive Order in 2010.
  - The **Raghuram Rajan committee (2008)** on financial sector reforms first proposed the creation of FSDC.
- **Composition:**
  - It is chaired by the Finance Minister and its **members include** the heads of all Financial Sector Regulators (**RBI**, **SEBI**, **PFRDA** & **IRDA**), Finance Secretary, Secretary of Department of Economic Affairs (DEA), Secretary of Department of Financial Services (DFS), and Chief Economic Adviser.
    - In 2018, the government reconstituted FSDC to include the Minister of State responsible for the Department of Economic Affairs (DEA), Secretary of Department of Electronics and Information Technology, Chairperson of the **Insolvency**

and Bankruptcy Board of India (IBBI) and the Revenue Secretary.

- **FSDC sub-committee** is headed by the **Governor of RBI.**
- The Council can **invite experts to its meeting if required.**

- **Functions:**
  - To **strengthen and institutionalize the mechanism** for maintaining financial stability, enhancing inter-regulatory coordination and promoting financial sector development.
  - **To monitor macro-prudential supervision of the economy**. It assesses the functioning of the large financial conglomerates.

4% Inflation Target Retained by Government

Why in News

The Government of India has decided to retain the **inflation target of 4%**, with a **tolerance band of +/- 2 percentage points** for the **Monetary Policy Committee** of the **Reserve Bank of India** (RBI) for the coming five years.

- Earlier, the RBI in its **Currency and Finance (RCF) report** for the year 2020-21 also recommended the inflation target to be kept same as 4% +/-2% for next 5 years.

Key Points

- **About:**
  - To control the price rise, **the Centre in 2016 gave a mandate to the RBI to keep the retail inflation at 4% with a margin of 2% on either side** for a five-year period **ending 31st March, 2021.**
    - The **Consumer Price Index (CPI)** tracks the change in retail prices of goods and services which households purchase for their daily consumption.
  - The **inflation target for the period 1st April, 2021 to 31st March, 2026** under the Reserve Bank of India Act 1934 has been **kept at the same level** as was for previous 5 years.
- **Background:**
  - The **central bank and the government agreed in 2015 on a policy framework** that stipulated a primary objective of ensuring price stability while keeping in mind the objective of growth.
  - The **Flexible Inflation Target (FIT) was adopted in 2016**. The **Reserve Bank of India Act, 1934 was amended** to provide a statutory basis for a FTI framework.
  - The amended Act **provides for the inflation target to be set by the Government, in consultation with the RBI, once every five years.**

- **Inflation Targeting:**
  - It is **a central banking policy** that revolves around adjusting monetary policy to achieve a specified annual rate of inflation.
  - Inflation targeting is known to **bring more stability, predictability, and transparency** in deciding monetary policy.
  - **Strict Inflation Targeting:**
    - It is adopted when the central bank is only concerned about **keeping inflation as close to a given inflation target as possible**, and nothing else.
  - **Flexible Inflation Targeting:**
    - It is adopted **when the central bank is to some extent also concerned about other things,** for instance, the stability of interest rates, exchange rates, output and employment.

Monetary Policy

- It is the macroeconomic policy laid down by the central bank. It **involves management of money supply and interest rate and is the demand side economic policy** used by the government of a country to achieve macroeconomic objectives like inflation, consumption, growth and liquidity.
- In India, monetary policy of the Reserve Bank of India is **aimed at managing the quantity of money in order to meet the requirements of different sectors** of the economy and to increase the pace of economic growth.

- The RBI implements the monetary policy through **open market operations, bank rate policy, reserve system, credit control policy, moral persuasion** and through many other instruments.

Monetary Policy Committee

- It is a **statutory and institutionalized framework** under the **Reserve Bank of India Act, 1934**, for maintaining price stability, while keeping in mind the objective of growth.
  - The **Governor of RBI is ex-officio Chairman** of the committee.
- The MPC **determines the policy interest rate (repo rate)** required to achieve the inflation target (4%).
- An RBI-appointed committee led by the then deputy governor Urjit Patel in 2014 recommended the establishment of the Monetary Policy Committee.

Power Grid Infrastructure Investment Trust

Why in News

The **Power Grid Corporation of India (PGCIL)** launched its **Infrastructure Investment Trust (InvIT) - PowerGrid Infrastructure Investment Trust (PGInvIT).**

Key Points

- **About PGInvIT:**
  - This is the **first time a state-owned entity (PGCIL) is monetizing its infrastructure assets through the InvIT route.**
  - This will be o**nly the third InvIT to be listed in the Indian markets**, after IRB InvIT and India Grid Trust, both of which went public in 2017.
  - The InvIT route was **proposed by the Centre as an alternative fundraising route** for state-run companies to manage funding requirements without having to depend on government support.

Power Grid

- It is a **public limited company** under the administrative control of the **Ministry of Power.**
- It is the **largest power transmission company in India.**
- It started its commercial operation in the year 1992-93 and is today, a **Maharatna company**.

- **About Infrastructure Investment Trust (InvIT):**
  - It is **a collective investment scheme similar to a mutual fund**, which enables **direct investment** of money from **individual and institutional investors in infrastructure projects** to earn a small portion of the income as return.
  - InvITs **can be treated as the modified version of REITs (real estate investment trusts)** designed to suit the specific circumstances of the infrastructure sector.
  - It is **created to hold income-generating and operational infrastructure assets** such as roads, power transmission lines, gas pipelines, etc.
    - These assets have long-term contracts with strong counterparties that provide a steady cash flow over the long term – typically 15-20 years.
  - The InvITs are **regulated by the SEBI (Infrastructure Investment Trusts) Regulations, 2014.**
  - An InvIT **consists of four elements:**
    - **Trustee** has the responsibility of inspecting the performance of an InvIT.
    - **Sponsor(s)** are promoters of the company that set up the InvIT.
    - **Investment Manager** is entrusted with the task of supervising the assets and investments of the InvIT.
    - **Project Manager** is responsible for the execution of the project.
  - Units of InvITs **can be listed and traded on a stock exchange**, providing them liquidity.
    - Or they **can be private and unlisted**, in which case they are not publicly traded and largely invested in by institutional investors.
- **Advantages of Setting up InvITs:**
  - **For sponsors** (infrastructure developers), InvITs **provide a convenient route to monetize revenue-generating assets, unlock equity gains,** and **deleverage their balance sheets** (i.e. to reduce debts).
  - InvITs also **present a more tax-friendly structure.** Being a trust, all income received by the InvIT from underlying assets receives a pass-through treatment and is not taxable at the InvIT level.
  - **For investors** such as banks, financial institutions, pension funds, insurance companies, and even retail investors, InvITs **provide a good low-risk investment opportunity.**

- **Disadvantages of InvITs:**
  - InvITs are **sensitive to changes in regulatory and tax law.**
  - Infrastructure **assets are not inflation-linked in India.**
    - A high rate of inflation has a significant impact on the performance of InvITs.

30 Years of Economic Liberalisation

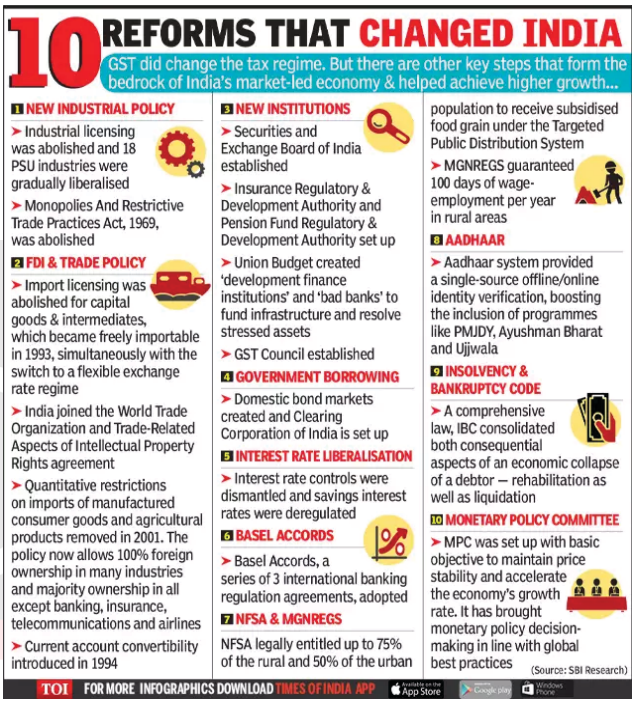
Why in News

Recently, on the 30th anniversary of the **economic liberalisation reforms**, former Prime Minister of India, Manmohan Singh, raised concerns over the macro-economic stability of the country.

- According to him, the current **economic crisis triggered by the Covid-19 pandemic** is more challenging than during the 1991 economic crisis and the nation would need to recalibrate its priorities to ensure a dignified life for all Indians.

Key Points

- **1991 Crisis & Reforms:**
  - **1991 Crisis:** In 1990-91, India faced a severe **Balance of Payments (BOP) crisis,** where its foreign exchange reserves were just adequate to finance 15 days of imports. There were many factors that led to the BOP crisis:
    - **Fiscal Deficit:** The fiscal deficit during 1990-91 was around 8.4% of GDP.
    - **Gulf War I:** In 1990-91, the situation was aggravated by the rise in the price of oil due to Iraq's invasion of Kuwait.
    - **Rise in Prices:** The inflation rate increased from 6.7% to 16.7% due to a rapid increase in money supply and the country's economic position became worse.
  - **Nature and Scope of 1991 Reforms:** In order to get out of the macro-economic crisis in 1991, India launched a New Economic Policy, which was based on LPG or **Liberalisation, Privatisation and Globalisation model.**
    - Then Finance Minister, Manmohan Singh, was the prime architect of the historic 1991 liberalisation.
    - The broad range of reforms under the LPG model included:
      - **Liberalising Industrial Policy:** Abolition of industrial license permit raj, Reduction in import tariffs, etc.
      - **Beginning of Privatisation:** Deregulation of markets, Banking reforms, etc.
      - **Globalisation:** Exchange rate correction, liberalising foreign direct investment and trade policies, Removal of mandatory convertibility cause, etc.



    - These reforms are credited and applauded for the high economic growth seen from 1991 to 2011 and substantial reduction of poverty from 2005 to 2015.
- **2021 Crisis:**
  - The **World Economic Outlook Report 2021**, states that the Indian economy is expected to grow by 12.5% in 2021 and 6.9% in 2022.
    - However, the pandemic has massive unemployment in the informal sector and poverty is increasing after decades of decline.
  - The **social sectors of health and education have lagged behind** and not kept pace with our economic progress.
    - **Too many lives and livelihoods** have been lost that should not have been, during the pandemic.

- Inspector Raj is set to make a comeback through the **policy for e-commerce** entities.
- India is back to the old habits of borrowing excessively or **extracting money (in form of dividends) from the RBI** to finance the fiscal deficit.
- The **migrant labour crisis** has laid bare the gaps in the growth model.
- India foreign trade policy is again suspecting trade liberalisation, as India has already decided to opt-out of the 16-nation **Regional Comprehensive Economic Partnership (RCEP)** trade deal.

Banking/Financial Sector

New Bad Bank Structure

Why in News

A key proposal announced in the **2021 Budget**, a bad bank to deal with stressed assets in the loss-laden banking system, has received all regulatory approvals.

Key Points

- **About the New Bad Bank Structure:**
  - **Two Entities:** For resolution of huge **NPAs (Non-Performing Assets)** in the Indian Banking sector, the government of India has set up two new entities to acquire stressed assets from banks and then sell them in the market.
    - **NPA** refers to a classification for **loans or advances that are in default or in arrears.**
  - **NARCL:** NARCL has been incorporated under the Companies Act and has been granted a license as an **Asset Reconstruction Company (ARC).**
    - NARCL will **acquire stressed assets** worth about Rs 2 lakh crore from various commercial banks in different phases.
    - Public Sector Banks (PSBs) will maintain 51% ownership in NARCL.
  - **IDRCL:** Another entity, **India Debt Resolution Company Ltd (IDRCL)**, will then try to **sell the stressed assets** in the market.
    - PSBs and Public Financial Institutes (FIs) will hold a maximum of 49% stake in IDRCL. The remaining 51% stake will be with private-sector lenders.
- **Working of NARCL-IDRCL:**
  - The **NARCL will first purchase bad loans** from banks.
  - It will **pay 15% of the agreed price in cash and the remaining 85% will be in the form of "Security Receipts".**
  - **When the assets are sold**, with the help of IDRCL, the **commercial banks will be paid back the rest.**
  - If the bad bank is unable to sell the bad loan, or has to sell it at a loss, **then the government guarantee will be invoked.**
    - The **difference between what the commercial bank was supposed to get and what the bad bank was able to raise** will be paid from the Rs 30,600 crore that has been provided by the government.
  - This guarantee is extended for a **period of five years.**

Note:

- **Security receipts** are defined under section 2(1)(zg) of **SARFAESI Act.**
- It means a receipt or other security, issued by an asset reconstruction company to any qualified buyer pursuant to a scheme, evidencing the purchase or acquisition by the holder, thereof, of an undivided right, title or interest in the financial asset involved in securitization.

Bad Bank

- **About:**
  - The bad bank is **an Asset Reconstruction Company (ARC) or an Asset Management Company (AMC)** that takes over the bad loans of commercial banks, manages them and finally recovers the money over a period of time.
  - The bad bank is **not involved in lending and taking deposits,** but helps commercial banks clean up their balance sheets and resolve bad loans.
- **Effect of Bad Bank:**
  - **Commercial Banks' Perspective:** Commercial banks are saddled with high NPA levels, setting up of the Bad bank will help.
    - That's because such a bank will get rid of all its toxic assets, which were reducing its profits, in one quick move.
    - When the recovery money is paid back, it will further improve the bank's position. Meanwhile, it can start lending again.

- **Government and Taxpayer Perspective**: Whether it is recapitalising PSBs laden with bad loans or giving guarantees for security receipts, the money is coming from the taxpayers' pocket.
  - While recapitalisation and such guarantees are often designated as "reforms", they are band aids at best.
  - The only sustainable solution is to improve the lending operation in PSBs.
  - The plan of bailing out commercial banks will collapse if the bad bank is unable to sell such impaired assets in the market. The burden indeed will fall upon the taxpayer.

Bank-NBFC Co-lending

Why in News

Recently, several banks have entered into **co-lending 'master agreements'** with registered **Non-Banking Financial Companies (NBFCs)**, and more are in the pipe-line. In 2020, the **Reserve Bank of India (RBI)** allowed the co-lending model based on a **prior agreement.**

- However, there are **some criticisms** associated with the co-lending.

Key Points

- **About the Co-Lending Model:**
  - **Background:** In September 2018, the RBI had announced **co-origination of loans" by banks and NBFCs** for lending to the **priority sector.**
    - The arrangement entailed joint contribution of credit and sharing of risks and rewards. **Co-lending or co-origination** is a set-up where banks and non-banks enter into an arrangement for the joint contribution of credit for priority sector lending.
    - These guidelines were **later amended in 2020 and rechristened as co-lending models (CLM)** by including Housing Finance Companies and some changes in the framework.
    - Under priority sector norms, banks are mandated to lend a particular portion of their funds to specified sectors, like weaker sections of the society, agriculture, MSME and social infrastructure.
  - **Objective:** The primary focus of the 'Co-Lending Model' (CLM) is to "improve the flow of credit to the unserved and underserved sector of the economy.
    - It also envisages making available funds to the ultimate beneficiary at an affordable cost.
  - **Underlying Idea:** CLM seeks to better leverage the respective comparative advantages of the banks and NBFCs in a collaborative effort.
    - The lower cost of funds from banks
    - Greater reach of the NBFCs.
    - For example, CLM will enhance last-mile finance and drive financial inclusion to MSMEs.
  - **Example of CLM:** SBI, the country's largest lender, signed a deal with Adani Capital, a small NBFC of a big corporate house, for co-lending to farmers to help them buy tractors and farm implements.
- **Risk in Co-lending:**
  - **Majority of Responsibility Lies with the Banks:** Under the CLM, NBFCs are required to retain at least a 20% share of individual loans on their books.
    - This means 80% of the risk will be with the banks — who will take the big hit in case of a default.
  - **Corporates in Banking:** While the RBI hasn't officially allowed the entry of big corporate houses into the banking space, the NBFCs are mostly floated by corporate houses.

ESG Funds

Why in News

The asset size of **ESG (Environment, Social and Governance) Funds** has grown nearly five times to Rs 12,300 crore over the last couple of years.

Key Points

- It is **a kind of Mutual Fund.** Its investing is **used synonymously with sustainable investing or socially responsible investing.**
- Typically, a mutual fund looks for a good stock of a company that has potential earnings, management quality, cash flows, the business it operates in, competition etc.
- However, while selecting a stock for investment, **the ESG fund shortlists companies that score high on**

environment, social responsibility and corporate governance, and then looks into financial factors.

- Therefore, the key difference between the ESG funds and other funds is 'conscience' i.e the ESG fund focuses on companies with **environment-friendly practices, ethical business practices and an employee-friendly record.**
- The fund is regulated by **Securities and Exchange Board of India (SEBI).**

SEBI Bans Derivative Trade in Agriculture Commodities

Why in News

Recently, the **Securities and Exchange Board of India (SEBI)** has banned the derivative trade of seven agricultural commodities on the future's platform of **National Commodities and Derivatives Exchange (NCDEX)** for a year.

- The regulator has banned derivative contracts trade in **chana, wheat, paddy (non-basmati), soyabean and its derivatives, mustard seed and its derivatives, crude palm oil and moong**.
- The commodity derivatives market **has been prone to such sudden suspensions of trading in agriculture items** ever since it was introduced under the erstwhile **Forward Markets Commission (FMC).**

Key Points

- **About:**
  - Derivatives are the instruments which include security **derived from a debt instrument share, loan, risk instrument or contract** for differences of any other form of security and a contract that derives its value from the price/index of prices of underlying securities.
  - In the finance field, a derivative is a contract **that derives its value from the performance of an underlying entity.** This underlying entity can be an asset, index, or interest rate, and is often called the **"underlying"**.
- **Types:**
  - **Forwards and futures:**
    - These are financial contracts that obligate the contracts' **buyers to purchase an asset at a pre-agreed price on a specified future date.** Both forwards and **futures** are essentially the same in their nature.
  - **Options:**
    - Options provide the buyer of the contracts the **right, but not the obligation, to purchase or sell the underlying asset** at a predetermined price.
    - Based on the option type, **the buyer can exercise the option on the maturity date** or on any date before the maturity.
  - **Swaps:**
    - Swaps are derivative contracts **that allow the exchange of cash flows between two parties.**
    - The swaps **usually involve the exchange of a fixed cash flow for a floating cash flow.**
    - The most popular types of swaps are interest rate swaps, commodity swaps, and currency swaps.

National Commodities and Derivatives Exchange

- NCDEX is **an online commodities exchange dealing primarily in agricultural commodities** in India.
- It is **a public limited company**, established on 23rd April 2003 under the **Companies Act, 1956.**
- The exchange was **founded by some of India's leading financial institutions** such as ICICI Bank Limited, the National Stock Exchange of India and the **National Bank for Agricultural and Rural Development,** among others.
- These include 25 contracts for agricultural products. NCDEX is run by an independent board of directors with no direct interest in agriculture.

Card on File Tokenisation (CoFT)

Why in News

The **Reserve Bank of India (RBI)** has **extended the timeline for implementation of** the new credit and debit card data storage norms, or **card-on-file tokenisation (CoF) to 30th June, 2022.**

- In September 2021, the **RBI prohibited merchants from storing customer card details** on their servers with effect from 1st January, 2022, and mandated the adoption of CoF tokenisation as an alternative to card storage.

PROCESS TO GET MORE TEDIOUS?

- E-tailers & payment gateways **currently offer to store card details**, including the 16-digit number
- RBI's ban on storing card data would require e-commerce firms to **opt for tokenisation** or ask customers to enter the card number
- Tokenisation refers to payment networks **linking card data to a token**, which is given to the merchant
- This token can be used for payments but **only by the specified merchant**
- The new rule will become the norm for all card-based transactions in e-commerce **from Jan 2022**
- According to a source, the **threat of ransomware attacks** have increased manifold
- Online firms **won't be able to store card info** & debit recurring payments (won't affect billers added with bank directly)
- It is thought RBI's move is aimed at **increasing customer safety & improving data security**

Key Points

- **Tokenisation**: It **refers to replacement of actual credit and debit card details with an alternate code called the "token"**, which will be unique for a combination of card, token requestor and device.
  - A tokenised card transaction is **considered safer** as the actual card details are not shared with the merchant during transaction processing.
  - Customers who do not have the tokenisation facility will have to key in their name, 16-digit card number, expiry date and CVV each time they order something online.
- **Card-on-File**: A CoF transaction is a transaction where a cardholder has authorised a merchant to store the cardholder's Mastercard or Visa payment details.
  - The cardholder then authorises that same merchant to bill the cardholder's stored Mastercard or Visa account.
  - E-commerce companies and airlines and supermarket chains normally store card details in their system.

RBI Integrated Ombudsman Scheme

Why in News

Recently, the Prime Minister has launched the integrated ombudsman scheme.

- In 2019 the Reserve Bank of India **(RBI)** had launched the Complaint Management System (CMS) in order to improve the customer experience in the **grievance redressal process of banking services.**

Ombudsman

- A government official **who deals with complaints made by ordinary people** against public organizations. This concept of Ombudsman **arrived from Sweden.**
- It means **an officer appointed by the Legislature to handle complaints against a service or administrative authority.**
- In India, an Ombudsman is appointed to resolve grievances in the following sectors.
  - Insurance Ombudsman
  - Income Tax Ombudsman
  - Banking Ombudsman

Key Points

- **About:**
  - It **amalgamates** three ombudsman schemes of RBI - **banking ombudsman scheme of 2006**, ombudsman scheme for NBFCs of 2018 and **ombudsman scheme of digital transactions of 2019.**
  - The unified ombudsman scheme will provide **redress of customer complaints involving deficiency in services rendered by RBI regulated entities** viz. banks, NBFCs (Non banking Financial Companies) and pre-paid instrument players **if the grievance is not resolved to the satisfaction of the customers or not replied within a period of 30 days** by the regulated entity.
  - It also includes **non-scheduled primary** co-operative banks **with a deposit size of Rs 50 crore and above.** The integrated scheme makes it a **"One Nation One Ombudsman'** approach and **jurisdiction neutral.**
- **Need:**
  - The **first ombudsman scheme was rolled out in the 1990s.** The system was always viewed as an issue by consumers.
  - One of the primary concerns **was the lack of maintainable grounds on which the consumer could challenge the actions** of a regulated entity at the ombudsman or a rejection of the complaint on technical grounds, resulting in a preference for the consumer court notwithstanding the extended timelines for redressal.
  - The move to integrate the systems (banking, **NBFC**,

and **digital payments**) and expand the grounds for complaints is expected to see a positive response from consumers.

- **Features:**
  - The Scheme **defines 'deficiency in service' as the ground for filing a complaint,** with a specified list of exclusions.
    - Therefore, the complaints would no longer be rejected simply on account of "not covered under the grounds listed in the scheme".
  - The scheme is jurisdiction neutral and **a centralised receipt and processing centre has been set-up in Chandigarh** for initial handling of complaints in any language.
  - RBI had created a provision for the use of **Artificial Intelligence** tools so that banks and investigating agencies could coordinate in a better way in the fastest time possible.
  - The bank customers will be able to file complaints, submit documents, track status, and give feedback **through a single email address.**
  - There will also be **a multilingual toll-free number** that will provide all relevant information on grievance redress.
  - The **regulated entity will not have any right to appeal in cases** where an award is issued by the ombudsman against it for not furnishing satisfactory and timely information.
- **Appellate Authority:**
  - RBI's Executive Director-in charge of Consumer Education and Protection Department would be the Appellate Authority under the integrated scheme.
- **Significance:**
  - This will help in improving the grievance redress mechanism for resolving customer complaints against RBI's regulated entities.
  - It is expected **to ensure uniformity and streamlined user-friendly mechanisms which will add value to the scheme** and bring customer delight and financial inclusion.
  - 44 crore loan account holders and 220 crore deposit account holders would directly benefit from the single ombudsman, they would now be able to lodge a complaint and track their complaints on the same platform.

RBI's Retail Direct Scheme

Why in News

Recently, the Prime Minister has launched the **Reserve Bank of India (RBI)- Retail Direct Scheme to open up the Government bond market for the retail investors.**

Key Points

- **About:**
  - In February 2021, **RBI proposed to allow retail investors to open gilt accounts with the central bank to invest in Government securities (G-secs) directly.**
  - Under the scheme, retail investors (individuals) will have the **facility to open and maintain the 'Retail Direct Gilt Account' (RDG Account) with the RBI.**
    - Retail Investor is **a non-professional investor** who buys and sells securities or funds that contain a basket of securities such as mutual funds and **Exchange Traded Funds (ETFs).**
    - A **Gilt Account can be compared with a bank account**, except that the account is debited or credited with treasury bills or government securities instead of money.
  - The scheme places India in a list of select few countries offering such a facility.
- **Aim:**
  - The move is a**imed at diversifying the government securities market,** which is dominated by institutional investors such as banks, insurance companies, mutual funds and others.
    - While **foreign portfolio investors** were allowed to invest in G-secs, their holding is around 2-3% in the overall market.
- **Scope:**
  - It offers a portal avenue to invest in **Central government securities, treasury bills, State development loans and sovereign gold bonds.**
  - They **can invest in primary as well as secondary market** government securities markets.
    - **Negotiated Dealing System-Order Matching Segment (NDS-OM)** means RBI's screen based, anonymous electronic order matching system for trading in Government securities in the secondary market.

- **Significance:**
  - **Building an Atmanirbhar Bharat:**
    - So far, in the government securities market, small investors class, salaried class, small traders **had to invest through banks and mutual funds in an indirect manner.**
  - **Improved Ease of Access:**
    - It will **make the process of G-sec trading smoother for small investors** therefore it will **raise retail participation in G-secs** and will improve ease of access.
  - **Facilitate Government Borrowings:**
    - This measure together with relaxation in mandatory Hold To Maturity (securities that are purchased to be owned until maturity) provisions **will facilitate smooth completion of the government borrowing** programme in 2021-22.
  - **Financialise Domestic Savings:**
    - Allowing direct retail participation in the G-Sec market **will promote financialisation of a vast pool of domestic savings** and could be a game-changer in India's investment market.
- **Other Measures Taken to Increase Retail Investment in Government Securities:**
  - **Introduction of non-competitive bidding** in primary auctions.
    - Non-competitive bidding means the bidder would be able to participate in the auctions of dated government securities without having to quote the yield or price in the bid.
  - **Stock exchanges to act as aggregators** and facilitators of retail bids.
  - Allowing a **specific retail segment in the secondary market.**
    - The secondary market is the **market where investors buy and sell securities they already own.**
    - **Primary market** deals with new securities being issued for the first time.

Government Security

- A G-Sec is **a tradable instrument issued by the Central Government or the State Governments.**
- It **acknowledges the Government's debt obligation.** Such securities are **short term** (**usually called treasury bills**, with original maturities of less than one year- presently issued in three tenors, namely, 91 day, 182 day and 364 day) **or long term** (usually **called Government bonds or dated securities** with original maturity of one year or more).
- In India, the **Central Government issues both treasury bills and bonds or dated securities** while the **State Governments issue only bonds or dated securities,** which are **called the State Development Loans (SDLs).**
- G-Secs carry practically no risk of default and, hence, **are called risk-free gilt-edged instruments.**
  - Gilt-edged securities are high-grade investment bonds offered by governments and large corporations as a means of borrowing funds.

PCA Framework Revised

Why in News

Recently, the **Reserve Bank of India (RBI)** has announced a revised **Prompt Corrective Action (PCA) framework**.

- The PCA framework **enables supervisory intervention of RBI** over Banks at an appropriate time and ensures effective market discipline.

Key Points

- **Revised Framework:**
  - **Applicability:**
    - The framework applies to all banks operating in India, including foreign banks operating through branches or subsidiaries based on breach of risk thresholds of identified indicators.
    - However, **payments banks** and **small finance banks (SFBs)** have been removed from the list of lenders where prompt corrective action can be initiated.
      - The new provisions will be effective from **January, 2022.**
  - **Monitored Areas:**
    - **Capital, Asset Quality and Capital-To-Risk Weighted Assets Ratio (CRAR), NPA ratio, Tier I Leverage Ratio,** will be the key areas for monitoring in the revised framework.

- However, the revised framework **excludes** return on assets as a parameter that may trigger action under the framework.

- **Invocation of PCA:**
  - The **breach of any risk threshold** may result in the invocation of the PCA. Stressed banks may not be allowed to expand credit/investment portfolios.
    - However, they are allowed to invest in government securities/other high-quality liquid investments.
  - In the **case of a default on the part of a bank** in meeting the obligations to its depositors, possible **resolution processes may be resorted to without reference to the PCA matrix.**
- **RBI's Powers:**
  - In governance-related actions, the RBI can supersede the board under Section 36ACA of the **Banking Regulation Act, 1949.**
  - **Amendment to Section 45 of the BR Act** enables the Reserve Bank to reconstruct or amalgamate a bank, with or without implementing a moratorium, with the approval of the Central government.
  - The RBI, as part of its mandatory and discretionary actions, **may also impose appropriate restrictions on capital expenditure**, other than for technological upgradation within Board approved limits, under the revised PCA.
- **Withdrawal of PCA Restrictions:**
  - Withdrawal of restrictions imposed will be considered **if no breaches in risk thresholds in any of the parameters are observed** as per **four** continuous **quarterly financial statements**.

- **Prompt Corrective Action:**
  - **Background:** PCA is a framework under which banks with weak financial metrics are put under watch by the RBI.
    - The RBI introduced the **PCA framework in 2002** as a structured early-intervention mechanism for banks that become undercapitalised due to poor asset quality, or vulnerable due to loss of profitability.
    - The framework was reviewed in 2017 based on the recommendations of the working group of the **Financial Stability and Development Council** on Resolution Regimes for Financial Institutions in India and the Financial Sector Legislative Reforms Commission.
  - **Objective:** The objective of the PCA framework is to **enable supervisory intervention at an appropriate time** and require the supervised entity to initiate and implement remedial measures in a timely manner, so as to restore its financial health.
    - It aims to **check** the problem of **Non-Performing Assets (NPAs)** in the Indian banking sector.
    - It is intended to **help alert the regulator as well as investors** and depositors if a bank is heading for trouble.
    - The idea is to head off problems before they attain crisis proportions.
  - **Audited Annual Financial Results:** A bank will generally be placed under the PCA framework based on the audited annual financial results and the ongoing supervisory assessment made by the RBI.

Non Performing Asset

- It is a loan or advance for which the principal or interest payment remains overdue for a period of 90 days.
- Banks are required to classify NPAs further into Substandard, Doubtful and Loss assets.

Capital Adequacy Ratio (CAR)

- The CAR is a measure of a bank's available capital expressed as a percentage of a bank's risk-weighted credit exposures.
- The Capital Adequacy Ratio, **also known as capital-to-risk weighted assets ratio (CRAR),** is used to protect depositors and promote the stability and efficiency of financial systems around the world.

Tier 1 Leverage Ratio

- It is the **relationship between a banking organization's core capital and its total assets.**
- The tier 1 leverage ratio is **calculated by dividing tier 1 capital by a bank's average total consolidated assets** and certain off-balance sheet exposures.
  - A leverage ratio is any one of several financial measurements that assesses the ability of a company to meet its financial obligations.Some of the examples are:
    - **Equity Ratio:** This ratio indicates total owner contribution in the company.

- **Debt Ratio:** This ratio indicates total leverage used in the company.
- **Debt To Equity Ratio:** This ratio indicates total debt used in the business in comparison to equity.

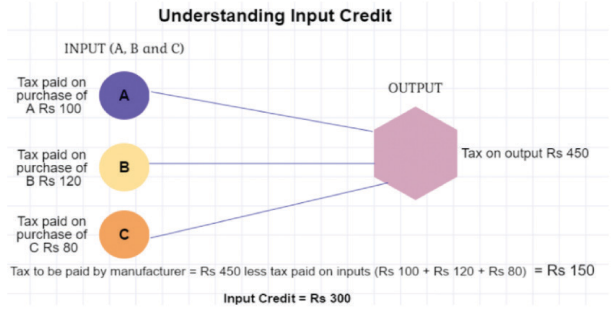
CBIC Guidelines on Blocking Input Tax Credit

Why in News

Recently, the **CBIC (Central Board of Indirect Taxes and Customs)** issued guidelines on **blocking of tax credit by GST (Goods and Services Tax) field officers,** saying that such blocking should be on the basis of 'material evidence' and not just out of 'suspicion'.

Key Points

- **Input Tax Credit:**
  - It is the tax that a business pays on a purchase and that it can use to reduce its tax liability when it makes a sale.
  - It means **at the time of paying tax on output, one can reduce the tax that has already been paid on inputs** and pay the balance amount.
  - **Exceptions:** A business under composition scheme cannot avail of input tax credit. ITC cannot be claimed for personal use or for goods that are exempt.
    - **Composition Scheme** is a scheme under GST which can be opted to get rid of tedious GST formalities.It can be opted by any taxpayer whose turnover **is less than Rs. 1.5 crore**.



- **Provisions for Claiming ITC:**
  - The **amended Rule 36 (4) of the CGST** (Central GST) **Rules, 2017**, provides that the input tax credit can be availed only when a supplier of goods updates and uploads online the details of supplies through each of the bills.

Central Board of Indirect Taxes and Customs

- It is **a part of the Department of Revenue under the Ministry of Finance.**
- The Central Board of Excise and Customs (CBEC) was **renamed as the CBIC in 2018 after the roll out of the GST.**
- It deals with the tasks of formulation of policy concerning levy and collection of customs, central excise duties, Central GST (CGST) and Integrated GST (IGST).
  - **GST Law** comprising (i) Central Goods and Services Tax Act, 2017 (ii) State Goods and Services Tax Act, 2017 (iii) Union Territory Goods and Services Tax Act, 2017, (iv) Integrated Goods and Services Tax Act, 2017 (v) Goods and Services Tax (Compensation to States) Act, 2017.

Stablecoins

Why in News

The US is discussing launching a **formal review into whether Tether and other stablecoins** threaten **financial stability.**

- The first stablecoin, created in 2014, was Tether.

Key Points

- A stablecoin is a type of **cryptocurrency** that is typically pegged to an **existing government-backed currency.**
  - A cryptocurrency is a **form of digital asset based on a network** that is distributed across a large number of computers.
- Stablecoins hold a **bundle of assets in reserve**, usually **short-term securities** such as cash, government debt or **commercial paper.**
- Stablecoins are useful because they **allow people to transact more seamlessly in cryptocurrencies** that function as investments, such as **Bitcoin.**
- They form a **bridge** between old-world money and new-world crypto aslo they **promise to function like perfectly safe holdings.**

Digital Payment Systems

Why in News

The **central banks of India and Singapore will link**

their respective fast digital payment systems - Unified Payments Interface (UPI) and PayNow - for **"instant, low-cost, cross-border fund transfers".**

- The linkage is **targeted to be operationalised by July 2022.**

Key Points

- **About:**
  - The **Unified Payments Interface (UPI)-PayNow linkage** is a significant milestone in the **development of infrastructure for cross-border payments** between India and Singapore, and closely **aligns with the G20's financial inclusion priorities** of driving faster, cheaper and more transparent cross-border payments.
    - India is **a member of G20.**
  - The linkage builds upon the **earlier efforts of NPCI International Private Ltd (NIPL)** and Network for Electronic Transfers (NETS, Singapore) to foster cross-border interoperability of payments using cards and QR codes between India and Singapore and **will anchor trade, travel and remittance flows between the two countries.**
    - **NIPL** is the **subsidiary of NPCI to popularise domestic payments technologies** such as UPI and RuPay abroad and co-create payment technologies with other countries.
  - The initiative is in line with its **vision of reviewing corridors and charges for inbound cross-border remittances** outlined in the **Payment Systems Vision Document 2019-21.**
  - From an investing perspective, this will **incentivize more retail investors to access global markets.** Currently, they pay up to Rs.3,000 in inter-bank charges which are **over and above the Liberalised Remittance Scheme (LRS) processing fees** by banks.
    - **LRS** of the **Reserve Bank of India (RBI)** allows resident individuals to remit a certain amount of money during a financial year to another country for investment and expenditure.
- **UPI and Other Indian Payment Systems:**
  - **Unified Payments Interface:**
    - It is **an advanced version of Immediate Payment Service (IMPS)-** round–the-clock funds transfer service to make cashless payments faster, easier and smoother.
    - UPI is a system that **powers multiple bank accounts** into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood.
    - **National Payments Corporation of India (NPCI)** launched UPI with 21 member banks in 2016.
  - **National Electronic Funds Transfer:**
    - NEFT is a nation-wide payment system facilitating one-to-one funds transfer. Under this Scheme, individuals, firms and corporates can electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country participating in the Scheme.
    - There is **no limit – either minimum or maximum –** on the amount of funds that could be transferred using NEFT.
    - However, the **maximum amount per transaction is limited to Rs. 50,000/- for cash-based remittances within India and also for remittances to Nepal** under the Indo-Nepal Remittance Facility Scheme.
  - **RuPay Card Scheme:**
    - The name, derived from the words 'Rupee and 'Payment', emphasises that it is **India's very own initiative for Debit and Credit Card payments.**
    - The card **can also be used for transactions in Singapore, Bhutan, UAE, Bahrain and Saudi Arabia.**

T+1 Settlement System for Shares: SEBI

Why in News

Recently, **Securities and Exchange Board of India (SEBI)** allowed **stock exchanges to start the T+1 system** as an option in place of T+2 for completion of share transactions.

- It has been introduced **on an optional basis in a move to enhance liquidity.**
- **SEBI** is a statutory body established in 1992 in accordance with the provisions of the Securities and Exchange Board of India Act, 1992.

Settlement System

- In the securities industry, the **trade settlement period refers to the time between the trade date** that an order is executed in the market **and the settlement date** when a trade is considered final.
  - On the **last day of the settlement period**, the **buyer becomes the holder** of record of the security.

Key Points

- **About**:
  - If the stock exchange opts for the T+1 settlement cycle for a scrip, it will have to **mandatorily continue with it for a minimum 6 months.**
    - A scrip is a substitute or alternative to legal tender that entitles the bearer to receive something in return.
  - Thereafter, **if it intends to switch back to T+2, it will do so by giving one month's advance notice** to the market. Any subsequent switch (from T+1 to T+2 or vice versa) will be subject to a minimum period.
- **T+1 vs T+2 Settlement:**
  - In T+2, if an investor sells shares, the settlement of the trade takes place in two working days (T+2) and the broker who handles the trade will get the money on the third day, but will credit the amount in the **investor's account only by the fourth day.**
    - In effect, the investor will get the money only after three days.
  - In T+1, settlement of the trade takes place in one working day and the **investor will get the money on the following day.**
    - The move to T+1 will not require large operational or technical changes by market participants, nor will it cause fragmentation and risk to the core clearance and settlement ecosystem.
- **Benefits of T+1 Settlement:**
  - **Reduced Settlement Time**: A shortened cycle not only reduces settlement time but **also reduces and frees up the capital** required to collateralise that risk.
  - **Reduction in Unsettled Trade:** It also **reduces the number of outstanding unsettled trades** at any instant, and thus decreases the unsettled exposure to Clearing Corporation by 50%.
    - The narrower the settlement cycle, the **narrower the time window for a counterparty insolvency/bankruptcy** to impact the settlement of a trade.
  - **Reduction in Blocked Capital:** Further, the **capital blocked in the system to cover the risk of trades will get proportionately reduced** with the number of outstanding unsettled trades at any point of time.
    - **Reduction in Systemic Risks**: A shortened settlement cycle will help in reducing systemic risk.
- **Concerns of Foriegn Investors:**
  - Foreign investors have concerns **about operational issues** they would face while operating from **different geographies - time zones,** information flow process, and foreign exchange problems.
  - They will also find it **difficult to hedge their net India exposure in dollar terms** at the end of the day under the T+1 system.

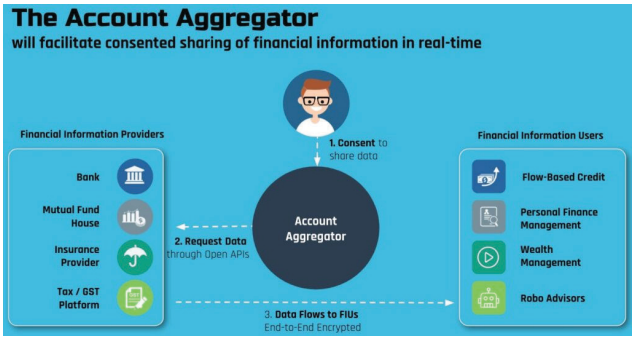
Account Aggregator System

Why in News

Recently, **eight major banks have joined the Account Aggregator (AA) network** that will enable customers to easily access and share their financial data.

Key Points

- **About:**
  - An AA is a framework that simply facilitates **sharing of financial information in a real-time and data-blind manner** (Data flow through AA are encrypted) **between regulated entities** (Banks and NBFCs).



  - The **RBI (Reserve Bank of India) in 2016 approved AA as a new class of NBFC (Non Banking Financial Companies)**, whose primary responsibility is to facilitate the transfer of user's financial data with their explicit consent.

- AAs enable **flow of data between Financial Information Providers (FIPs) and Financial Information Users (FIUs).**
- The architecture of AA is **based on the Data Empowerment and Protection Architecture (DEPA) framework.**
  - DEPA is an architecture that lets users securely access their data and share the same with third parties.

- **Significance:**
  - **For Consumers:**
    - The AA framework allows customers to avail various financial services from a host of providers on a single portal based on a consent method, under which the consumers can choose what financial data to share and with which entity.
    - It permits users to control who gets access to their data, track and log its movement and reduce the potential risk of leakage in transit.
  - **For Banks:**
    - As an addition to India's digital infrastructure, it will allow banks to access consented data flows and verified data. This will help banks reduce transaction costs, which will enable them to offer lower ticket size loans and more tailored products and services to their customers.
  - **Reduce Frauds:**
    - AA reduces the fraud associated with physical data by introducing secure digital signatures and end-to-end encryption for data sharing.

Additional Tier 1 Bonds

Why in News

Recently, **State Bank of India (SBI)** has raised **Rs. 4,000 crore** of the **Basel compliant Additional Tier 1 (AT1) bonds** at coupon rate of 7.72%.

- This is the **first AT1 Bond issuance in the domestic market** post the **new SEBI regulations.**
- This is also the **lowest pricing ever offered on such debt** issued by any Indian bank since the implementation of **Basel III capital rules** in 2013.

Key Points

- **About:**

Bonds

- Bonds are units of **corporate debt** issued by **companies and securitized as tradable assets.**
- A bond is referred to as a **fixed-income instrument** since bonds traditionally paid a fixed interest rate (coupon) to debtholders. **Variable or floating interest rates** are also now quite common.
- **Bond prices are inversely correlated with interest rates**: when rates go up, bond prices fall and vice-versa.
- They **have maturity dates** at which point the principal amount must be paid back in full or risk default.

  - AT1 bonds, also called **perpetual bonds, carry no maturity date** but have a call option. The issuer of such bonds **may call or redeem the bonds if it is getting money at a cheaper rate**, especially when interest rates are falling.
    - They are like **any other bonds issued by banks and companies**, but pay a slightly **higher rate of interest compared to other bonds.**
  - Banks issue these bonds to **shore up their core capital** base to meet the Basel-III norms.
  - These bonds are also **listed and traded on the exchanges.** So, if an AT-1 bondholder needs money, he **can sell it in the secondary market.**
  - Investors **cannot return these bonds to the issuing bank** and get the money. i.e there is **no put option available to its holders.**
  - **Banks issuing AT-1 bonds can skip interest payouts** for a particular year or even reduce the bonds' face value.

- **Regulated By:**
  - **AT-1 bonds are regulated by the Reserve Bank of India (RBI).** If the RBI feels that a bank needs a rescue, it can simply ask the bank to write off its outstanding AT-1 bonds without consulting its investors.

Basel III Norms

- It is an **international regulatory accord** that introduced a set of reforms designed to improve the regulation, supervision and risk management within the banking sector, post 2008 financial crisis.
- Under the Basel-III norms, banks were asked **to maintain a certain minimum level of capital** and not lend all the money they receive from deposits.

- According to Basel-III norms, banks' regulatory capital is divided into **Tier 1 and Tier 2**, while Tier 1 is subdivided into **Common Equity Tier-1 (CET-1) and Additional Tier-1 (AT-1) capital.**
  - Common Equity Tier 1 capital includes **equity instruments where returns are linked to the banks' performance** and therefore the performance of the share price. They have no maturity.
  - Together, **CET and AT-1 are called Common Equity.** Under Basel III norms, minimum requirement for Common Equity Capital has been defined.
- Tier 2 capital consists of **unsecured subordinated debt** with an **original maturity of at least five years.**
  - According to the **Basel norms**, if minimum **Tier-1 capital falls** below 6%, it allows for a write-off of these bonds.

EASE 4.0

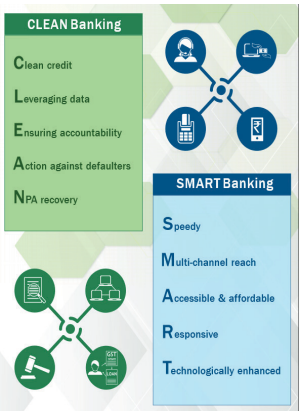
Why in News

Recently, the Union Finance Minister undertook the **annual performance review of the public sector banks** (PSBs) and launched the **EASE 4.0 or Enhanced Access and Service Excellence Reform Agenda.**

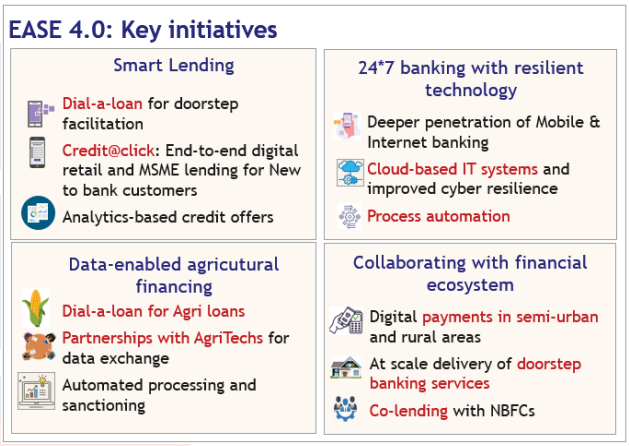
- EASE 4.0 is a common reform agenda for PSBs aimed at institutionalising **clean and smart banking.**

Key Points

- **About Ease 4.0:**
  - EASE 4.0 commits PSBs to **tech-enabled, simplified and collaborative banking** to further the agenda of **customer-centric digital transformation**.
  - Following major themes were proposed under this:
    - **24×7 Banking:** Under EASE 4.0, the theme of new-age 24×7 banking with resilient technology has been introduced to ensure uninterrupted availability of banking services.



    - **Focus on North-East:** Banks have also been asked to come up with specific schemes for the North-East.
    - **Bad Bank:** The proposed **bad bank** is very close to getting a licence.
      - A bad bank is a bank set up to buy the bad loans and other illiquid holdings of another financial institution.
    - **Raising Funds Outside the Banking Sector:** With changed times, now industries have the option of raising funds even from outside the banking sector.
      - Banks themselves are raising funds through various avenues.
      - These new aspects need to be studied to target credit where it is needed.
    - **Leveraging Fintech Sector: Fintech (Financial Technology)**, one such sector that can provide technological help to banks as well as can benefit from help from the banking sector.



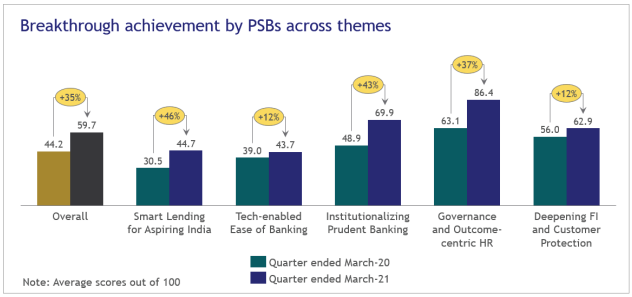
    - **Export Promotion:** Banks will be urged to work with state governments to push the **'one district, one export' agenda.**
- **About EASE Agenda:**
  - It was launched in **January 2018 jointly by the government and PSBs.**
  - It was commissioned through **Indian Banks' Association** and authored by **Boston Consulting Group.**
  - **Various Stages under EASE Reforms Agenda:**
    - **EASE 1.0:** The EASE 1.0 report showed significant improvement in PSB performance in resolution of **Non Performing Assets** (NPAs) transparently.
    - **EASE 2.0:** EASE 2.0 was built on the foundation of EASE 1.0 and introduced new reform Action Points across six themes to make reforms journey irreversible, strengthen processes and systems, and drive outcomes. The six themes of EASE 2.0 are:

- Responsible Banking;
- Customer Responsiveness;
- Credit Off-take,
- PSBs as UdyamiMitra (SIDBI portal for credit management of MSMEs);
- Financial Inclusion & Digitalisation;
- Governance and Human Resource (HR).

- **Ease 3.0:** It seeks to enhance ease of banking in all customer experiences, using technology viz.
  - Dial-a-loan and PSBloansin59 minutes.com.
  - Partnerships with FinTechs and E-commerce companies,
  - Credit@click,
  - Tech-enabled agriculture lending,
  - EASE Banking Outlets etc.

➢ **Performance Under EASE Reforms Agenda:**

- **EASE Reforms Index:** The Index measures performance of each PSB on 120+ objective metrics. The goal is to continue driving change by encouraging healthy competition among PSBs.
- PSBs have done well and come out of **Prompt Corrective Action (PCA)** despite service extended during the pandemic.
  - PCA is a framework under which banks with weak financial metrics are put under watch by the RBI.
- PSBs have recorded phenomenal growth over four quarters since the launch of EASE 3.0 Reforms Agenda in February 2020.



G-sec Acquisition Programme 2.0

Why in News

Recently, the **Reserve Bank of India (RBI)** has announced that it will **conduct an open market purchase of government securities of Rs 25,000 crore under the G-sec Acquisition Programme (G-SAP 2.0).**

➢ Earlier, under **G-SAP 1.0,** the first purchase of government securities for an aggregate amount of Rs. 25,000 crore was made.

Key Points

➢ **Government Securities Acquisition Programme (G-SAP):**

- **About:** The G-Sec Acquisition Programme (G-SAP) is basically **an unconditional and a structured Open Market Operation (OMO)**, of a much larger scale and size.
  - RBI has called the G-SAP as an OMO with a **'distinct character'.**
  - The word 'unconditional' here connotes that RBI has committed upfront that it will buy G-Secs irrespective of the market sentiment.
- **Objective:** To achieve **a stable and orderly evolution of the yield curve along with management of liquidity** in the economy.
- **Significance:** The government will mainly benefit from the G-SAP.
  - By purchasing G-secs, the RBI **infuses money supply into the economy** which inturn keeps the **yield down and lower the borrowing cost of the Government.**
  - The government of India, with its massive borrowing programme (for example, **National infrastructure pipeline project**), can now breathe a sigh of relief as long-term borrowing costs come down.
- **Issues:** Critics of the G-SAP say that the **rupee might get adversely affected.**
  - They are of the view that the G-SAP announcement has already led to **depreciation of the rupee** (a fall in the value of currency)**.**
  - So, critics are pointing to the fact that there is a **trade-off between a tumbling rupee and lower borrowing costs/low yields.**
  - Further, too much liquidity will **drive up inflation.**

➢ **Government Securities:**

- A G-Sec is a **tradable instrument** issued by the Central Government or the State Governments.
- It acknowledges the **Government's debt obligation.** Such securities are short term (usually called

treasury bills, with original **maturities of less than one year**- presently issued in three tenors, namely, 91 day, 182 day and 364 day) or l**ong term (usually called Government bonds** or dated securities with original maturity of one year or more).

- In India, the Central Government issues **both treasury bills and bonds or dated securities** while the State Governments **issue only bonds or dated securities,** which are called the **State Development Loans (SDLs).**
- G-Secs **carry practically no risk of default** and, hence, are called r**isk-free gilt-edged instruments.**
  - Gilt-edged securities are **high-grade investment bonds** offered by governments and large corporations as a means of borrowing funds.

e-RUPI: Voucher Based Digital Payment System

Why in News

The Indian government is going to launch an electronic voucher based digital payment system **e-RUPI.**

- There are already many **countries using the voucher system** for example the **US, Colombia, Chile, Sweden, Hong Kong,** etc.

Key Points

- **e-RUPI:**
  - It is a **cashless and contactless method for digital payment**. It is a **Quick Response (QR) code** or SMS string-based e-voucher, which is delivered to the mobile of the users.
  - The users will be able to **redeem the voucher without needing a card, digital payments app, or internet banking access**, at the service provider.
  - It connects the sponsors of the services with the beneficiaries and service providers in a digital mode **without any physical interface**.
  - The mechanism also **ensures that the payment to the service provider is made only after the transaction is completed**.
  - The system is **pre-paid** in nature and hence, **assures timely payment to the service provider** without the involvement of any intermediary.
- **Different from Virtual Currency:**
  - In effect**, e-RUPI is still backed by the existing Indian rupee** as the underlying asset and specificity of its purpose makes it different to a **virtual currency** and puts it closer to a **voucher-based payment system.**
- **Issuing Entities & Beneficiary Identification:**
  - The one-time payment mechanism has been developed by the **National Payments Corporation of India** on its **Unified Payments Interface (UPI)** platform, in collaboration with the Department of Financial Services, Ministry of Health & Family Welfare, and National Health Authority.
  - It has boarded **banks that will be the issuing entities**. Any corporate or government agency will have to approach the partner banks, which are both private and public-sector lenders, with the details of specific persons and the purpose for which payments have to be made.
  - The **beneficiaries will be identified using their mobile number and a voucher allocated by a bank** to the service provider in the name of a given person would only be delivered to that person.
- **Uses:**
  - **Government Sector:**
    - It is expected to **ensure a leak-proof delivery of welfare services** and can also be **used for delivering services under schemes** meant for providing drugs and nutritional support under Mother and Child welfare schemes, drugs & diagnostics under schemes like **Ayushman Bharat Pradhan Mantri Jan Arogya Yojana**, fertiliser subsidies etc.
  - **Private Sector:**
    - Even the private sector can leverage these digital vouchers as part of their employee welfare and **Corporate Social Responsibility (CSR)** programmes.

- **Significance:**
  - The government is already working on developing a **Central Bank Digital Currency** and the launch of e-RUPI could **potentially highlight the gaps in digital payments infrastructure** that will be necessary for the success of the future digital currency.
- **Future of Digital Currency in India:** According to the **Reserve Bank of India (RBI)**, there are at least **four reasons why digital currencies are expected to do well in India:**
  - **Increasing Penetration:** There is **increasing penetration of digital payments** in the country that exists alongside sustained interest in cash usage, especially for small value transactions.
  - **High Currency to GDP Ratio:** India's high currency to **Gross Domestic Product (GDP)** ratio holds out another benefit of CBDCs.
    - **Cash-to-GDP Ratio** or Currency in Circulation (CIC) to GDP Ratio or simply currency-to-GDP ratio shows the value of cash in circulation as a ratio of GDP.
  - **Spread of Virtual Currencies:** The spread of private virtual currencies such as Bitcoin and Ethereum may be yet another reason why CBDCs become important from the point of view of the central bank.
  - **Will Act as a Cushion:** Central bank digital currencies might also **cushion the general public in an environment of volatile private virtual currencies.**

Non-Bank PSPs to Join Centralised Payment System

Why in News

Recently, the **Reserve Bank of India (RBI) allowed non-bank Payment System Providers (PSPs)** to participate **in Centralised Payment Systems (CPS - RTGS and NEFT)**, as direct members.

Key Points

- **Allowed in a Phased Manner:**
  - In the first phase, PSPs such as **Prepaid Payment Instruments (PPIs), card networks and White Label ATM (WLA) operators** will be allowed access.
    - ATMs set up, owned and operated by non-banks are called **WLAs**.
  - Presently, **only banks and select non-banks** such as **NABARD** (National Bank for Agriculture and Rural Development) and **Exim Bank** (Export-Import Bank of India) are allowed access to CPS owned by RBI – NEFT and RTGS.
- **Separate IFSC to Non-Banks:**
  - It means allotment of a separate **Indian Financial System Code (IFSC) to non-banks**, opening a current account with the RBI in its **core banking system (e-Kuber)** and maintaining a settlement account with the RBI.
    - **IFSC** represents the 11 digit character code that helps identify the individual bank branches that participate in the various online money transfer options like NEFT and RTGS.
    - **Core Banking System** is a solution that enables banks to offer a multitude of customer-centric services on a 24x7 basis.
  - It will also mean **membership of Indian Financial Network (INFINET)** and **use of Structured Financial Messaging System (SFMS)** to communicate with CPS.
    - **INFINET** is a membership-only Closed User Group (CUG) Network that comprises the RBI, Member Banks and Financial Institutions.
    - **SFMS** is India's backbone for inter-bank financial messaging & CPS.

Centralised & Decentralised Payment Systems

- CPS in India are **Real Time Gross Settlement (RTGS)** and **National Electronic Funds Transfer (NEFT) systems**, both owned and operated by the Reserve Bank.
- **RTGS:** It enables **real-time transfer of funds to a beneficiary's account** and is **primarily meant for large-value transactions.**
  - Real time means the processing of instructions at the time they are received and gross settlement implies that settlement of funds transfer instructions occurs individually.
- **NEFT:** It is **an electronic fund transfer system in which the transactions received up to a particular time are processed in batches.**
  - It is generally used for fund transfers of up to Rs. 2 lakh.
- The **decentralised payment systems** will include **clearing houses managed by RBI (Cheque Truncation**

System (CTS) centres) as well as **other banks (Express Cheque Clearing System (ECCS) centres)** and any other system as decided by RBI from time to time.

E-Kuber

- e-Kuber is the **Core Banking Solution of the Reserve Bank of India** which was introduced in 2012.
- The centralisation thus makes **a "one-stop" shop for financial services a reality.** Using CBS, customers can access their accounts from any branch, anywhere, irrespective of where they have physically opened their accounts.
- Almost **all branches of commercial banks**, including the Regional Rural Banks (RRBs), are brought into the core-banking fold.
- The e-kuber system can be accessed either **through INFINET or Internet.**

Deal/Agreements

Global Minimum Tax Deal

Why in News

Recently, the **Organisation for Economic Cooperation and Development (OECD)** has announced that **a global deal to ensure big companies pay a Global Minimum Tax (GMT) rate of 15% has been agreed by 136 countries (including India).**

- The countries behind the accord together accounted for over **90% of the global economy.**

Key Points

- **About GMT:**
  - **Objective:** GMT is tailored **to address the low effective rates of tax shelled out by some of the world's biggest corporations,** including Big Tech majors such as Apple, Alphabet and Facebook.
    - These companies typically rely on complex webs of subsidiaries to hoover profits out of major markets into **low-tax countries or Tax Havens** such as Ireland, the British Virgin Islands, the Bahamas, or Panama.
    - GMT aimed at squeezing the opportunities for **MultiNational Enterprises** (MNEs) to indulge in profit shifting, ensuring they pay at least some of their taxes where they do business.
  - **Proposed Two Pillar Solution:** The global minimum tax rate would **apply to overseas profits of multinational firms with $868 million in sales** globally.
    - **Pillar 1 (Minimum tax and subject to tax rules):**Governments could still set whatever local corporate tax rate they want, but if companies pay lower rates in a particular country, their home governments could "top up" their taxes to the 15% minimum, eliminating the advantage of shifting profits.
    - **Pillar 2 (Reallocation of additional share of profit to the market jurisdictions):** Allows countries where revenues are earned to tax 25% of the largest multinationals' so-called excess profit – defined as profit in excess of 10% of revenue.
  - **Timeline:** The agreement calls for countries to bring it into law in 2022 so that it **can take effect by 2023.**
    - Countries that have in recent years created national digital services taxes (For example, **equalization levy** by the Indian Government) will have to repeal them.
  - **Impact:** The minimum tax and other provisions **aim to put an end to decades of tax competition between governments to attract foreign investment.**
    - The economists expect that the deal will encourage multinationals to repatriate capital to their country of headquarters, giving a boost to those economies.

- **Need for GMT:**
  - **Stopping Financial Diversion to Tax Havens:** Increasingly, income from intangible sources such as drug patents, software and royalties on intellectual property has migrated to Tax Havens, allowing companies to avoid paying higher taxes in their traditional home countries.
  - **Mobilising Financial Resources**: With budgets strained after the Covid-19 crisis, many governments want more than ever to discourage multinationals from shifting profits – and tax revenues – to low - tax countries regardless of where their sales are made.
    - The OECD has estimated that the minimum tax will generate $150 billion in additional global tax revenues annually.
  - **Global Tax Reforms:** Since the inception of the **Base Erosion and Profit Shifting (BEPS) programme,** the proposal for GMT is another positive step towards global taxation reforms.
    - **BEPS** refers to tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations. OECD has issued **15 Action Items** to address this.
- **Associated Challenges:**
  - **Impending Sovereignty:** It impinges on the right of the sovereign to decide a nation's tax policy.
    - A global minimum rate would essentially take away a tool countries use to push policies that suit them.
  - **Tight Timeline:** Also, bringing in laws by next year so that it can take effect from 2023 is a tough task.
  - **Question of Effectiveness:** The deal has also been criticised for lacking teeth: Groups such as Oxfam said the deal would not put an end to tax havens.

Organisation for Economic Cooperation and Development

- The OECD is **an intergovernmental economic organisation**, founded to stimulate economic progress and world trade.
- **Founded:** 1961.
- **Headquarters**: Paris, France.
- **Total Members:** 36.
- **India is not a member**, but a key economic partner.

India-US Digital Tax Deal

Why in News

Recently, India and the United States have agreed for a **transitional approach on equalisation levy or digital tax on e-commerce supplies** beginning from 1st April, 2022.

- Earlier in January 2021, the Office of the **United States Trade Representative (USTR)** had said that the **Digital services taxes adopted** by India, Italy and Turkey **discriminate against US companies.**

Key Points

- **Background:**
  - On 8th October, 2021, 136 countries, including India, agreed to enforce a **minimum corporate tax rate** (Global tax Deal) of 15%, as well as an equitable system of taxing profits of big companies in markets where they are earned.
    - The deal **requires countries to remove all digital services tax** and other similar unilateral measures.
  - After that, the **US, Austria, France, Italy, Spain and the United Kingdom reached an agreement** on a transitional approach to existing unilateral measures while implementing Pillar one
- **India-US Deal:**
  - India and the US have agreed that the **same terms (as agreed by US, Austria, France, Italy, Spain and the United Kingdom) shall apply between the US and India with respect to India's charge of 2% equalisation levy** on **e-commerce** supply of services and the US' trade action regarding the said Equalisation Levy.
  - Under the agreement, India will continue to impose the levy till March 2024, or till the implementation of the Pillar 1 of the **Organisation for Economic Cooperation and Development (OECD)** agreement on taxing multinationals and cross-border digital transactions.
    - India and the US will **remain in close contact to ensure that there is a common understanding** of the respective commitments and endeavour to resolve any further differences of views on this matter through constructive dialogue.

- The **US will terminate the trade tariff actions** it had announced in response to the levy and will not take any further actions.

- **Significance of India-US Deal:**
  - It is beneficial to India as it **can carry on with the present 2% levy with certainty** until Pillar One takes into effect, along with a commitment from the US side to terminate the proposed trade actions and not to impose further actions as well.
  - This would **help prevent the tax loss arising due to online transactions** as India has to roll back **Equalisation Levy (EL) 2.0** any way after Pillar 1.
    - It is to be kept in mind that **Pillar 1 only applies to companies with a global turnover above 20 billion euros**, which is precisely top 100 companies.

Digital Services Taxes (DSTs)

- These are the **adopted taxes on revenues** that certain companies generate from providing certain digital services. E.g. digital multinationals like Google, Amazon and Apple etc.
- The **OECD** is currently hosting negotiations with over 130 countries that aim to adapt the international tax system. One goal is to address the tax challenges of the digitalization of the economy.
  - Some experts argue that a **tax policy designed to target a single sector** or activity is likely to be unfair and have complex consequences.
  - Further, the digital economy **cannot be easily separated out** from the rest of the global economy.

India's Tax on Digital Companies

- The government had moved an amendment in the **Finance Bill 2020-21 imposing a 2% Digital Service Tax (DST)** on trade and services by non-resident e-commerce operators with a turnover of over Rs. 2 crore.
  - This effectively **expanded the scope of equalisation levy** that, till 2020, only applied to digital advertising services.
  - Earlier, the **equalisation levy (at 6%) was introduced in 2016** and imposed on the revenues generated on business-to-business digital advertisements and allied services of the resident service provider.
- The new levy came into effect from **1st April 2020**. **E-commerce operators are obligated to pay the tax at the end of each quarter.**

G7 Digital Trade Principles

Why in News

Recently, the **Group of Seven (G7)** wealthy nations agreed on **a joint set of principles to govern cross-border data use and digital trade.**

- The deal is a **first step in reducing trade barriers**, and could lead to a common rulebook of **digital trade.**
- Earlier, **India attended the 47th G7 Summit as a guest country.**

Key Points

- **Digital Trade:** It is broadly defined as **trade in goods and services that is either enabled or delivered digitally,** encompassing activities from the distribution of films and TV to professional services.
- **G7 Digital Trade Principles:**
  - **Open Digital Markets:** Digital and telecommunications markets should be competitive, transparent, fair, and accessible to international trade and investment.
  - **Cross Border Data Flows:** To harness the opportunities of the digital economy and support the trade of goods and services, data should be able to flow freely across borders with trust, including the trust of individuals and businesses.
  - **Safeguards for Workers, Consumers, and Businesses:** Labour protections must be in place for workers who are directly engaged in or support digital trade, providing decent conditions of work.
  - **Digital Trading Systems:** To cut red tape and enable more businesses to trade, governments and industry should drive forward the digitisation of trade-related documents.
  - **Fair and Inclusive Global Governance:** Common rules for digital trade should be agreed and upheld at the **World Trade Organization (WTO).**

- These rules should benefit workers, consumers, and businesses in developing economies, as well as those in developed economies, while safeguarding each country's right to regulate for legitimate public policy objectives.

- **Significance:**
  - **Middle Ground:** The deal sets out a middle ground **between highly regulated data protection regimes used in European countries and the more open approach of the United States.**
    - The deal envisages removing unjustified obstacles to cross-border data flows, while continuing to address privacy, data protection, the protection of **intellectual property rights**, and security.
  - **Liberalise Digital Trade:** The agreement reached by the elite global group is considered to be significant as **it could liberalise hundreds of billions of dollars of digital trade.**
    - Enabling cross border data flows and clarifying the framework for processing and storing data will be required to further expand the contribution of digital exports.
- **Associated Concerns:**
  - The G7 countries have **raised concerns about situations where data localisation requirements are being used for protectionist and discriminatory purposes.**
  - The statement assumes significance as **India has been contemplating measures for data localisation.**
    - Recently, India has scored **90.32% in UNESCAP Global Survey on Digital and Sustainable Trade Facilitation.**
    - In **2018**, the **economic value of digital trade-enabled benefits to the Indian economy** is estimated to be worth up to **USD 35 billion.**

Data Localisation

- **About:** Data localisation is the **practice of storing data on any device that is physically present within the borders of the country** where the data is generated. As of now, most of this data is stored, in a cloud, outside India.
  - Localisation mandates that companies collecting critical data about consumers must store and process them within the borders of the country.
- **Advantages of Data Localisation:**
  - **Secures citizen's data and provides data privacy and data sovereignty** from foreign surveillance. Example - Facebook shared user data with Cambridge Analytica to influence voting.
  - Unfettered supervisory access to data **will help Indian law enforcement ensure better monitoring.**
- **Disadvantages of Data Localisation:**
  - Maintaining multiple local data centres may lead to **significant investments** in infrastructure and higher costs for global companies.
  - **Splinternet or 'fractured internet'** where the domino effect of protectionist policy can lead to other countries following suit.
- **Indian Scenario:**
  - Recently, the **Reserve Bank of India (RBI) barred three foreign card payment network firms** from taking new customers on board **over the issue of storing data in India.**
  - India is contemplating an umbrella legislation on data protection, the **Personal Data Protection Bill, 2019.**
  - As per the bill, the Central Government shall notify categories of personal data as **critical personal data** that shall **only be processed in a server or data centre located in India.**
  - The **Justice BN Srikrishna committee** has recommended setting up of a data protection authority and placing restrictions on cross-border data flows.
  - India is also opposed to joining any global deal on e-commerce with the Prime Minister **refusing to sign the Osaka Track,** an overarching framework promoting cross-border data flow, at the recently held **G-20 summit.**

Agreement on Agriculture: WTO

Why in News

Recently, while addressing the **G-33** Virtual Informal Ministerial Meeting, India's Commerce and Industry Minister pointed out the imbalances in the **Agreement on Agriculture** at the **World Trade Organization (WTO).**

- He claimed that it was in **favour of developed countries** and historical asymmetries and imbalances must be corrected to ensure a **rule-based, fair and equitable order.**

- He urged that G33 must strive for positive outcomes on a permanent solution to **Public Stockholding (PSH)** for food security purposes, finalization of a **Special Safeguard Mechanism (SSM)** quickly and a balanced outcome on Domestic Support.

G-33

- It is a **forum of developing countries formed during the Cancun ministerial conference of the WTO**, to protect the interest of the developing countries in agricultural trade negotiations.
  - **India is a part of the G33**, which is a **group of 47 developing and least developed countries.**
- It was created in order **to help group countries** which were all **facing similar problems.** The G33 has **proposed special rules for developing countries** at WTO negotiations, like allowing them to continue to restrict access to their agricultural markets.

Key Points

- **About:**
  - It is aimed **to remove trade barriers and to promote transparent market access and integration of global markets**.
  - The **WTO's Agriculture Committee** oversees implementation of the Agreement and provides a forum for members to address related concerns.
- **Three pillars of Agreement on Agriculture:**
  - **Domestic Support:** It calls for **reduction in domestic subsidies** that distorts free trade and fair price.
    - Under this provision, the **Aggregate Measurement of Support (AMS) is to be reduced by 20%** over a period of 6 years by developed countries and 13% over a period of 10 years by developing countries.
    - Under this, Subsidies are categorized into:

Green Box	Amber Box	Blue Box
▪ Subsidies that **do not distort trade**, or at most cause minimal distortion. ▪ They are **government-funded** and must not involve price support. ▪ They also include **environmental protection and regional development programmes.** ▪ "Green box" subsidies are therefore **allowed without limits**, provided they comply with the policy-specific criteria.	▪ All domestic support measures considered to **distort production and trade (with some exceptions) fall into the amber box** as all domestic supports except those in the blue and green boxes. ▪ These include **measures to support prices, or subsidies directly related to production** quantities.	▪ This is the **"amber box with conditions".** Such conditions are designed to reduce distortion. ▪ Any support that would normally be in the amber box is placed in the blue box if the support also requires farmers to limit production. ▪ At present, **there are no limits on spending on blue box subsidies.**

  - **Market Access:** Market access for goods in the WTO means the **conditions, tariff and non-tariff measures, agreed by members** for the entry of specific goods into their markets.
    - Market access requires that **tariffs fixed (like custom duties) by individual countries be cut progressively** to allow free trade. It also required countries to remove non-tariff barriers and convert them to Tariff duties.
  - **Export Subsidy:** Subsidy **on inputs of agriculture,** making export cheaper or other incentives for exports such as import duty remission etc are included under export subsidies.
    - These can **result in dumping of highly subsidized** (and cheap) products in other countries and damage the domestic agriculture sector of other countries.

World Trade Organization

- It came into being in 1995. The WTO is the successor to the **General Agreement on Tariffs and Trade** (GATT) established in the wake of the **Second World War.**
  - Its objective is to help **trade flow smoothly, freely and predictably.**
  - It has **164 members**, accounting for **98% of world trade**.
- It was developed through a series of trade negotiations, or rounds, held under the GATT.
  - **GATT** is a set of multilateral trade agreements aimed at the **abolition of quotas and the reduction of tariff duties** among the contracting nations.
- The WTO's rules – the agreements – are the **result of negotiations between the members.**
  - The current set is largely the outcome of the **1986-94 Uruguay Round negotiations,** which included a major revision of the original GATT.
- The WTO **Secretariat** is based in **Geneva** (Switzerland).
- **Other Mechanisms of WTO**
  - **Trade Related Aspects of Intellectual Property Rights (TRIPS)**
  - **Trade Facilitation Agreement**
  - General Agreement on Trade in Services (GATS)
  - **Trade Policy Review Mechanism**

Tax Havens in the United States

Why in News

Recently, a report informed how world leaders and some of the **world's wealthiest people hide their riches in the United States (US)**.

- The information on the report has drawn new scrutiny to the growth of **tax havens**.
- The release of the **Pandora Papers** has shed light on the financial dealings of the **elite and the corrupt and how they have used offshore accounts and tax havens** to shield trillions of dollars in assets.

Key Points

- **About:**
  - A tax haven is generally an **offshore country that offers foreign individuals and businesses little or no tax liability** in a politically and economically static environment.
  - **Characteristics of tax haven** countries generally include no or low-income taxes, minimal reporting of information, lack of transparency obligations, lack of local presence requirements, and marketing of tax haven vehicles.
  - Generally, tax havens **do not require residency or business presence** for individuals and businesses to benefit from their tax policies.
  - Individuals and corporations can **potentially benefit from low or no taxes charged** on income in foreign countries where loopholes, credits, or other special tax considerations may be allowed in accordance with the law.
- **Popular Tax Havens:**
  - A list of some of the most popular tax haven countries includes Andorra, the Bahamas, Bermuda, the British Virgin Islands, the Cayman Islands, the Channel Islands, the Cook Islands, Hong Kong, Mauritius, Lichtenstein, Monaco, Panama, British Virgin Islands, and the Cayman Islands.
- **Regulatory Oversight:**
  - Worldwide, there are some programs in place to increase the enforcement of offshore investment reporting.
  - The **Automatic Exchange of Financial Information** is one example, overseen by the **Organization for Economic Co-operation and Development (OECD).**

Pandora Papers Leak

Why in News

Recently, several prominent Indian names have been included in the **Pandora Papers leak.**

- There are over **300 Indian names** in the leak, including over **60 prominent ones.**
- Pandora Papers are **11.9 million leaked files from 14 global corporate services firms** which set up about 29,000 **off-the-shelf companies** and **private trusts.**

Trust

- **About**:
  - A trust can be described as a **fiduciary arrangement where a third party, referred to as the trustee, holds assets** on behalf of individuals or organisations that are to benefit from it.
  - A trust is **not a separate legal entity, but its legal nature comes from the 'trustee'.** At times, the 'settlor' appoints a 'protector', who has the powers to supervise the trustee, and even remove the trustee and appoint a new one.
- **Indian Law:**
  - The **Indian Trusts Act, 1882**, gives legal basis to the concept of trusts. Indian laws **recognise the trust as an obligation of the trustee** to manage and use the assets settled in the trust for the benefit of 'beneficiaries'. India also recognises offshore trusts.

Off-the-Shelf Company

- An 'off-the-shelf' company or **ready-made company is a pre-registered limited company**, however, it has never been traded. An 'off-the-shelf' company **is ready for immediate use** and can be purchased after paying a certain cost for it.

Key Points

- **About**:
  - The Pandora Papers **reveal how trusts are used as a vehicle in conjunction with offshore companies set up for the sole purpose of holding investments** and other assets by business families and ultra-rich individuals.
    - The trusts can be set up in known **tax havens which offer relative tax advantages.**
    - **For Example:** Samoa, Belize, Panama, and the British Virgin Islands.

- They reveal **how the rich set up complex multi-layered trust structures for estate planning**, in jurisdictions which are loosely regulated for tax purposes, but characterised by air-tight secrecy laws.
- Businesses have created **a new normal** after countries have been forced to tighten the laws on such offshore entities with rising concerns of **money laundering, terrorism funding,** and **tax evasion.**
  - The **Panama and Paradise Papers** dealt largely with offshore entities set up by individuals and corporations respectively.

- **Reasons for Setting up Trusts Overseas:**
  - **Secrecy:**
    - Overseas trusts offer remarkable secrecy because of **stringent privacy laws** in the jurisdiction they operate in.
  - **Maintain a Degree of Separation:**
    - Businesspersons set up private offshore trusts to project a degree of **separation from their personal assets.**
  - **Avoid Tax in the Guise of Planning:**
    - Businesspersons avoid their Non-resident Indians (NRI) children being taxed on income from their assets by transferring all the assets to a trust.
  - **Prepare for Estate Duty Eventuality:**
    - There is a pervasive **fear that estate duty,** which was abolished back in 1985 will likely be re-introduced soon.
    - Setting up trusts in advance will **protect the next generation from paying the death/ inheritance tax**, which was as high as 85% in the more than three decades after its enactment (The Estate Duty Act, 1953).
  - **Flexibility in a Capital-Controlled Economy:**
    - India is a **capital-controlled economy.** Individuals can invest only USD 2,50,000 a year under the **Reserve Bank of India's Liberalised Remittance Scheme (LRS).**
    - To get over this, businesspersons have turned to NRI , and under **Foreign Exchange Management Act, 1999,** NRIs can remit USD 1 million a year in addition to their current annual income, outside India.
      - Further, the tax rates in overseas jurisdictions are much lower than the 30% personal Income-Tax rate in India

- **Grey Areas of Indian Taxation:**
  - There are certain **grey areas of taxation where the Income-Tax Department is in contest with offshore trusts.**
  - After the **Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015,** came into existence, resident Indians have to report their foreign financial interests and assets.
    - **NRIs** are not required to do so.
  - The I-T Department may consider an offshore trust to be a resident of India for taxation purposes if the trustee is an Indian resident.
  - In cases where the trustee is an offshore entity or an NRI, if the tax department **establishes the trustee is taking instructions from a resident Indian, then too the trust may be considered a resident of India** for taxation purposes.

- **Government's Initiatives:**
  - **Legislative Action:**
    - **The Fugitive Economic Offenders Act, 2018**
    - **The Central Goods and Services Tax A**ct, 2017
    - **The Benami Transactions (Prohibition) Amendment Act, 2016**
    - **The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015**
    - **Prevention of Money Laundering Act, 2002.**
  - **International Cooperation:**
    - **Double Taxation Avoidance Agreements (DTAAs):**
      - India is proactively engaging with foreign governments with a view to facilitate and enhance the exchange of information under **Double Taxation Avoidance Agreements (DTAAs)/Tax Information Exchange Agreements (TIEAs)/Multilateral Conventions.**
    - **Automatic Exchange of Information:**
      - India has been a leading force in the efforts to forge **a multilateral regime for proactive sharing of financial information** known as Automatic Exchange of Information which will greatly assist the global efforts to combat tax evasion.
    - **Foreign Account Tax Compliance Act of USA:**
      - India has entered into an information sharing agreement with the USA under the act.

Launch of Supply Chain Resilience Initiative

Why in News

The Trade Ministers of **India, Japan** and **Australia** have formally launched the **Supply Chain Resilience Initiative (SCRI).**

- The **SCRI aims** to create **a virtuous cycle of enhancing supply chain resilience** with a view to eventually attaining strong, sustainable, balanced and **inclusive growth in the Indo-Pacific region.**
- **The trio** (India, Japan and Australia) **along with the US** makes **Quad grouping.**

Key Points

- **Supply Chain Resilience (Concept):**
  - **Meaning:** In the context of international trade, supply chain resilience is an approach that **helps a country to ensure that it has diversified its supply risk across a clutch of supplying nations** instead of being dependent on just one or a few.
  - **Importance:** In **unanticipated events** -whether natural, such as volcanic eruptions, **tsunamis, earthquakes** or even a pandemic; or manmade, such as an armed conflict in a region — that **disrupt supplies from a particular country** or even intentional halts to trade, **could adversely impact economic activity in the destination country.**
- **Supply Chain Resilience Initiative:**
  - **Background:**
    - The **Covid-19 pandemic was having an unprecedented impact in terms of lives lost, livelihoods and economies affected,** and that the pandemic had **revealed supply chain vulnerabilities globally** and in the region.
  - **About:**
    - **Objectives:**
      - To **attract foreign direct investment** to turn the Indo-Pacific into an "economic power-house".
      - To build a mutually **complementary relationship among partner countries.**
      - To work out a plan to **build on the existential supply chain network.** Japan and India, for example, have an India-Japan competitiveness partnership dealing with locating the Japanese companies in India.
    - **Features:**
      - The SCRI, first **proposed by Japan, aims to reduce dependence on China** amid a likelihood of rechurning of supply chains in the Indo-Pacific region amid the Covid-19 pandemic.
      - **Initially**, SCRI will **focus on sharing best practices on supply chain resilience and holding investment promotion events** and buyer-seller matching events to provide opportunities for stakeholders to explore the possibility of diversification of their supply chains.
      - Joint measures may include **supporting the enhanced utilisation of digital technology and trade and investment diversification.**
      - **Expansion of the SCRI may be considered based on consensus**, if needed, in due course. The **ministers have decided to convene at least once a year** to provide guidance to the implementation and development of the SCRI.
        - This **assumes significance in the wake of Japan's keenness to onboard the ASEAN in the initiative**, something that **India has opposed**.
        - **India wants to safeguard its interests from China's indirect influence through the bloc (ASEAN)** as it builds on its self-reliance through reduced dependence on imports.
- **Significance to India:**
  - Following the **border tensions with China**, partners such as Japan have sensed that India may be ready for dialogue on alternative supply chains.
  - **China still remains a large source of critical imports for India**, from mobile phone components to pharmaceutical ingredients. An internal push to suddenly cut links with China would be impractical.
  - Over time, **if India enhances self-reliance or works with exporting nations other than China**, it **could build resilience into the economy's supply networks.**

Waiving Intellectual Property Protection for Covid-19 Vaccines

Why in News

The **United States** has announced the **support for waiving Intellectual Property (IP) protection for Covid-19 vaccines.**

- The decision is a breakthrough in India and South Africa's attempts to get **World Trade Organisation (WTO)** member countries to agree to such a waiver to fight the pandemic equitably.

Key Points

- **About:**
  - The **1995 agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)** requires ratifying countries to adopt a minimum standard of intellectual property rights to protect creators and promote innovation.
  - **India and South Africa** have **proposed a waiver from the implementation** and application **of certain provisions of the TRIPS Agreement** (waiving IP rights like patents, copyright, and trademarks) **for prevention, containment or treatment of Covid-19.**
  - **If the waiver is granted,** WTO member countries will not be under an obligation, for a temporary period, to either grant or enforce patents and other IP-related rights to Covid-19 drugs, vaccines, and other treatments.
    - This will immunise the measures adopted by countries to vaccinate their populations from claims of illegality under WTO law.
- **Need to Waive Patents on Covid Vaccines**:
  - **Monopoly of Drug Companies**: At present, only drug companies which own patents are authorised to manufacture Covid vaccines.
    - A lifting of patents will allow the formula to be shared with other companies.
  - **Vaccine Cost**: Once the formula is shared, any company which possesses the required technology and infrastructure can produce vaccines.
    - This will lead to **cheaper and more generic versions of Covid vaccines** and will be **a big step in overcoming vaccine shortage.**
  - **Inequitable Distribution of Vaccines:** This has opened up a glaring gap between developing and wealthier countries now.
    - The countries having surplus doses of vaccines have already vaccinated a considerable percentage of their population and are returning to normalcy.
    - Whereas, the poorer nations continue to face shortages, have overburdened healthcare systems and hundreds dying daily.
  - **Against the Interests of the World**. The longer Covid circulates in developing nations, there is a greater chance of more vaccine-resistant, deadly mutations of the virus emerging.
- **Significance for India:**
  - **Help in Increasing Production**: The bulk of the vaccine doses produced in India are taken up by foreign countries which **could pay more for the doses**.
    - This move can help **scale up production to meet demand** besides making the vaccines **more affordable for everyone**.
  - **Preparation for the Third Wave:** Indian authorities have stated that the third wave of the pandemic is inevitable.
    - Once the number of cases and deaths plateau, addressing shortages and making more affordable vaccines readily accessible could be the best way to prepare for the surge once again.
- **Counter Arguments:**
  - **Vaccine Quality and Safety may get Compromised**: Lifting of patents would be a compromise on control of safety and quality standards for vaccine manufacturing.
  - **Disincentive Pharmaceutical Companies**: Lifting of patents would be a huge deterrent to investing heavily on vaccine development during pandemics in the future.
  - **Can Lead to Confusion:** Eliminating those protections would undermine the global response to the pandemic, including ongoing effort to tackle new variants.
    - It will create confusion that could potentially undermine public confidence in vaccine safety, and create a barrier to information sharing.

Infrastructure

PM MITRA Parks

Why in News

Recently, the Government has approved setting up of **7 PM Mega Integrated Textile Region and Apparel (PM MITRA) Parks** in Greenfield/Brownfield sites with an outlay of Rs. 4445 cr for a period of **seven years upto 2027-28.**

- The Government of India is implementing the Scheme for **Integrated Textile Park (SITP)** which provides support for creation of world-class infrastructure facilities for setting up of textile units.

Key Points

- **Funding:**
  - The centre will provide **development capital support** for the development of common infrastructure of Rs 500 crore for each **greenfield MITRA park** and upto Rs 200 crore for **each brownfield park.**

  - **Greenfield** describes a completely new project that has to be executed from scratch, while a **brownfield** project is one that has been worked on by others.
- **Eligibility for Incentives:**
  - An additional **Rs 300 crore will be provided as Competitiveness Incentive** Support for the early establishment of textiles manufacturing units in each of these parks.
  - Investors who set up **"anchor plants" that employ at least 100 people will be eligible for incentives** of upto Rs 10 crore every year for upto three years.
- **Significance:**
  - Reduce Logistics Cost
  - Employment Generation
  - Attract **Foreign Direct Investment (FDI)**

Tariff Guidelines for the PPP Projects in Major Ports

Why in News

The **Ministry for Ports, Shipping & Waterways** has announced the **new Tariff Guidelines, 2021** for the **Public-Private Partnership (PPP) projects** in Major Ports.

- The new guidelines have been released in consonance of **Major Port Authority Act, 2021.**

Key Points

- **New Guidelines:**
  - **Existing Scenario:** The PPP concessionaires at Major Ports were **constrained to operate under the stipulations of guidelines (by Tariff Authority** for Major Ports (TAMP)).
    - On the other hand, **private operators/PPP concessionaires at non-major ports were free** to charge tariffs as per market conditions.
    - Concessionaire can be a person or company that has the right to sell a product or to run a business in PPP projects.
    - **TAMP stands abolished** according to the Major Port Authority Act, 2021.
  - **Transition to Market-linked Tariffs:** Currently, major port's PPP concessionaires handle around 50% of the total traffic handled by all the major ports in India.

- The new guidelines **allow the concessionaires at major ports to set tariffs as per market dynamics.**

- **Significance of these Guidelines:**
  - The **biggest benefit of transition to market linked tariff** is that a **level playing field** will be provided to the PPP concessionaires at Major Ports to compete with private ports.
  - This is a major reform initiative as the Government moves towards **deregulation of tariffs for PPP Projects at Major Ports.**
- **Major Port Authority Act, 2021:**
  - In February 2021, Parliament passed the **Major Port Authorities Bill, 2020**, which seeks to provide **greater autonomy and flexibility t**o major ports in the country and professionalise their governance.
  - **Objectives:**
    - **Decentralization:** It has granted port authority the power to fix tariffs, which will serve as a reference tariff for purposes of bidding for PPP projects.
    - **Trade and Commerce:** To promote the expansion of port infrastructure and facilitate trade and commerce.
    - **Decision Making:** It imparts faster and transparent decision making benefiting the stakeholders and better project execution capability.
    - **Reorienting Models:** Reorienting the governance model in central ports to **landlord port model** in line with the successful global practice.
      - In the Landlord Port Model, ports own the land and basic infrastructure, with operations and management being leased out to private players.

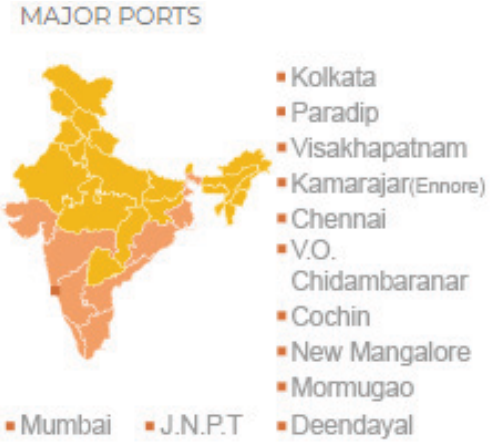
Major Ports in India

- **Legal Provisions:** Major Ports are under the **Union list of the Indian Constitution** and are administered under the **Indian Ports Act 1908** and the **Major Port Trust Act, 1963.**
- **Number of Major Ports:** There are **12 major ports** and **200 non-major ports** (minor ports) in the country.
  - Major ports includes Deendayal (erstwhile Kandla), Mumbai, JNPT, Marmugao, New Mangalore, Cochin, Chennai, Kamarajar (earlier Ennore), V O Chidambaranar, Visakhapatnam, Paradip and Kolkata (including Haldia).

Public-Private Partnership (PPP) Projects

- Public-private partnerships involve **collaboration between a government agency and a private-sector company** that can be used to finance, build, and operate projects, such as public transportation networks, parks, and convention centers.
  - Financing a project through a public-private partnership can allow a project to be completed sooner or make it a possibility in the first place.
- **Different Models of PPP:** Commonly adopted model of PPPs include **Build-Operate-Transfer (BOT), Build-Own-Operate (BOO), Build-Operate-Lease-Transfer (BOLT), Design-Build-Operate-Transfer (DBFOT), Lease-Develop-Operate (LDO), Operate-Maintain-Transfer (OMT)**, etc.
  - These models are different on level of investment, ownership control, risk sharing, technical collaboration, duration, financing etc.

- **Major Ports vs Minor Ports:** Ports in India are classified as Major and Minor Ports according to the jurisdiction of the Central and State government as defined under the Indian Ports Act, 1908.
  - The **Major Ports** are owned and managed by the **Central Government.**
  - The **Minor ports** are owned and managed by the **State Governments.**
- **Administration of Major Ports:** Each major port is governed by a **Board of Trustees** appointed by the Government of India.
  - The Trusts operate on the basis of policy directives and orders from the **Government of India.**



- **PPP Projects in Ports:** PPPs in the ports sector in India have been witnessed in the operations and

management of ports, and construction of deep water ports, container terminals, shipping yards and bulk ports.

Tight/Shale Oil

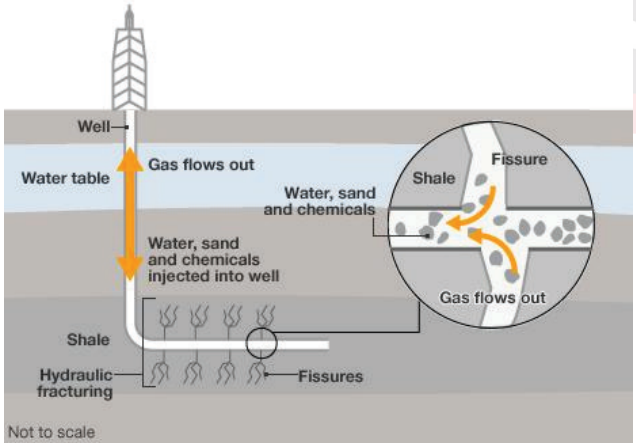
Why in News

Cairn India will partner US-based Halliburton **to start shale exploration in the Lower Barmer Hill formation, Western Rajasthan.**

Key Points

- **Shale Oil and Gas:**
  - **Tight Oil:** The key difference between shale oil and conventional crude is that the former, also called 'tight oil', **is found in smaller batches, and deeper than conventional crude deposits.**
  - **Shale Gas:** Unlike conventional hydrocarbons that can be extracted from the permeable rocks easily, shale gas **is trapped under low permeable rocks.**
  - **Extraction Process:** Extraction requires creation of fractures in oil and gas rich shale to release hydrocarbons through a process called **hydraulic fracking/fracturing.**

Shale gas extraction



    - It requires a mixture of **'pressurised water, chemicals, and sand'** (shale fluid) to break low permeable rocks and have access to the shale gas reserves.
  - **Top Producers: Russia and the US** are among the largest shale oil producers in the world, with a surge in shale oil production in the US having played a key role in turning the country from an importer of crude to a **net exporter in 2019.**
  - **Associated Concerns:** Shale oil and gas exploration faces several challenges other than environmental concerns around **massive water requirements** for fracking and potential for **groundwater contamination.**
    - Shale rocks are usually found adjacent to rocks containing usable/ drinking water known as 'aquifers'.
    - While fracking, the shale fluid could possibly penetrate aquifers leading to **methane poisoning of groundwate**r used for drinking and irrigation purposes.

Conventional and Unconventional Resources

- **Conventional oil or gas** comes from formations that are straightforward to extract product from.
  - Extracting fossil fuels from these geological formations can be done with standard methods that can be used to economically remove the fuel from the deposit.
  - Conventional resources tend to be easier and less expensive to produce simply because they require no specialized technologies and can utilize common methods.
- **Unconventional oil or gas resources** are much more difficult to extract.
  - Some of these resources are trapped in reservoirs with poor permeability and porosity, meaning that it is extremely difficult or impossible for oil or natural gas to flow through the pores and into a standard well.
  - To be able to produce from these difficult reservoirs, specialized techniques and tools are used.

- **Prospects of Shale Oil Exploration in India:**
  - Currently, there is **no large-scale commercial production** of shale oil and gas in India.
  - State-owned ONGC had, in 2013, found prospects of shale oil at the **Cambay basin in Gujarat and the Krishna Godavari basin in Andhra Pradesh.**
  - However, it concluded that the quantity of oil flow observed in these basins did **not indicate "commerciality"** and that the general characteristics of Indian shales are quite different from North American ones.

PM Gati Shakti Scheme

Why in News

Recently, the government of India has launched the **ambitious Gati Shakti scheme** or **National Master Plan for multi-modal connectivity plan,** with the **aim of coordinated planning and execution of infrastructure projects to bring down logistics costs.**

Key Points

- **About the Scheme:**
  - **Aim:** To ensure **integrated planning and implementation of infrastructure projects in the next four years**, with focus on expediting **works on the ground, saving costs and creating jobs.**
    - The Gati Shakti scheme **will subsume the Rs 110 lakh crore National Infrastructure Pipeline** that was launched in 2019.
    - Besides cutting logistics costs, the scheme is also aimed at **increasing cargo handling capacity and reducing the turnaround time at ports** to boost trade.
    - It also **aims to have 11 industrial corridors and two new defence corridors** -- one in Tamil Nadu and other in Uttar Pradesh. **Extending 4G connectivity to all villages** is another aim. **Adding 17,000 kms to the gas pipeline network** is being planned.
    - It will **help in fulfilling the ambitious targets** set by the government for 2024-25, including expanding the length of the national highway network to 2 lakh kms, creation of more than 200 new airports, heliports and water aerodromes.
  - **Integrated Approach**: It intends to **bring together 16 infrastructure related Ministries.**
    - This will help in **removing long-standing issues** such as disjointed planning, lack of standardisation, problems with clearances, and timely creation and utilisation of infrastructure capacities.
  - **Gati Shakti Digital Platform:** It involves the creation of a **common umbrella platform** through which infrastructure projects can be planned and implemented in an efficacious manner by way of coordination between various ministries/ departments on a **real-time basis.**
  - **Expected Outcomes:**
    - The scheme will help mapping the existing and proposed connectivity projects.
    - Also, there will be immense clarity on how different regions and industrial hubs in the country are linked, particularly for **last mile connectivity.**
    - A holistic and integrated transport connectivity strategy will greatly support **Make in India** and integrate different modes of transport.
    - It will help India become the **business capital of the world.**
- **Need for Integrated Infrastructure Development:**
  - There exists **a wide gap between macro planning and micro implementation** due to the lack of coordination and advanced information sharing as departments think and work in silos.
  - According to a study, the **logistical cost in India is about 13% of GDP**, which is higher than developed countries.
    - Due to this high logistical cost, the **competitiveness of India's exports is greatly reduced.**
  - It is globally accepted that the **creation of quality infrastructure for Sustainable Development** is a proven way, which gives rise to many economic activities and creates employment on a large scale.
  - The scheme is in synergy with the **National Monetisation Pipeline (NMP).**
    - The NMP has been announced to provide a clear framework for monetisation and give potential investors a ready list of assets to generate investment interest.
- **Associated Concerns:**
  - **Low Credit Off-take:** Although the government had taken up 'strong' banking sector reforms and the **Insolvency and Bankruptcy Code** had yielded about Rs. 2.4 lakh crore of recoveries on bad loans, there are concerns about declining credit offtake trends.
    - Banks give credit off-takes to help businesses acquire financing for future projects through the promise of future income and proof of an existing market.
  - **Lack of Demand:** In the post-Covid-19 scenario, there is a lack of private demand and investment demand.

- **Structural Problems:** Due to land acquisition delays and litigation issues, the rate of implementation of projects is very slow on global standards.
  - Getting approvals is very difficult in terms of land access, environmental clearances; also impending litigation in court delays the infrastructure projects.

Air India Disinvestment

Why in News

Recently, the government approved the highest price bid of Talace Pvt Ltd, a wholly owned subsidiary of Tata Sons Pvt. Ltd for **sale (Disinvesting) of 100% equity shareholding of Government of India** in **Air India (AI).**

- The Tatas will own **100% stake in AI,** as also 100% in its international low-cost arm Air India Express and **50% in the ground handling joint venture, AI SATS.**

Key Points

- **Reasons for Disinvestment:**
  - It is hoped that with AI passing into the private sector, its **operations and costs will get streamlined**, services on board will improve and basic services like wi-fi will also be made available.
  - A strong international carrier in India will **give a boost to the large airports** built in Delhi, Hyderabad, Mumbai and Bengaluru which along with AI will be able to win back some of the tourist dollars from Indians travelling abroad who are currently travelling on foreign carriers.
  - A successful turnaround of Air India **could also help the Indian economy as it is a well-established fact that aviation has a multiplier effect on the economy**.
  - There is a **pressure on the government to raise resources** to support the economic recovery and meet expectations of higher outlays for healthcare.
- **Significance:**
  - It will **save taxpayers money** from paying for daily losses of AI.
  - It **will help push other tough decisions the government** is keen on taking.
  - It will possibly **give the option of flying one more low-cost carrier** domestically.

Disinvestment

- Disinvestment means **sale or liquidation of assets by the government**, usually Central and state public sector enterprises, projects, or other fixed assets.
- **The government undertakes disinvestment** to **reduce the fiscal burden** on the exchequer, or to raise money for meeting specific needs, such as to bridge the revenue shortfall from other regular sources.
- **Strategic disinvestment** is the **transfer of the ownership and control of a public sector entity** to some other entity (mostly to a private sector entity).
  - Unlike the simple disinvestment, strategic sale implies a kind of privatization.
- The **disinvestment commission defines strategic sale as the sale of a substantial portion of the Government shareholding of a central public sector enterprises (CPSE) of upto 50%,** or such higher percentage as the competent authority may determine, along with transfer of management control.
- The **Department of Investment and Public Asset Management (DIPAM)** under the Ministry of Finance is the nodal department for the strategic stake sale in the Public Sector Undertakings (PSUs).
- Strategic disinvestment in India has been guided by the basic economic principle that the **government should not be in the business to engage itself in manufacturing/producing goods and services** in sectors where competitive markets have come of age.
  - The economic potential of such entities may be better discovered in the hands of the strategic investors due to various factors, **e.g. infusion of capital, technology up-gradation and efficient management practices etc.**

DIFFERENT APPROACHES TO DISINVESTMENT

- *Minority Disinvestment*: A minority disinvestment is one such that, at the end of it, the government retains a majority stake in the company, typically greater than 51%, thus ensuring management control.
- *Majority Disinvestment*: A majority disinvestment is one in which the government, post disinvestment, retains a minority stake in the company i.e. it sells off a majority stake.
- *Complete Privatisation*: Complete privatisation is a form of majority disinvestment wherein 100% control of the company is passed on to a buyer.

Defence Industrial Corridor

Why in News

Recently, the **Prime Minister visited the exhibition models** of the **Aligarh node** of the upcoming **Uttar Pradesh Defence Industrial Corridor.**

- It was announced by the Prime Minister while inaugurating the **UP Investors Summit** in Lucknow in **2018.**
- The government has established **another Defence Industrial Corridor in Tamil Nadu.**

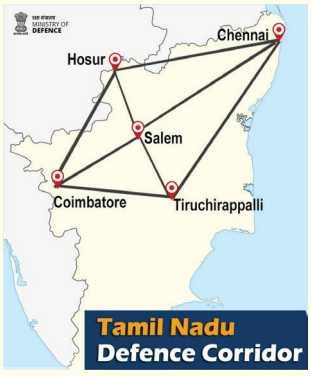
Key Points

- **Defence Industrial Corridor of UP:**
  - It is an aspirational project that intends to **reduce foreign dependency** of the **Indian Aerospace & Defence Sector.**
  - It will have **6 nodes** – Aligarh, Agra, Kanpur, Chitrakoot, Jhansi and Lucknow.
  - The **Uttar Pradesh Expressways Industrial Development Authority (UPEIDA)** is the **nodal agency** to execute this project in conjunction with various other state agencies.
  - It aims to **bring up the state as one of the largest & advanced Defence manufacturing hubs** and put it on the world map.

- **Features:**
  - Single Window approvals and clearances to Defence and Aerospace (D&A) manufacturing units via **Nivesh Mitra.**
    - **Nivesh Mitra** Portal has been launched by the Government of Uttar Pradesh to ease the **Ease of Doing Business** in the state.
  - **Labour Permits** for D&A industry towards flexible employment conditions.
  - Simple Procedures and **rationalised regulatory regime** with easy reimbursement of incentives and subsidies.
  - Assured **water supply** and uninterrupted **electricity**.
  - Connectivity with **4-lane heavy-duty highway.**
- **Reason for choosing UP for Defence Corridor:**
  - Uttar Pradesh is the **fourth largest state in India** and the **third largest economy** within the country.
  - With a population of more than 200 million, **UP has the highest number of available labour force** and is one of the **top five manufacturing states in India.**
  - The state also ranks **first in terms of number of Micro, Small & Medium Enterprises (MSMEs)** in the country and ranks **2nd in Ease of Doing Business (EoDB).**

Tamil Nadu Defence Industrial Corridor

- It comprises **Chennai, Tiruchirappalli, Coimbatore, Salem** and **Hosur**. It will create **new defence production facilities and promote clusters** with necessary testing and certification facilities, export facilitation centres, technology transfer facilitation, etc.



  - The corridor was **inaugurated in 2019.**

Reforms in Telecom Sector

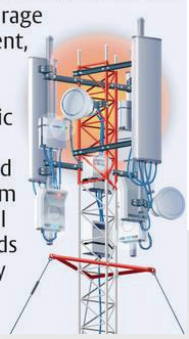
Why in News

Recently, the Union Cabinet has approved **a number of structural and process reforms in the Telecom sector.**

- These reforms **include** a **redefinition** of the much-litigated concept of **Adjusted Gross Revenue (AGR)**, a four-year moratorium on Telecom Service Providers' (TSPs) dues to the government, among others.

Relief and reforms

- Rationalisation of Adjusted Gross Revenue: Non-telecom revenue will be excluded on prospective basis from the definition of AGR
- Huge reduction in Bank Guarantee (BG) requirements (80%) against licence fee and other similar levies. No requirements for multiple BGs in different Licenced Service Areas (LSAs) regions in the country. Instead, one BG will be enough
- From October 1, 2021, delayed payments of licence fee (LF)/Spectrum Usage Charge (SUC) will attract interest rate of SBI's MCLR plus 2% instead of MCLR plus 4%; interest compounded annually instead of monthly; penalty and interest on penalty removed
- For auctions held henceforth, no BGs will be required to secure instalment payments
- In future auctions, tenure of spectrum increased from 20 to 30 years
- Surrender of spectrum will be permitted after 10 years for spectrum acquired in the future auctions
- No Spectrum Usage Charge (SUC) for spectrum acquired in future spectrum auctions
- Additional SUC of 0.5% for spectrum sharing removed
- To encourage investment, 100% FDI under automatic route permitted in telecom sector. All safeguards will apply



Key Points

- **About the Reforms:**
  - **Spectrum Related Reforms:** **Spectrum auctions** will be normally held in the last quarter of every financial year (fixed calendar).
    - The future spectrum auctions will be done for a **period of 30 years instead of the current 20 years.**
    - A telco will be allowed to surrender its spectrum after completing a 10-year lock-in period from the date of purchase.
    - Spectrum sharing is being encouraged and the additional SUC (Spectrum Usage Charges) of **0.5% for spectrum sharing is removed.**
    - Spectrum relates to the radio frequencies allocated to the mobile industry and other sectors for communication over the airwaves.
  - **Rationalization of AGR:**
    - AGR was previously interpreted as being based on all revenue, rather than just that associated with a company's core telecom business.
    - The government has accepted that this interpretation was problematic, which will reduce the future financial burden on companies.
    - Telecom companies have to **pay a pre-fixed percentage of AGR (excluding non-telecom revenues) to the government** as statutory levies but this **will apply prospectively.**
  - **Moratorium on AGR Dues**: The **earlier definition of AGR**, backed by the Telecom Department and upheld by the Supreme Court in 2019, had **made telcos liable to pay Rs.1.6 lakh crore.**
    - This payment has cash-strapped the telecom sector, which led to the losses of business to telecom companies like Vodafone and established a duopoly (reliance Jio and Bharti Airtel) .
    - In order to revive the telecom sector, a four-year moratorium on all spectrum and AGR dues has been approved.
    - However, those TSPs opting for the moratorium **will be required to pay interest** on the amount availed under the benefit.
  - **Interest Rates Rationalized and Penalties Removed:**
    - The interest which is compounded monthly on the Spectrum Usage Charges (SUC) will **now be compounded annually** and also the interest rate will be lowered, based on **MCLR** + 2% instead of MCLR + 4%.
      - MCLR refers to the lowest lending rate banks are permitted to offer - the Marginal Cost of funds-based Lending Rate.
    - Additionally, the penalty and interest on penalty stand removed.
  - **FDI Reforms:** **Foreign Direct Investment (FDI)** in the sector has also been allowed up to 100% under the automatic route, from the existing limit of 49%.

Adjusted Gross Revenue

- AGR is a **fee-sharing mechanism** between the government and the telcos who shifted to the 'revenue-sharing fee' model in 1999, from the 'fixed license fee' model.
  - In this course, telcos are supposed to share a percentage of AGR with the government.
- Under this, mobile telephone operators were required to share a percentage of their AGR with the government as annual License Fee (LF) and Spectrum Usage Charges (SUC).
- In 2005, Cellular Operators Association of India (COAI) challenged the government's definition for AGR calculation.

- The companies claimed that AGR should comprise just the revenue accrued from core services and not dividend, interest income or profit on the sale of any investment or fixed assets.
- The Supreme Court upheld the definition of AGR as stipulated by the DoT (revenues from both telecom and non-telecom services) in October 2019.

- **Significance of these Reforms:**
  - **Reviving Competition:** Four years' Moratorium would encourage companies to invest in customer service and new technology.
  - **Promoting Ease of Doing Business:** The allowance of 100% FDI in the sector (through the automatic route) came shortly after the government decided to **scrap a controversial retrospective tax.**
    - Together, these signal the return to an investor-friendly climate.
  - **Promoting Digital India:** The telecom sector is one of the prime movers of the economy and the measures announced by the government would enable the industry to achieve the goals of **Digital India.**
  - **Further Technological Advancement:** Together, these measures would pave the way for large scale investments into the sector, including for 5G technology.

Open Network for Digital Commerce

Why in News

The **Department for Promotion of Industry and Internal Trade (DPIIT)** has issued orders appointing an advisory committee for its **Open Network for Digital Commerce (ONDC) project** that is **aimed at curbing "digital monopolies"**.

- This is in the direction of making **e-commerce processes open source**, thus creating a platform that can be **utilised by all online retailers**.
- Earlier, the **Ministry of Consumer Affairs** released draft **e-commerce rules** for consumer protection which seek to bring changes to how e-commerce marketplaces, including Amazon and Flipkart, operate after small businesses complained that they misuse market dominance and deep-discounting to gain an unfair advantage.

Key Points

- **About:**
  - The ONDC aims at promoting open networks developed on open-sourced methodology, using open specifications and open network protocols, independent on any specific platform.
  - The project to integrate e-commerce platforms through a network based on open-source technology has been tasked to the **Quality Council of India.**
  - Implementation of ONDC, which is expected to be on the **lines of Unified Payments Interface (UPI)** could bring various operational aspects put in place by e-commerce platforms to the same level.
    - Various operational aspects include onboarding of sellers, vendor discovery, price discovery and product cataloguing etc.
  - On ONDC, buyers and sellers may transact irrespective of the fact that they are attached to one specific e-commerce portal.
- **Significance:**
  - If the ONDC gets implemented and mandated, it would mean that **all e-commerce companies** will have to operate **using the same processes** (like Android Based Mobile Devices).
  - This could give a huge booster shot to smaller online retailers and new entrants.
    - If mandated, this **could be problematic for larger e-commerce companies, which have their own processes and technology deployed** for these segments of operations.
  - ONDC is expected to **digitise the entire value chain**, **standardise operations**, **promote inclusion** of suppliers, derive **efficiency in logistics** and enhance **value for consumers.**
- **Meaning of Open-Source:**
  - Making a software or a process open-source means that the **code or the steps of that process is made available freely** for others to use, redistribute and modify it.
    - For example, while the operating system of **Apple's iPhones (iOS) is closed source**, meaning it cannot be legally modified or reverse engineered,
    - **Google's Android operating system is open-source,** and therefore it is possible by smartphone manufacturers such as Samsung, Xiaomi, OnePlus, etc to modify it for their hardware.

E-Commerce

- Electronic commerce or e-commerce is a business model that lets firms and individuals buy and sell things over the Internet.
- Propelled by rising smartphone penetration, the launch of 4G networks and increasing consumer wealth, the Indian e-commerce market is expected to grow to **USD 200 billion by 2026.**
- The Indian e-commerce industry has been on an upward growth trajectory and is **expected to surpass the US** to become the second-largest e-commerce market in **the world by 2034.**

Major Types of E-commerce

TYPE OF E-COMMERCE	EXAMPLE
B2C—Business to Consumer	Amazon.com is a general merchandiser that sells consumer products to retail consumers.
B2B—Business to Business	eSteel.com is a steel industry exchange that creates an electronic market for steel producers and users.
C2C—Consumer to Consumer	eBay.com creates a marketspace where consumers can auction or sell goods directly to other consumers.
P2P—Peer to Peer	Gnutella is a software application that permits consumers to share music with one another directly, without the intervention of a market maker as in C2C e-commerce.
M-commerce—Mobile commerce	Wireless mobile devices such as PDAs (personal digital assistants) or cell phones can be used to conduct commercial transactions.

- **Government Initiatives Regarding e-Commerce in India:**
  - **Consumer Protection (e-commerce) Rules 2020**
  - **Consumer Protection Act, 2019**

Infrastructure Status for Convention Centres

Why in News

The Finance Ministry has granted **'Infrastructure' status** for **exhibition and convention centres.**

- In 2020, the government had added **affordable rental housing projects** to the list of sectors recognised as infrastructure.

Key Points

- **Infrastructure Status to Exhibition-cum-Convention Centre:**
  - Exhibition-cum-Convention Centre has been **included in the Harmonised Master List of Infrastructure sub-sectors** by insertion of a new item **in the category of Social and Commercial Infrastructure.**
  - However, the benefits available as 'infrastructure' projects **would only be available** for projects with a minimum built-up floor area of 1,00,000 square metres of exclusive exhibition space or convention space or both combined.
    - This **includes primary facilities** such as exhibition centres, convention halls, auditoriums, plenary halls, business centres, meeting halls etc.
  - This move will **enable more such projects to come up across India's tourist destinations**.
- **Need for the Infrastructure Status:**
  - **India doesn't have large convention centres** or single halls with capacities to hold 7,000 to 10,000 people, **unlike countries like Thailand** that is **a major global MICE destination.**
  - Becoming a **MICE (Meetings, Incentives, Conferences and Exhibitions) destination** can **generate significant revenue with several global companies active in India**.
- **Harmonised Master List of Infrastructure sub-sectors:**
  - The list is **notified by the Ministry of Finance** and includes following **categories:**
    - **Transport and Logistics:** Roads and bridges, Inland waterways, Airport, etc.
    - **Energy:** Electricity Generation, Electricity Transmission, etc.
    - **Water and Sanitation:** Solid Waste Management, Water treatment plants, etc.
    - **Communication:** Telecommunication, etc.
    - **Social and Commercial Infrastructure:** Education Institutions (capital stock), Sports Infrastructure, Hospitals (capital stock), Tourism infrastructure, etc.
  - **Inclusion in the list** implies access to **concessional funds, promotion of projects and continuity of construction** for the specified sub-sectors.
  - However, the infrastructure tag **now does not include vital tax breaks**.

Creating Methanol from Coal

Why in News

Recently, the **first Indigenously Designed High Ash**

Coal Gasification Based Methanol Production Plant has been opened in Hyderabad.

- With this, Government owned engineering firm **BHEL (Bharat Heavy Electricals Limited**) has successfully demonstrated a facility to create methanol from high ash Indian coal.

Key Points

- **About:**
  - **Methanol is utilized as a motor fuel,** to power ship engines, and to generate clean power all over the world. **However,** the majority of worldwide methanol **production is derived from natural gas,** which is a relatively easy process.
  - Since **India doesn't have much of the natural gas reserves**, producing methanol from imported natural gas leads to outflow of foreign exchange and is uneconomical because of higher prices.
  - The **next best option is to utilise India's abundant coal.** However, due to the high ash percentage of **Indian coal**, most internationally accessible technology will not be adequate.
  - To address this issue, BHEL successfully demonstrated a facility to create 0.25 TPD (Ton per Day) Methanol from high ash Indian coal using a 1.2 TPD Fluidized bed gasifier.
    - The methanol purity of the crude methanol produced is between 98 and 99.5%.
  - This is part of **NITI Aayog's 'Methanol Economy' programme** that is aimed at reducing India's oil import bill, greenhouse gas (GHG) emissions, and converting coal reserves and municipal **solid waste** into methanol.
  - Also this in-house capability will **assist India's coal gasification mission** and coal-to-hydrogen production for **Hydrogen Mission.**
- **NITI Aayog's Methanol Economy Programme:**
  - **About Methanol**: Methanol is **a low carbon, hydrogen carrier fuel produced from** high ash coal, agricultural residue, CO_2 from thermal power plants and natural gas. It is the best pathway **for meeting India's commitment to COP 21 (Paris Agreement).**
  - **Methanol vis-a-vis-Petrol and Diesel:** Although **slightly lower in energy content than petrol and diesel,** methanol **can replace both these fuels** in the transport sector (road, rail and marine), energy sector (comprising boilers, process heating modules, tractors and commercial vehicles) and retail cooking (replacing LPG [partially], kerosene and wood charcoal).
  - **Environmental and Economic Impact:**
    - Blending of 15% methanol in gasoline can result in **at least 15% reduction in the import of gasoline/crude oil**. In addition, this would **bring down GHG emissions by 20%** in terms of particulate matter, NOx, and SOx, thereby improving the urban air quality.
    - The Methanol Economy **will also create close to 5 million jobs** through methanol production/ application and distribution services.
    - Additionally, Rs 6000 crore can be saved annually by **blending 20% DME (Di-methyl Ether, a derivative of methanol) in LPG.** This will help the consumer in saving between Rs 50-100 per cylinder.
  - **Initiatives Taken:**
    - The **Bureau of Indian Standards has notified 20% DME blending with LPG,** and a notification for M-15, M-85, M-100 blends has been issued by the Ministry of Road, Transport and Highways.
    - In **October 2018,** Assam Petrochemicals launched **Asia's first canister-based methanol cooking fuel programme.** This initiative is in line with the Prime Minister's vision of striving towards the provision of a clean, cost-effective and pollution-free cooking medium.
    - **Five methanol plants** based on high ash coal, five DME plants, and one natural gas-based methanol production plant with a capacity of 20 MMT/annum, **in a joint venture with Israel**, have been planned to be set up.
    - Three boats and seven cargo vessels are being built by the Cochin Shipyard Limited for **Inland Waterways Authority of India** to use **methanol as a marine fuel.**

New Facilities Under Strategic Petroleum Reserves

Why in News

Recently, under the **Strategic Petroleum Reserves (SPR)** programme, the government has given approval for establishing **two additional facilities.**

- In 2020, **India filled its strategic petroleum reserves** in view of the **slump in crude prices.**

Key Points

- **New Facilities:**
  - The new facilities will be **commercial-cum-strategic facilities** with a total storage capacity of **6.5 MMT**(Million Metric Ton) underground storages at:
    - **Chandikhol, Odisha** (4 MMT)
    - **Padur, Karnataka** (2.5 MMT)
  - They will be built in **Public Private Partnership** mode under **phase II** of the SPR Programme.
- **Existing Facilities:**
  - Under **Phase I of the Programme**, Government of India has established petroleum storage facilities with total capacity of **5.33 MMT at 3 locations:**
    - **Visakhapatnam, Andhra Pradesh** (1.33 MMT).
    - **Mangaluru, Karnataka** (1.5 MMT).
    - **Padur, Karnataka** (2.5 MMT).
  - The petroleum reserves established under Phase I are **strategic in nature** and the crude oil stored in these reserves will be **used during an oil shortage event,** as and when declared so by the Government of India.

Strategic Petroleum Reserves

- **About**:
  - Strategic petroleum reserves are **huge stockpiles of crude oil** to deal with any crude oil-related crisis like the risk of supply disruption from natural disasters, war or other calamities.
  - According to the agreement on an **International Energy Programme (I.E.P.)**, each **International Energy Agency (IEA)** country has an **obligation to hold emergency oil stocks equivalent to at least 90 days of net oil imports.**
    - In case of a severe oil supply disruption, **IEA members may decide to release these stocks to the market** as part of a collective action.
    - **India became an associate member** of the IEA in 2017.
  - The **concept** of dedicated strategic reserves **was first mooted in 1973 in the US**, after the **OPEC (Organization of the Petroleum Exporting Countries)** oil crisis.
  - Underground storage is, by far, the **most economical method** of storing petroleum products because the underground facility **rules out the requirement of large swathes of land, ensures less evaporation** and, since the caverns are built much below the sea level, it is **easy to discharge crude** into them from ships.
  - The construction of the Strategic Crude Oil Storage facilities in India is being managed by **Indian Strategic Petroleum Reserves Limited (ISPRL).**
    - ISPRL is a wholly owned subsidiary of Oil Industry Development Board (OIDB) under the Ministry of Petroleum & Natural Gas.
  - After the new facilities get functional a total of **22 days (10+12)** of oil consumption will be made available.
  - With the strategic facilities **Indian refiners also maintain crude oil storage (industrial stock) of 65 days.**
  - Thus, Approximately a total of **87 days (22 by strategic reserves + 65 by Indian refiners)** of oil consumption will be made available in India after completion of **Phase II of the SPR programme.** This will be very **close to the 90 days mandate by the IEA.**
- **Need of SPRs in India:**
  - **Build Sufficient Capacity:**
    - The **current capacity of this is not sufficient** to tackle any unpredicted event that occurs in the international crude market.
    - 86% of the country is dependent on oil with **nearly 5 million barrels of oil consumption in a day.**
  - **Energy Security:**
    - The **fluctuation in the price of crude oil in the international market** leads to a dire need for India to make petroleum reserves to ensure the country's energy security and avoid monetary loss.

Gujarat International Maritime Arbitration Centre (GIMAC)

Why in News

Recently, a **Memorandum of Understanding (MoU)** was signed between the **Gujarat Maritime University**

and **International Financial Services Centres Authority** in **GIFT (Gujarat International Finance Tec-City) City.**

- The **objective** of the **MoU** is to jointly support the **establishment** of the **Gujarat International Maritime Arbitration Centre (GIMAC).**

Key Points

- **About GIMAC:**
  - This will be the **first centre of its kind** in the **country** that will **manage arbitration and mediation proceedings** with **disputes** related to the **maritime and shipping sector.**
  - The GIMAC will be part of a **maritime cluster** that the **Gujarat Maritime Board (GMB)** is setting up in GIFT City at Gandhinagar.
- **Need:**
  - **India's Focus on Arbitration:** Recently, the **Arbitration and Conciliation (Amendment) Act, 2021** was notified, considered as the landmark step towards making India as the hub of International Commercial Arbitration.
    - **Arbitration** is a kind of dispute resolution method where the disputes arising between the parties are resolved by the arbitrators appointed by them instead of state's legal bodies.
  - There are over **35 arbitral institutions in India**, however, **none** focus exclusively on the **disputes related to the maritime sector.**
    - With the state continuing to witness a **rapid extension in maritime activities** and inching closer to becoming a **global maritime hub** with the implementation of **Gujarat Maritime Cluster project**, a strong growing and recurring demand is being generated for a specialized facility for maritime arbitration services.
  - The idea is to create a **world-class arbitration centre** focused on maritime and shipping disputes that can help **resolve commercial and financial conflicts** between entities having **operations in India.**
    - The arbitration **involving Indian players** is now heard at the **Singapore Arbitration Centre.**
    - **Globally**, **London** is the preferred centre for arbitration for the maritime and shipping sector.
- **Benefits:**
  - Facilitate **faster dispute resolution.**
  - Enhance the attractiveness of **GIFT Special Economic Zone (SEZ)** among the International Maritime Community.
  - Increase the **ease of doing business.**
  - Reduce burden on courts.
- **Gujarat Maritime Cluster:**
  - It is conceived as a **dedicated ecosystem** of Ports, Maritime Shipping and Logistics services providers.
  - It will host an array of maritime, shipping industry players and service providers, along with relevant Government regulatory agencies, in GIFT City, Gandhinagar – **India's first International Financial Services Centre (IFSC).**
    - The **International Financial Services Centres Authority (IFSCA)** is a **unified authority** for the development and regulation of financial products, financial services and financial institutions in the IFSC in India.
  - It will be a **one stop solution** for all **maritime services** while attaining economic growth, employment generation and industry – academia confluence in the region.

Agriculture

Sweet Revolution

Why in News

Recently, the **Khadi and Village Industries Commission (KVIC)** has launched the country's **first Mobile Honey Processing Van** at Village in Uttar Pradesh.

- This initiative is taken in pursuance of **"Sweet Kranti" (Sweet Revolution)**.

Key Points

- 'Sweet Revolution' is an ambitious initiative of the Government of India for **promoting apiculture,** popularly known as **'beekeeping'.**
  - To provide a booster shot to Sweet Revolution, the government launched the **National Beekeeping and Honey Mission in 2020** (under the Ministry of Agriculture and Farmers Welfare).
- It aims to accelerate the **production of quality honey** and other related products.
  - The demand for good quality honey has grown

over the years as it is considered a **naturally nutritious product.**

- Other apiculture products such as **royal jelly, beeswax, pollens, etc.,** are also used extensively in different sectors like pharmaceuticals, food, beverage, beauty, and others.

- Under the **Honey Mission**, the KVIC provides the farmers or beekeepers –
  - Practical training about the examination of honeybee colonies.
  - Identification and management of bee enemies and diseases along with the management of bee colonies in all seasons.
  - Acquaintance with apicultural equipment's and
  - Honey extraction and wax purification**.**
    - The Honey Mission programme was launched by KVIC during 2017-18.
- Technology intervention through this mission will ensure bee conservation, **prevent diseases or the loss of bee colonies** and provide quality and quantity of apiculture products.
  - Farming practices will yield **superior-quality honey** and other products for the domestic as well as international market.

Khadi and Village Industries Commission (KVIC)

- KVIC is **a statutory body** established under the Khadi and Village Industries Commission Act, 1956.
- The KVIC is charged with the planning, promotion, organisation and implementation of programmes for the development of Khadi and other village industries in the rural areas in coordination with other agencies engaged in rural development wherever necessary.
- It functions **under the Ministry of Micro, Small and Medium Enterprises.**

National Milk Day: 26th November

Why in News

The M**inistry of Animal Husbandry & Dairying** celebrated the **National Milk Day** (NMD) on 26th November.

- **National Gopal Ratna Awards** were conferred to the winners of the respective stakeholders of Dairy sector and also launched **IVF (In Vitro Fertilization)** Lab at Dhamrod, Gujarat and Hessarghatta, Karnataka.
- Every year, the **first day of June** is observed as **World Milk Day.**

Key Points

- **About:**
  - NMD is celebrated to commemorate the birth Anniversary of **Dr. Verghese Kurien (Milk Man of India)**.
    - NMD 2021 commemorates the **100th birth anniversary of Dr. Kurien.**
  - It is to promote the **benefits related to the milk** & milk industry and **to create awareness among people about the importance of milk** and milk products.
- **Dr. Verghese Kurien (1921-2012):**
  - He is known as the **'Father of White Revolution in India'.**
  - He **is famous for his 'Operation Flood'**, which is known as the **world's largest agricultural program.**
  - He established 30 institutions that are **run by various farmers and workers.**
  - He also played a key role in the **establishment and success of Amul Brand.**
  - Because of his efforts only, India **became the largest producer of milk in 1998**, surpassing the US.
  - He also helped manage the **Delhi Milk Scheme and corrected the prices.** He also helped India **become self-sufficient in edible oils**.
  - He was honoured with several awards, including the **Ramon Magsaysay Award (1963)**, **Krishi Ratna (1986)** and **World Food Prize (1989).**
  - He is also the recipient of India's highest civilian awards- **Padma Shri (1965), Padma Bhushan (1966) and Padma Vibhushan (1999).**
- **Operation Flood:**

- **About:**
  - It was launched on 13th January, 1970. It was the world's largest dairy development programme.
  - Within 30 years, the operation **helped double milk available per person in India**, making dairy farming India's largest self-sustainable rural employment generator.
  - The operation gave **farmers direct control over the resources they create, helping them direct their own development.** This was achieved not only by mass production, but by production by the masses. It is also now known as the **"White Revolution".**
- **Phases of the White Revolution:**
  - **Phase I (1970-1980):** This phase was financed by the sale of butter oil and skimmed milk powder donated by the **European Union** through the World Food Program.
  - **Phase II (1981 to 1985):** During this phase, the number of milk sheds increased from 18 to 136, milk outlets were expanded to about 290 urban markets, a self-sustaining system was set up that included 4,250,000 milk producers spread across 43,000 village cooperatives.
  - **Phase III (1985-1996):** This phase enabled the dairy cooperatives to expand and gave a finishing touch to the programme. It also strengthened the infrastructure required to procure and market increasing volumes of milk.
- **Objectives:**
  - Increase milk production ("a flood of milk").
  - Increase rural incomes.
  - Reasonable prices for consumers.
- **Significance:**
  - It helped dairy farmers d**irect their own development, placing control of the resources** they create in their own hands.
  - It has helped **India become the largest producer of milk** in the world in 2016-17.
  - Currently, India is the world's largest milk producer, with 22% of global production.

Other Related Initiatives

- **Gopal Ratna Awards:** They are National Awards for the Cattle and Dairy sector, the awards have been launched to promote the best herd of Indigenous Breed and practicing best management practices.
- **e-Gopala (Generation of wealth through Productive Livestock) App:** It is a comprehensive breed improvement marketplace and information portal for direct use of farmers.
- **National Action Plan on Dairy Development 2022**: It seeks to increase milk production and double the income of dairy farmers.
- **National Animal Disease Control Programme & National Artificial Insemination Programme:** It was launched to control and eradicate the Foot & Mouth Disease (FMD) and Brucellosis amongst the livestock in the country.
- **Pashu-Aadhar:** It is a unique ID on a digital platform for traceability for the animals.
- **Rashtriya Gokul Mission:** It was launched in 2019 for the setting up of 21 Gokul Grams as Integrated Cattle Development Centres.

Spices Sector in India

Why in News

Recently, the **Minister for Agriculture and Farmers Welfare** has released the book **'Spices Statistics at a Glance 2021.**

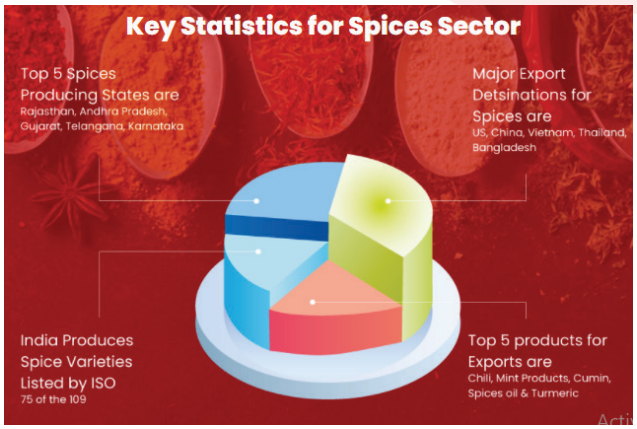
- The book highlights the growth achieved in the **production of spices and increase in area** during the last seven years from **2014-15 to 2020-21** in the country.

Key Points

- **About Spices:**
  - Spices are **aromatic flavorings from seeds, fruits, bark, rhizomes, and other plant parts.**
  - They are used to **season and preserve food**, and as **medicines, dyes, and perfumes.**
  - Spices have been highly valued as **trade goods for thousands of years.**
    - The word spice comes from the **Latin species, which means merchandise, or wares.**
  - The demand of spices has tremendously increased due to the **recognition of spices as a health supplement especially during the pandemic period.**
    - This can be clearly seen from the growing export of spices like **turmeric, ginger, cumin, chilli etc.**
- **Spices Production In India:**

- India is the world's **largest producer, consumer and exporter of spices.**
- Due to the varying climates - **from tropical to subtropical to temperate-almost all spices grow splendidly in India.**
- In reality almost **all the states and union territories of India** grow one or the other spices.
- Under the act of Parliament, a total of **52 spices are brought under the purview of the Spices Board.**
  - Spices Board **(Ministry of Commerce and Industry)** is the flagship organization for the development and worldwide promotion of Indian spices.
  - It was established by the **Spices Board Act, 1986.**
- In India, there are some states which grow the spices that have **very high value in both national and international markets.**
  - The best example is **Kashmiri saffron** which is the world's best saffron.
  - The Kashmir saffron has got **Geographical Indication (GI) tag status.**

➢ **Spices Trade:**
- The export of spices contributes **41% of the total export earnings** from all **horticulture crops** in the country.
- It ranks **fourth** among agricultural commodities, **falling behind only the marine products, non basmati rice and basmati rice.**



➢ **Related Government Initiative:**
- Recently, the **Food Safety and Standards Authority of India (FSSAI)** inaugurated the **fifth session of the Codex Committee on Spices and Culinary Herbs (CCSCH)** established under **Codex Alimentarius Commission (CAC).**
- About the **Codex Committee on Spices and Culinary Herbs (CCSCH):**
  - **Establishment:** It was formed in 2013.
  - **Terms of Reference:**
    - To elaborate worldwide standards for spices and culinary herbs in their dried and dehydrated state in whole, ground, and cracked or crushed form.
    - To consult, as necessary, with other international organizations in the standards development process to avoid duplication.

Price Stabilisation Fund (PSF)

Why in News

Recently, the government has said that **prices of onion, tomato and potato are cheaper than last year** (i.e 2020).

➢ Onion buffer has been maintained by the **Department of Consumer Affairs** under the **Price Stabilization Fund (PSF)** with the objective of effective market intervention to moderate prices.

Key Points

➢ **About PSF:**
- **Established in 2014-15,** PSF is any **fund created to absorb extreme volatility in selected commodity prices.**
- Such goods will be procured **directly from farmers or farmers' organisations** at the farm gate/mandi, and made available to consumers at a more affordable price.
- **Losses sustained**, if any, **between the Centre and the states must be shared** in the operations.
- The sum in the fund is **usually used for** activities aimed at bringing down/up the high/low prices say, for example, acquisition of certain goods and distribution of the same as and when appropriate so that costs remain within a range.

➢ **Provides Loans:**
- The PSF scheme **provides for the advancement of interest-free loans to State Governments/Union Territories (UTs) and Central Agencies** to finance their working capital and other expenses, which they may incur in the procurement and distribution of such commodities.

- The PSF scheme was **transferred from the Ministry of Agriculture & Farmers' Welfare to the Ministry of Consumer Affairs, Food & Public Distribution** w.e.f. 1st April, 2016.

- **Fund Management:**
  - It is centrally managed by a **Price Stabilisation Fund Management Committee (PSFMC)** that approves all State Government's and Central Agencies' proposals.
- **Maintaining the Corpus Fund:**
  - **Small Farmers Agribusiness Consortium (SFAC)**, a society promoted by the Ministry of Agriculture and Farmers' Welfare for linking agriculture to private enterprises, investment, and technology, maintains the PSF as a central corpus fund.
- **Related Scheme:**
  - Launched in 2018 by the **Ministry of Food Processing Industries**, **Operation Green (OG)** aims to **build value chains of Tomatoes, Onions, and Potatoes (TOP) on the lines of "Operation Flood"** (AMUL model) for milk in such a way that will ensure a higher share of consumer's rupee goes to farmers and stabilizes their prices.
    - While presenting the **Union budget 2021**, the government announced that **Operation Green (OG)** will be expanded beyond **TOP** to 22 perishable commodities.

Special Livestock Sector Package

Why in News

The **Cabinet Committee on Economic Affairs (CCEA)** has approved implementation of a special livestock sector package.

Key Points

- **About the Package:**
  - **Aim**: To boost growth in the livestock sector and thereby making **animal husbandry** more remunerative to 10 crore farmers engaged in Animal Husbandry Sector.
  - **Total Amount**: The **Central government will spend Rs. 9,800 crore** on livestock development over the next five years in a bid **to leverage almost Rs. 55,000 crore of outside investment into the sector.**
    - It includes the **share of investments by State Governments**, **State Cooperatives**, **Financial institutions**, **External funding agencies** and other stakeholders.
- **Merger of Schemes:**
  - The package has been designed by **revising and realigning various components** of the Department **of Animal Husbandry & Dairying' Schemes** for the next five years, starting 2021-22.
  - All the schemes of the Department will be merged into **three broad categories as**:
    - **Development Programmes:** It includes **Rashtriya Gokul Mission**, National Programme for Dairy Development (NPDD), National Livestock Mission (NLM) and **Livestock Census and Integrated Sample Survey (LC & ISS)** as sub-schemes.
    - **Disease Control Programme:** It is **renamed as Livestock Health and Disease Control (LH & DC)** which includes the present Livestock Health and Disease Control (LH & DC) scheme and **National Animal Disease Control Programme (NADCP)**.
    - **Infrastructure Development Fund**: The **Animal Husbandry Infrastructure Development fund (AHIDF)** and the **Dairy Infrastructure Development Fund (DIDF)** are merged and the present scheme for support to **Dairy Cooperatives** and **Farmer Producer Organizations** engaged in Dairy activities is also included in this third category.

National Livestock Mission (NLM)

- NlM was launched in the 2014-15 financial year and seeks to ensure quantitative and qualitative improvement in livestock production systems and capacity building of all stakeholders.
- The scheme is being implemented as a sub scheme of **White Revolution - Rashtriya Pashudhan Vikas Yojana** from April 2019.
- The mission is organised into the following four Sub-Missions:
  - Sub-Mission on Livestock Development.
  - Sub-Mission on Pig Development in North-Eastern Region.
  - Sub-Mission on Feed and Fodder Development.
  - Sub-Mission on Skill Development, Technology Transfer and Extension.

Matsya Setu

Why in News

Recently, the **Ministry of Fisheries, Animal Husbandry and Dairying** has launched the Online Course Mobile App **"Matsya Setu"** for fish farmers.

- The app was developed by the **Indian Council of Agricultural Research-Central Institute of Freshwater Aquaculture** (ICAR-CIFA) and **National Fisheries Development Board (NFDB)**.

Key Points

- It **aims to disseminate the latest freshwater aquaculture technologies** to the aqua farmers of the country, thus increasing productivity and income.
  - Aquaculture is **breeding, raising, and harvesting fish, shellfish, and aquatic plants.**
  - **India is the second major producer of fish** through aquaculture in the world.
- It has a focus on **grow-out culture of commercially important fishes** like carp, catfish, scampi, murrel, ornamental fish, pearl farming etc.

Shaphari: Certification Scheme for Aquaculture Products

Why in News

Recently, the **Marine Products Exports Development Authority (MPEDA)** has developed a **certification scheme for aquaculture products** called **'Shaphari'.**

Key Points

- **About:**
  - Shaphari is based on the **United Nations' Food and Agriculture Organization's** technical guidelines on aquaculture certification.
    - **Shaphari** is a Sanskrit word that **means superior quality of fishery products suitable for human consumption.**
  - It is a market-based tool for hatcheries to **adopt good aquaculture practices** and help **produce quality antibiotic-free shrimp products** to assure global consumers.
- **Components and Process:**
  - **Two Components:**
    - **Certifying hatcheries** for the quality of their seeds.
      - Those who successfully clear multiple audits of their operations shall be granted a **certificate for a period of two years.**
    - **Approving shrimp farms** that adopt the requisite good practices.
  - **Process:**
    - The entire **certification process will be online** to minimise human errors and ensure higher credibility and transparency.
- **Significance:**
  - The certification of hatcheries will **help farmers easily identify good quality seed producers.**
  - Certified aquaculture products will **help exporters to export their consignments to markets under stringent food safety regulations** without the fear of getting rejected.
  - It will **bolster confidence in India's frozen shrimp produce,** the country's biggest seafood export item.
- **India's Shrimp Exports:**
  - **About:**
    - India exported frozen shrimp worth almost **USD 5 billion in 2019-20**, with the **US and China** its biggest buyers.
    - Frozen shrimp is **India's largest exported seafood item**. It constituted 50.58% in quantity and 73.2% in terms of total USD earnings from the sector during 2019-20.
    - **Andhra Pradesh, West Bengal, Odisha, Gujarat and Tamil Nadu are India's major shrimp producing States**, and around 95% of the cultured shrimp produce is exported.
  - **Concern:**
    - **Container shortages** and incidents of **seafood consignments being rejected** because of food safety concerns.
    - Consignments sourced from Indian shrimp farms have been **rejected due to the presence of antibiotic residue** and this is a matter of concern for exporters.
- **Other Initiative for Food Safety of Exported Products:**
  - **National Residue Control Programme:**
    - National Residue Control Plan (NRCP) is a **statutory requirement for export to European Union countries.**

- It is **regulated and carried by MPEDA,** under NRCP, **definite sampling schedule and sampling strategies are drawn every year** for monitoring the residues of substances like Antibacterial/ Veterinary Medicinal Products and environmental contaminants.
- **Samples are collected from hatcheries, feed mills, aquaculture farms and processing plants**, located in maritime states and **tested for the presence of any residue/contaminant.**

Marine Products Exports Development Authority

- MPEDA is **a nodal coordinating, state-owned agency** engaged in fishery production and allied activities.
- It was **established in 1972** under the **Marine Products Export Development Authority Act (MPEDA), 1972.**
- It functions under the **Union Ministry of Commerce and Industry.**
- It is **headquartered** in Kochi, Kerala.
- Its mandate is to **increase exports of seafood** including fisheries of all kinds, **specifying standards, marketing, processing, extension and training** in various aspects.

World's First Genetically Modified Rubber: Assam

Why in News

Recently, the world's first **Genetically Modified (GM) rubber plant developed by Rubber Research Institute** was planted in Assam.

- The rubber plant is the first of its kind developed exclusively for this region, and is expected to grow well under the climatic conditions of the mountainous northeastern region.

Rubber Board

- It is **headquartered at Kottayam, Kerala**, under the **administration of the Ministry of Commerce and Industry.**
- The Board is responsible for the development of the rubber industry in the country by assisting and encouraging research, development, extension and training activities related to rubber.
- Rubber Research Institute is under the Rubber Board.

Key Points

- **About the GM Rubber:**
  - **Genetic modification (GM)** technology **allows the transfer of genes for specific traits between species** using laboratory techniques.
  - The GM rubber has **additional copies of the gene MnSOD, or manganese-containing superoxide dismutase**, inserted in the plant, which is **expected to tide over the severe cold conditions during winter in the northeast.**
    - The MnSOD gene has the **ability to protect plants from** the adverse effects of severe environmental stresses such as **cold and drought.**
  - **Need:**
    - Natural rubber is **a native of warm humid Amazon forests** and is **not naturally suited for the colder conditions in the Northeast**, which is one of the largest producers of rubber in India.
    - Growth of young rubber plants remains suspended during the winter months, which are also characterised by progressive drying of the soil. This is the reason for the long immaturity period of this crop in the region.
- **Natural Rubber:**
  - **Commercial Plantation Crop:** Rubber is **made from the latex** of a tree called **Hevea Brasiliensis.** Rubber is largely perceived as a **strategic industrial raw material** and accorded special status globally for defence, national security and industrial development.
  - **Conditions for Growth**: It is **an equatorial crop**, but under special conditions, it is also grown in tropical and sub-tropical areas.
    - **Temperature**: Above 25°C with moist and humid climate.
    - **Rainfall**: More than 200 cm.
    - **Soil Type**: Rich well drained alluvial soil.
    - **Cheap and adequate supply of skilled labour** is needed for this plantation crop.
  - **Indian Scenario:**
    - The **British established the first rubber plantation in India in 1902** on the banks of the river Periyar in **Kerala.**
    - India is currently the **sixth largest producer of NR** in the world with one of the highest productivity (694,000 tonnes in 2017-18).
    - **Top Rubber Producing States**: Kerala > Tamil Nadu > Karnataka.

- **Government Initiatives: Rubber Plantation Development Scheme** and **Rubber Group Planting Scheme** are examples of government led initiatives for rubber.
  - 100% **Foreign Direct Investment (FDI)** in plantations of rubber, coffee, tea, cardamom, palm oil tree and olive oil tree.
- **Major Producers Globally**: Thailand, Indonesia, Malaysia, Vietnam, China and India.
- **Major Consumers**: China, India, USA, Japan, Thailand, Indonesia and Malaysia.

- **India's National Rubber Policy:**
  - The **Department of Commerce** brought out the **National Rubber Policy in March 2019**.
  - The policy includes several **provisions to support the Natural Rubber (NR)** production sector and the entire rubber industry value chain.
    - It **covers** new planting and replanting of rubber, support for growers, processing and marketing of natural rubber, labour shortage, grower forums, external trade, Centre-State integrated strategies, research, training, rubber product manufacturing and export, climate change concerns and **carbon market**.
    - It is based on the **short term** and **long term strategies** identified by the **Task Force** constituted on the rubber sector for mitigating problems faced by rubber growers in the country.
    - Developmental and research activities for supporting the NR sector for the welfare of growers are carried out through **Rubber Board** by implementing the **scheme Sustainable and Inclusive Development of Natural Rubber Sector** in the **Medium Term Framework (MTF) (2017-18 to 2019-20)**.
    - The developmental activities include **financial and technical assistance for planting**, **supply of quality planting materials**, **support for grower forums**, **training and skill development programme**.

Agristack: The New Digital Push in Agriculture

Why in News

Recently, the **Ministry of Agriculture** has signed a **Memorandum of Understanding** with **Microsoft** to run a **pilot programme** for 100 villages in 6 states.

- The MoU requires **Microsoft** to create a **'Unified Farmer Service Interface'** through its cloud computing services.
- This comprises a major part of the ministry's plan of creating **'AgriStack' (a collection of technology-based interventions in agriculture)**, on which everything else will be built.

Key Points

- **About AgriStack:**
  - It is a **collection of technologies** and **digital databases** that focuses on **farmers and the agricultural sector.**
  - AgriStack will create a **unified platform** for farmers to provide them end to end services across the agriculture food value chain.
  - It is in line with the **Centre's Digital India programme**, aimed at providing a broader push to digitise data in India, from land titles to medical records.
    - The government is also implementing the **National Land Records Modernisation Programme (NRLMP).**
  - **Under the programme,** each farmer will have a **unique digital identification (farmers' ID)** that contains personal details, information about the land they farm, as well as production and financial details.
    - Each ID will be linked to the individual's **digital national ID Aadhaar.**
- **Need:**
  - At present, the **majority of farmers** across India are **small and marginal farmers** with limited access to advanced technologies or formal credit that can help improve output and fetch better prices.
  - Among the new proposed digital farming technologies and services under the programme include **sensors to monitor cattle**, **drones to analyse soil** and **apply pesticide**, may significantly **improve the farm yields and boost farmers' incomes.**
- **Potential Benefits:**
  - **Problems** such as inadequate access to **credit and information, pest infestation, crop wastage, poor price discovery and yield forecasting** can be sufficiently addressed by use of digital technology.

- It will also **fuel innovation** and breed **investment** towards the agricultural sector and **augment research** towards more resilient crops.

- **Concerns:**
  - **Absence of a Data Protection Legislation:**
    - In its absence, it might end up being an exercise where **private data processing entities** may know more about a farmer's land than the farmer himself and they would be able to exploit farmers' data to whatever extent they wish to.
  - **Commercialisation:**
    - The formation of 'Agristack' will imply **commercialisation of agriculture extension activities** as they will **shift into a digital and private sphere.**
  - **Absence of Dispute Settlement:**
    - The MoUs provide for **physical verification of the land data gathered** digitally, but there is **nothing** on what will be the **course of action if disputes arise**, especially when historical evidence suggests that land disputes take years to settle.
  - **Privacy and Exclusion Issues:**
    - Given that the proposed **farmer ID** will be **Aadhaar-seeded**, further issues of privacy and exclusion would emerge.
    - Several researchers have demonstrated the **vulnerability of the Aadhaar database** to **breaches and leaks**, while **Aadhaar-based exclusion** in **welfare delivery** has also been well documented in different contexts.
    - Also, making **land records the basis for farmer databases** would mean **excluding tenant farmers, sharecroppers and agricultural labourers.**
      - Data shows that the **population of farm labourers** has outstripped that of farmers and cultivators.

MACS 1407: Variety of Soybean

Why in News

Recently, **Indian Scientists** have developed **a high-yielding and pest-resistant variety of soybean,** called **MACS 1407.**

- Scientists from **MACS- Agharkar Research Institute, Pune,** in collaboration with **Indian Council of Agricultural Research, New Delhi** have developed it.

Key Points

- **MACS 1407:**
  - Using the conventional cross breeding technique, scientists developed **MACS 1407** which **gives 39 quintals per hectare** making it **a high yielding variety.**
  - It **requires an average 43 days for 50% flowering** and takes 104 days to mature from the date of sowing.
  - It has white coloured flowers, yellow seeds and black hilum. Its seeds have **19.81% oil content**, **41% protein content** and **show good germinability.**
  - Its thick stem, higher pod insertion (7 cm) from ground, and resistance to pod shattering make it suitable even for **mechanical harvesting.**
    - It is **suitable for rain-fed conditions of north-east India.**
  - It is suitable for cultivation in the states of Assam, West Bengal, Jharkhand, Chhattisgarh and North-Eastern states.
  - Variety is also **resistant to major insect-pests** like girdle beetle, leaf miner, leaf roller, stem fly, aphids, white fly and defoliators.
  - Its seeds will be made available to farmers for sowing during the **2022 Kharif season.**

Kharif Season

- Crops are **sown** from **June to July** and **Harvesting** is done in between **September-October.**
- **Crops are:** Rice, maize, jowar, bajra, tur, moong, urad, cotton, jute, groundnut, soyabean etc.
- **States are:** Assam, West Bengal, coastal regions of Odisha, Andhra Pradesh, Telangana, Tamil Nadu, Kerala and Maharashtra.

Rabi Season

- Crops are **sown** from **October to December** and **Harvesting** is done in between **April-June.**
- **Crops are:** Wheat, barley, peas, gram, mustard etc.
- **States are:** Punjab, Haryana, Himachal Pradesh, Jammu and Kashmir, Uttarakhand and Uttar Pradesh.

Zaid Season

- In between the rabi and the kharif seasons, there is **a short season during the summer months** known as the Zaid season.
- **Crops are:** watermelon, muskmelon, cucumber, vegetables and fodder crops.

- It is highly adaptive to sowing from **20 June to 5 July** without any yield loss. This makes it **resistant to the vagaries of Monsoon** as compared to other varieties.

Indices

Food Price Index

Why in News

Recently, the **United Nations Food and Agriculture Organisation** (FAO) released data showing its **world Food Price Index (FPI)** the highest since July 2011.

Key Points

- It was **introduced in 1996** as a public good to help in monitoring developments in the global agricultural commodity markets.
- The **FAO Food Price Index (FFPI)** is a measure of the **monthly change in international prices** of a basket of food commodities.
- It **measures changes for a basket** of cereals, oilseeds, dairy products, meat and sugar.
- **Base Period**: 2014-16.

Wage Rate Index (WRI)

Why in News

Recently, the government **has revised the base year for Wage Rate Index (WRI) to 2016** which will replace the old series with a base of 1963-65.

- The Wage Rate Index Number **measures the relative changes in wage rates over a period of time; high** or low Wage Rate Index in an industry does not necessarily indicate high or low wage rate in that industry as compared to other industries.
- A **base year** is the first of a series of years in an economic or financial index and is typically set to an arbitrary level of 100.

Key Points

- **About:**
  - The **Ministry of Labour & Employment** has released a new series of Wage Rate Index (WRI) with base year 2016, being **compiled and maintained by the Labour Bureau**, an attached office of the ministry.
  - It is based **on the recommendations of the International Labour Organization and the National Statistical Commission.**
  - The new series on WRI **has been compiled on a half-year basis** (on the first of January and July every year) as against the annual in the existing series.
  - The new WRI basket (2016=100) **has enhanced the scope and coverage in terms of occupations and industries** as compared to old WRI series (1963-65=100).
  - Of the 37 industries covered in the new series, **16 new ones** - including textile garments, footwear and petroleum - have been added under the manufacturing sector.
  - In the new series, the **oil mining industry has been introduced in the basket in place of mica mines industry, t**o make the mining sector more representative of the three different kinds of mining namely coal, metal and oil.
  - **Total 3 plantation industries** namely tea, coffee and rubber have been retained in the new WRI basket with enhanced coverage.
  - The **top five industries** - motor vehicles, coal mines, textile garments, iron & steel and cotton textiles **together account for 46% of the total weight.**
- **Expected Benefits:**
  - The revised base will be more representative and **play a critical role in determining the minimum wages and national floor wages** along with other parameters.
  - The government periodically revises the base year for major economic indicators **to reflect the changes in the economy and to capture the wage pattern of workers.**

More inclusive

The new series seeks to cover 700 occupations and makes the wage rate index more representative, expanding the number of industries, sample size and the weightage of industries.

Wage rate index base revision to 2016

Sector	No.of industries		Weights (in %)		Sample units	
	1963-65	2016	1963-65	2016	1963-65	2016
Manufacturing	14	30	48.78	82.57	923	2,627
Mining	4	4	17.01	11.23	110	163
Plantation	3	3	34.21	6.2	223	91
Total	21	37	100	100	1,256	2,881

Source: Ministry of labour and employment

- It **provides useful tips to employers** on deciding on the appropriate human resource strategy.

- **WRI 2020:**
  - The All India Wage Rate Index Number for all the 37 industries **stood at 119.7 in 2020 (half yearly 2)** which shows an increment of 1.6% over the index in 2020 (half yearly 1).
  - At sector level, the highest Wage Rate Index in 2020 (half yearly 2) **was reported in the Plantation Sector** followed by the Manufacturing Sector and Mining Sector.
  - **Highest Wage Rate Index:**
    - The highest Wage Rate Index was recorded in Drugs & Medicines, followed by Sugar, Motor Cycles, Jute Textiles and Tea Plantation.
  - **Lowest Wage Rate Index:**
    - The lowest Wage Rate Index was recorded in Rubber Plantation, followed by Paper, Castings & Forgings , Woolen Textiles and Synthetic Textiles.

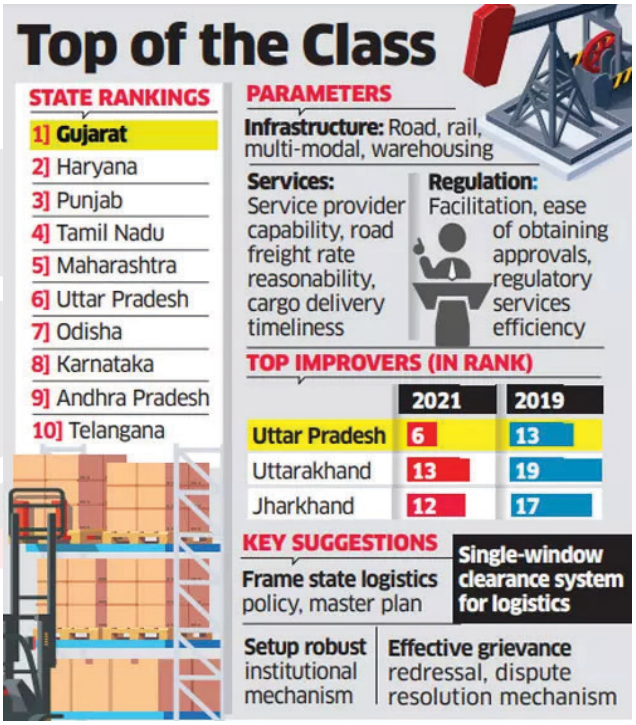
LEADS Report 2021

Why in News

Recently, the Ministry of Commerce and Industry has released the **Logistics Ease Across Different States (LEADS) Report (Index) 2021.**

Key Points

- **About:**
  - The **LEADS report** is aimed at gauging the logistics performance of **states and Union Territories (UT)** and identifying areas where they can improve logistics performance.
    - It was **launched in 2018.**
  - States are ranked based on **quality and capacity of key infrastructure** such as road, rail and warehousing as well as on **operational ease of logistics** including security of cargo, speed of terminal services and regulatory approvals.
  - The report is structured along the three dimensions which collectively influence logistics ease- **Infrastructure, Services, and Operating and Regulatory Environment** which are further categorised into 17 parameters.
- **Need:**
  - India's logistics costs account for **13-14% of Gross Domestic Product (GDP)**, compared to 7-8% in developed countries.
- **Ranking of States:**
  - **Top Performers:**
    - **Gujarat, Haryana and Punjab** have emerged as the top performers in the LEADS 2021 index respectively.
      - This is the **third year in a row** that Gujarat remained on top of the rankings.
    - **Delhi** stands at the top rank among Other UTs.
  - **North Eastern States and Himalayan Region:**
    - **Jammu and Kashmir** is the top ranker followed by Sikkim and Meghalaya.



- **Related Initiatives:**
  - **PM GatiShakti Master Plan**
  - **Dedicated Freight Corridor (DFC)**
  - **Sagarmala**
  - **Bharatmala Pariyojana**

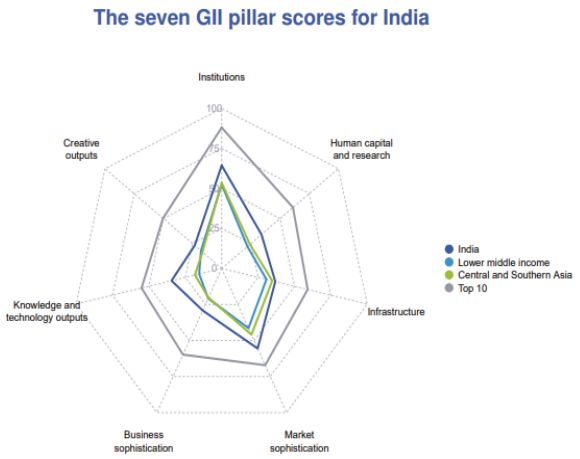
Global Innovation Index 2021

Why in News

Recently, India has climbed two spots and has been **ranked 46th in the Global Innovation Index (GII) 2021 rankings.**

Key Points

- **Global Innovation Index (GII) 2021:**
  - **About:**



    - **Launch**: The GII is launched by the **World Intellectual Property Organization (WIPO)**, a specialized agency of the **United Nations**.
    - **Partnership**: It is published in **partnership with the Portulans Institute and other corporate partners**:
      - The Brazilian National Confederation of Industry (CNI), **Confederation of Indian Industry (CII)**, Ecopetrol (Colombia) and the Turkish Exporters Assembly (TIM).
    - **Indicators**: The index ranks world economies (around 132) according to their innovation capabilities and consists of roughly 80 indicators grouped into **innovation inputs** and **outputs**.
      - **Innovation inputs:** Institutions; Human capital and research; Infrastructure; Market sophistication; Business sophistication.
      - **Innovation outputs:** Knowledge and technology outputs; Creative outputs
  - **Global Performance:**
    - **Top Five: Switzerland**, **Sweden**, **U.S.**, and **U.K.** continue to lead the innovation ranking, and have all ranked in the top 5 in the past three years.
      - The **Republic of Korea** joins the top 5 of the GII for the first time in 2021.
    - **Asian Countries**: Four Asian economies feature in the top 15: **Singapore (8)**, **China (12)**, **Japan (13)** and **Hong Kong, China (14)**.
  - **India's Performance**:
    - India has been on an upward trajectory over the past few years in the **GII**.
      - India has shot up from a rank of 81 in 2015 to 46 in 2021.
    - India performs better in **innovation outputs** than **innovation inputs** in 2021.
      - This year India ranks **57th in innovation inputs**, the same as last year but higher than 2019.
      - As for innovation outputs, **India ranks 45th**. This position is the same as last year but higher than 2019.
    - India **ranks 2nd** among the **34 lower middle-income group economies**.
    - India **ranks 1st** among the **10 economies in Central and Southern Asia**.
    - The government attributed the country's improved performance to the departments of atomic energy, science and technology, biotechnology and space.
- **Other Findings from the GII 2021:**
  - **Investments in innovation** reached an **all-time high** before the pandemic with R&D growing at an exceptional rate of 8.5% in 2019.
  - **Government budget allocations** for the top R&D spending economies showed continued growth in 2020.
  - The **publication of scientific articles worldwide grew by 7.6%** in 2020.
  - **India, Kenya, the Republic of Moldova, and VietNam** hold the record for **overperforming on innovation** relative to their level of development for the 11th year in a row.

Note:

- The **India Innovation Index** has been developed by **NITI (National Institution for Transforming India) Aayog** on the lines of the GII.
  - The index goes beyond traditional approaches by considering the best parameters in measuring innovation such as **patents per million of population**, **publication in scientific journals**, **percentage of GDP spending on research**.
  - It also adds parameters that are specific to the Indian economy (eg. **Demographic dividend**), to give it a more holistic coverage.

World Bank Stops 'Ease of Doing Business' Report

Why in News

The **World Bank** would discontinue the practice of issuing 'Doing Business report' following an investigation reported "data irregularities" in its 2018 and 2020 editions (released in 2017 and 2019, respectively) and possible "ethical matters" involving bank staff.

- It will be working on a new approach to assessing the business and investment climate.

Key Points

- **Ease of Doing Business Report:**
  - The report was **introduced in 2003 to provide an assessment of objective measures of business regulations** and their enforcement **across 190 economies** on ten parameters affecting a business through its life cycle.
  - **10 different parameters namely,** Starting a Business, Dealing with Construction permits, Electricity availability, Property registration, Credit availability, Protecting minority Investors, Paying Taxes, Trading across borders, Contracts enforcement, and Resolving Insolvency.
  - It ranks countries on the basis of **Distance to Frontier (DTF) score** that highlights the gap of an economy with respect to the global best practice.
    - For example, a score of **75 means an economy was 25 percentage points away** from the frontier constructed from the best performances across all economies and across time.
- **India's Performance:**
  - Notably, in three reports, released in 2017, 2018 and 2019, India ranked among the top 10 economies showing "the most notable improvement".
    - Of the 79 positions in the Bank's Doing Business rankings that India gained between 2014 and 2019, 67 rank improvements happened 2017 onwards, with the biggest 30-rank jump happening in the Doing Business 2018 report, released in October 2017.
  - The **latest report**, published in October 2019, **placed India at 63rd** in Doing Business, compared with 77th in 2018 and 100 in 2017.
    - India, along with other top improvers, had implemented 59 regulatory reforms in 2018-19, accounting for a fifth of all reforms recorded worldwide.
    - During 2018-19, India had implemented reforms across parameters such as 'starting a business', 'dealing with construction permits', 'trading across borders', and 'resolving insolvency'. The government's goal was to be among the top 50 economies by 2020.
  - The **scores for India used to be based on coverage of just two cities**, with Mumbai carrying a weight of 47% and Delhi a weight of 53%.

World Bank

- **About:**
  - It was created in 1944, as the **International Bank for Reconstruction and Development (IBRD)** along with the **International Monetary Fund (IMF).** The IBRD later became the World Bank.
  - The World Bank Group is a unique global partnership of five institutions working for sustainable solutions that reduce poverty and build shared prosperity in developing countries.
- **Members:**
  - It has 189 member countries.
  - **India is also a member** country.
- **Major reports:**
  - Ease of Doing Business.
  - Human Capital Index.
  - World Development Report.
- **Its Five development institutions:**
  - **International Bank for Reconstruction and Development (IBRD):** provides loans, credits, and grants.
  - **International Development Association (IDA):** provides low- or no-interest loans to low-income countries.
  - **International Finance Corporation (IFC):** provides investment, advice, and asset management to companies and governments.
  - **Multilateral Guarantee Agency (MIGA):** insures lenders and investors against political risk such as war.
  - **International Centre for the Settlement of Investment Disputes (ICSID):** settles investment-disputes between investors and countries.
    - **India is not a member** of this.

Financial Inclusion Index

Why in News

Recently, the **Reserve Bank of India (RBI)** has unveiled the **first composite Financial Inclusion Index (FI-Index)**.

- The **annual FI-Index** for the **financial year ended March 2021** crossed the halfway mark to 53.9, as compared to 43.4 for the year ended March 2017.

Key Points

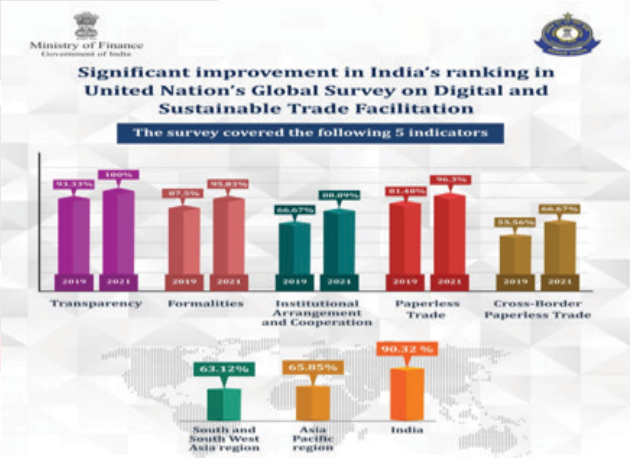
- **About:**
  - The index has been **conceptualised as a comprehensive index** incorporating details of banking, investments, insurance, postal as well as the pension sector in consultation with the government and respective sectoral regulators.
    - It will be **published annually in July every year.**
  - It **has been constructed without any 'base year'** and as such it **reflects cumulative efforts** of all stakeholders over the years towards financial inclusion.
- **Aim:**
  - To capture the **extent of financial inclusion** across the country.
- **Parameters:**
  - It **captures information on various aspects of financial inclusion** in a **single value ranging between 0 and 100**, where 0 represents complete financial exclusion and 100 indicates full financial inclusion.
  - It comprises three **broad parameters (weights indicated in brackets)** viz., **Access (35%), Usage (45%), and Quality (20%)** with each of these consisting of various dimensions, which are computed based on a number of indicators.
    - The index is **responsive to ease of access, availability and usage of services, and quality of services** for all 97 indicators.
- **Importance of FI Index:**
  - **Measures Level of Inclusion:** It provides information on the **level of financial inclusion** and **measures financial services** for use in internal policy making.
  - **Development Indicators:** It can be used **directly as a composite measure** in development indicators.
  - **Fulfill the G20 Indicators:** It enables fulfilment of **G20 Financial Inclusion Indicators** requirements.
    - The G20 indicators **assess the state of financial inclusion and digital financial services**, nationally and globally.
  - **Facilitate Researchers:** It also **facilitates researchers to study the impact of financial inclusion** and other macroeconomic variables.

UN's Survey on Digital and Sustainable Trade Facilitation 2021

Why in News

Recently, **India has scored 90.32% in United Nations Economic and Social Commission for Asia Pacific's (UNESCAP)** Global **Survey on Digital and Sustainable Trade Facilitation.**

- This is a remarkable jump from **78.49% in 2019.**



Key Points

- **About Survey:**
  - The survey is **conducted every two years by UNESCAP** and includes **an assessment of 58 trade facilitation measures covered by the World Trade Organization's Trade Facilitation Agreement.**
  - **58 measures include** publications of existing import-export rules on the internet, risk management, advance ruling on tariff classification, pre-arrival processing, independent appeal mechanism, expedited shipments, automated customs system, among others.
  - A **higher score** for a country **helps businesses in their investment decisions.**

- The **UN Regional Commissions jointly conduct the UN Global Survey on Digital and Sustainable Trade Facilitation.**
- The Survey **currently covers 143 economies around the globe.** For Asia Pacific, it is conducted by UNESCAP.

- **Assessment of India:**
  - It pointed out **India's improvement in the scores on all five key indicators**.
    - **Transparency:**100% in 2021 (from 93.33% in 2019)
    - **Formalities:** 95.83% in 2021 (from 87.5% in 2019)
    - **Institutional Arrangement and Cooperation:** 88.89% in 2021 (from 66.67% in 2019)
    - **Paperless Trade:** 96.3% in 2021 (from 81.48% in 2019).
    - **Cross-Border Paperless Trade:** 66.67% in 2021 (from 55.56% in 2019).
  - **Comparison with Other Countries:**
    - India is the **best performing nation** as compared to the **South and South West Asia region** (63.12%) and **Asia Pacific region (65.85%).**
    - The overall score of India is **also greater than many OECD (Organisation for Economic Cooperation and Development) countries** including France, UK, Canada, Norway, Finland etc. and the overall score is **greater than the average score of the EU (European Union).**
  - **Cause of Improvement:**
    - The **CBIC** (Central Board of Indirect Taxes and Customs) has been at forefront of path breaking reforms under the umbrella of **'Turant'** Customs to usher in a Faceless, Paperless and Contactless Customs by way of a series of reforms.
    - During the **Covid-19 pandemic**, Customs formations worked to expedite imports such as oxygen-related equipment, life-saving medicines, vaccines etc.

United Nations' Economic and Social Commission for Asia and the Pacific

- **About:** It is a regional development arm of the **United Nations** for the Asia-Pacific region.
- **Members:** It has **53 Member States** and **9 Associate Members** from Asia-Pacific Region. **India** is also a member.
- **Established:** 1947
- **Headquarters:** Bangkok, Thailand
- **Objective:** To overcome some of the region's greatest challenges by providing results-oriented projects, technical assistance and capacity building to member States.
- **Recent report:** '**Economic and Social Survey of Asia and the Pacific 2021: Towards post-Covid-19 resilient economies**'.

World Competitiveness Index 2021

Why in News

According to the **World Competitiveness Yearbook (WCY), India** maintained **43rd rank** on the **annual World Competitiveness Index**.

- The World Competitiveness Index is **a comprehensive annual report** and worldwide reference point on the competitiveness of countries.

Key Points

- **About:**
  - **Published by**: WCY was **first published in 1989** and is compiled by the **Institute for Management Development (IMD)**.
    - In 2021, the IMD examined the impact of **Covid-19** on economies around the world.
    - It provides **extensive coverage of 64 economies.**
  - **Factors**: It measures the prosperity and competitiveness of countries by examining four factors (334 competitiveness criteria):
    - Economic performance
    - Government efficiency
    - Business efficiency
    - Infrastructure
- **Top Global Performers:**
  - **Europe:**
    - The European countries display regional strength in world competitiveness ranking with Switzerland (1st), Sweden (2nd), Denmark (3rd), the Netherlands (4th).
  - **Asia:**
    - The top-performing Asian economies are, in

order, Singapore (5th), Hong Kong (7th), Taiwan (8th) and China (16th).

- Singapore was 1st in the **2020 World Competitiveness Index.**

- **Others:**
  - The **UAE and the USA remain in their same spots** as last year (9th and 10th, respectively).

- **India's Performance:**
  - **In Comparison to BRICS Nations:** Among the **BRICS nations**, India ranked second (43rd) after China (16th), followed by Russia (45th), Brazil (57th) and South Africa (62nd).
  - **Performance on Four Factors:** Among the four indices used, **India's ranking in government efficiency increased** to 46 from 50 a year ago, while its **ranking in other parameters** such as economic performance (37th), business efficiency (32th) and infrastructure (49) **remained the same.**
  - **Improvements in Government Efficiency:** Mostly due to relatively stable public finances. Despite difficulties brought by the pandemic, in 2020, the government deficit stayed at 7%. The Government also provided support and subsidies to the private companies.
  - **India's Strengths**:
    - India's strengths lie in investments in telecoms (1st), mobile telephone costs (1st), ICT services exports (3rd), remuneration in services professions (4th) and terms of trade index (5th).
  - **India's Weaknesses**:
    - India's performance is the worst in sub-indices such as broadband subscribers (64th), exposure to **particulate pollution** (64th), **human development** index (64th), **GDP** per capita (63rd) and **foreign currency reserves** per capita (62nd) among others.

- **Recent Steps Taken by India to Increase its Competitiveness:**
  - The government has introduced the **Production-Linked Incentive (PLI) Scheme** in various sectors for enhancing India's manufacturing capabilities and exports.
  - The five pillars of **'Atmanirbhar Bharat Abhiyan (or Self-reliant India Mission)'** are - Economy, Infrastructure, System, Vibrant Demography and Demand.

Global Manufacturing Risk Index

Why in News

Recently, India has overtaken the United States (US) to become the **second-most sought-after manufacturing destination globally,** driven mainly by cost competitiveness in the **Global Manufacturing Risk Index 2021.**

- In last year's report, the US was at second position while India ranked third.

Key Points

- **About the Global Manufacturing Risk Index:**
  - It assesses the **most advantageous locations for global manufacturing** among **47 countries in Europe, the Americas and Asia-Pacific (APAC).**
  - The rankings in the report are determined based on **four key parameters:**
    - Country's capability to restart manufacturing,
    - Business environment (availability of talent/ labour, access to markets),
    - Operating costs,
    - Risks (political, economic and environmental).
  - The index is released by the **US-based property consultant Cushman & Wakefield.**
  - **China remains at number one position** and the **US is at third position**, in the Global Manufacturing Risk Index, 2021.
  - The improvement in ranking indicates the growing interest shown by manufacturers in India as a preferred manufacturing hub over other countries, including the US and those in the APAC region.

- **Factors Responsible for Improvement in India's Ranking:**
  - The growing focus on India can be attributed to **India's operating conditions and cost competitiveness.**
  - India has a huge population, which means a **younger workforce with innovative capabilities** that has the potential to fuel the country's manufacturing sector.
  - The improvement in ranking can be also attributed to **plant relocations from China to other parts of Asia** due to an already established base in pharma, chemicals and engineering sectors.

- Also, these factors continue to be at the centre of the **US-China trade tensions.**

Reports

Report	Agency
Financial Stability Report	RBI
World Employment and Social Outlook Trends 2022	International Labour Organisation (ILO)
Global Risks Report 2022	World Economic Forum
World Energy Outlook Report 2021	International energy Agency
World Energy Investment Report, 2021	IEA
World Bank Stops 'Ease of Doing Business' Report Global Economic Prospects	World Bank
Report On Global Remittances	World Bank
World Economic Outlook	IMF
Asian Development Outlook 2021	Asian Development Bank

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Key Points	Details

Summary

Key Points	Details

Summary