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PRELIMS XPRESS

INDIAN ECONOMY

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PREDICT THE UNPREDICTABLE

1.67 India's export subsidies issue at WTO

1.68 Block chain Bond

1.1 Global Manufacturing Index

The World Economic Forum (WEF) has ranked India at 30th position among 100 countries on its Global Manufacturing Index (GMI). The index was released as part of WEF's first Readiness for the future of production Report which analysed development of modern industrial strategies and urges collaborative action.

- ✓ The report said that India's manufacturing sector has grown by over 7 per cent per year on average in the past three decades and accounts for 16-20 percent of India's GDP. Japan topped the rankings.
- ✓ The report has categorised 100 countries in four major groups for its ranking which include, Leading (strong current base, high level of readiness for future); High Potential (limited current base, high potential for future);Legacy (strong current base, at risk for future); or Nascent (limited current base, low level of readiness for future.
- ✓ In terms of the scale of production, India has been ranked ninth, while for complexity it is at 48th place. For market size, India is on third spot, while areas where the country is ranked poorly (90th or even lower) include female participation in labour force, trade tariffs, regulatory efficiency and sustainable resources.
- ✓ Among BRICS nations, Russia is ranked 35th, Brazil 41st and South Africa at 45th place.
- ✓ India has been placed in the 'Legacy' group along with Hungary, Mexico, Philippines, Russia, Thailand and Turkey, among others.
- ✓ China figures among 'leading countries', while Brazil and South Africa are in 'nascent' ones.

1.2 NABARD Bill

The Bill allows Union Government to increase **capital of NABARD from Rs. 5000 crore to Rs 30,000 crore**. Further, it allows Union Government to increase the capital more than Rs. 30,000 crore in consultation with the Reserve Bank of India (RBI), if necessary. The Bill provides that Union Government alone must hold at least 51% capital share of NABARD. Further, it **transfers share capital held by RBI valued at Rs. 20 crore to Union Government**. Currently RBI holds 0.4% of paid-up capital of NABARD and remaining 99.6% is held by Union government and this causes conflict in RBI's role as banking regulator and shareholder in NABARD.

1.3 Prompt Corrective Action(PCA)

PCA is a process or mechanism to ensure that banks don't go bust. It was first introduced after global economy incurred huge losses due to failure of financial institutions during 1980s-90s.The Reserve Bank has specified certain regulatory trigger points, as a part of prompt corrective action (PCA) Framework, in terms of three parameters, i.e. **capital to risk weighted assets ratio (CRAR), net non-performing assets (NPA)and Return on Assets (RoA),** for initiation of certain structured and discretionary actions in respect of banks hitting such trigger points. The PCA framework is applicable only to commercial banks and not extended to co-operative banks, non-banking financial companies (NBFCs)and FMIs.

1.4 Financial Sector Assessment Program

The Financial Sector Assessment Program (FSAP), established in 1999, is a comprehensive and in-depth analysis of a country's financial sector by IMF.

The Financial Sector Assessment Program (FSAP) **is a joint program of the International Monetary Fund and the World Bank.** Launched in 1999 in the wake of the Asian financial crisis, the program brings together Bank and Fund expertise to help countries reduce the likelihood and severity of financial sector crises. The FSAP provides a comprehensive framework through which assessors and authorities in participating countries can identify financial system vulnerabilities and develop appropriate policy responses. It also provides countries with an opportunity to measure their compliance with financial sector standards and codes and, therefore, to benchmark their regulatory and supervisory systems against internationally-accepted practices.

1.5 LEADS Index

"LEADS-Logistics Ease Across Different States" released by **Ministry of commerce** is a first ever sub-national logistics performance index. The state logistics performance is arrived at using ranking methodology for stakeholder engagement based on a series of meetings and online surveys in the key area of logistics: infrastructure, services, Timelines, Traceability, competitiveness, security, operating environment and efficiency of regulation. LEADS is loosely based on World Bank's biannual Logistics Performance Index (LPI) on which India was ranked 35 among 160 countries in 2016, up from 54 in 2014. It aims to serve as an indicator of efficiency of logistical services necessary for promoting exports in particular and economic growth in general.

Key Points for Prelims:

1. The list was topped by Gujarat followed by Punjab and Andhra Pradesh.
2. Among the Union Territories, Daman & Diu occupied top slot followed by NCT Delhi and Chandigarh.

1.6 Long-term Capital Gains (LTCG) Tax on Equity

Why in news?

Finance Minister re-introduced LTCG tax on **equity shares**. Investors have to pay 10% LTCG tax on gains exceeding one lakh on the sale of shares or equity mutual funds held for more than one year. Previously, short-term capital gains (STCG) tax of 15% was levied.

LTCG or long-term capital gains refer to the gains made on any class of asset held for a particular period of time. In case of equity shares, it refers to the gains made on stocks held for more than one year. In other words, if the shares are bought and held for more than a year before selling, then the gains, if any, on the said sale are referred to as long term capital gains or LTCG.

1.7 CrisidEx

CriSidEx is the name of India's first sentiment index for micro and small enterprises (MSEs). The index was developed jointly by **CRISIL (Credit Rating Information Services of India Limited) & SIDBI (Small**

Industries Development Bank of India). The index is based on a diffusion index of 8 parameters and measures MSE business sentiment on a scale of 0 (extremely negative) to 200 (extremely positive).

Significance of index Provide crucial insights into employment, business environment and foreign trade in MSME sector. Allow policy makers to take timely proactive steps, including those based on early warnings thrown up by survey of index. It also provides intelligence and insights for regulators, trade bodies, lenders as well as economic and financial analysts.

1.8 RBI to link interest rate to external benchmark replacing MCLR

Reserve Bank of India (RBI) has proposed that banks will now have to link the interest rates charged by them on different categories of loans to the external benchmarks instead of the presently used internal benchmarks for better transmission of the policy rates.

According to the proposal, the loans can be benchmarked to any one of the following:

a. Reserve Bank of India policy repo rate, or

b. Government of India 91 days Treasury Bill yield produced by the Financial Benchmarks India Private Ltd (FBIL), or

c. Government of India 182 days Treasury Bill yield produced by the FBIL.

1.9 Change in basis of classifying MSME

A bill specifying the turnover of a business entity which would classify it as a micro, small or medium enterprise, was introduced by the government in the Lok Sabha.

1. Government approved the change in criteria **for classifying MSMEs from 'Investment in Plant & Machinery' to annual turnover.**
2. As per the new classification, enterprises having annual turnover less than or equal to Rs. 5 crore fall under the 'micro' category.Units having turnover between Rs. 5 crore to Rs. 75 crore will be classified as small enterprises, whereas those having turnover between Rs. 75 crore and Rs. 250 crore will be classified as enterprises.
3. Section 7 of the Micro, Small & Medium Enterprises Development (MSMED) Act 2006, will accordingly be amended to define units producing goods and rendering services.
4. At present, the MSMED Act Section 7 classifies MSMEs on the basis of investment in plant and machinery for manufacturing units, and investment in equipment for services enterprises.

1.10 Operation Greens

In the budget speech of Union Budget 2018-19, a new Scheme “Operation Greens” was announced on the line of “Operation Flood”, with an outlay of Rs.500 crore to promote Farmer Producers Organizations (FPOs), agri-logistics, processing facilities and professional management. Accordingly, the Ministry has formulated a scheme for integrated development of **Tomato, Onion and Potato (TOP) value chain**.

Long Term Integrated value chain development projects

- ✓ Capacity Building of FPOs & their consortium
- ✓ Quality production

- ✓ Post-harvest processing facilities
- ✓ Agri-Logistics
- ✓ Marketing / Consumption Points
- ✓ Creation and Management of e-platform for demand and supply management of TOP Crops.

1.11 Inverted duty structures

Inverted duty structure is a situation where import duty on finished goods is low compared to the import duty on raw materials that are used in the production of such finished goods.

Negative impacts:

Erode competitiveness of manufacturing sectors especially MSME, discourage Local Value Addition, affect job growth in manufacturing sector with more push from labour intensive and affect export potential of Manufacturing Sector with increased prices.

Positive impacts

Improved Competition, benefits domestic consumers and provides cheap goods to importing country.

1.12 Jal Marg Vikas Project

The Jal Marg Vikas Project (JMVP) on NW-1 is being implemented with the financial and technical support of the **World Bank.** The Project entails development of fairway with 3 meters depth between Varanasi and Haldia (Phase-I) covering a distance of 1380 km at an estimated cost of Rs. 5369 crore with target for completion in six years.
States/districts covered
Uttar Pradesh, Bihar, Jharkhand, West Bengal
Major Districts: Varanasi, Ghazipur, Ballia, Buxar, Chhapra, Vaishali, Patna, Begusarai, Khagaria, Munger, Bhagalpur, Sahibganj, Musrhidabad, Pakur, Hoogly, Kolka

1.13 Letter of Undertaking (LoU)

Letter of Undertaking is a bank guarantee under which a bank allows its customer to raise money from another Indian bank's foreign branch in the form of short-term credit. LoUs are conveyed from bank to bank through "Society for Worldwide Interbank Financial Telecommunication" (SWIFT) instructions.

The loan is used to make payment to the customer's offshore suppliers in foreign currency. The overseas bank usually lends to the importer based on the LoU issued by the importer's bank. The Reserve Bank of India (RBI) has decided to discontinue the issue of Letters of Undertakings (LoUs) and Letters of Comforts (LoCs).

1.14 E-WAY BILL

The E-way bill, or the electronic way bill, is a document to be generated online under the GST system, when goods of the value of more than Rs. 50,000 are shipped inter-State or intra-State. The E-way bill must be raised before the goods are shipped and should include details of the goods, their consignor, recipient and transporter. According to the McKinsey report speed- breakers cost Indian Economy an extra

$45 Billion or 4.3% of the GDP every year so the GST e-way Bill is expected to trim the logistic cost by 20%. If a consignment is found without an E-way bill, a penalty of 10,000 or tax sought to be evaded, whichever is greater, can be levied. E-way bill helps in reducing Tax-Evasion since every e-way bill generated by the sender or buyer of goods is to be automatically updated in the outward sales return (GSTR) of the supplier, leaving little scope for tax evasions on shipments. The LPI (Logistics Performance Index) Survey by World Bank in 2014 put logistics costs at 14 percent of the total value of goods in India, while it is only 6-8 per cent in other major countries. Thus, e-way bill will help to reduce the logistic cost and it will help in increasing ease of doing business in India.

1.15 Mega Food Park

It is a scheme of the Ministry of Food Processing Industry (MOFPI) of the Government of India and is an inclusive concept. It proposes a demand driven/pre-marketed model with strong backward/forward linkages and sustainable supply chain. Its objective is to establish a "direct linkage from farm to processing and then to consumer markets" through a network of collection centres (CCs) and primary processing centres (PPCs) so as to ensure optimization of value addition, minimization of wastage, increasing farmer's income and creating employment opportunities particularly in rural sector. The scheme is based on a "Cluster" approach and envisages a well-defined agriculture or horticultural-processing zone containing state-of-the art processing facilities with support infrastructure and a well-established supply chain.

Highlights of this scheme?

- ✓ The financial assistance is provided in the form of grant-in-aid at 50% of eligible project cost in general areas and at 75% of eligible project cost in the North East Region and difficult areas (Hilly States and ITDP areas) subject to maximum of Rs.50 crores per project.
- ✓ Government has accorded an "infrastructure category" status to the project through this scheme so as to provide incentive for further investment and attract foreign investment.

Key objectives

- ✓ Increase processing of perishable items from 6% to 20%
- ✓ Increase India's share in Food Processing Industry from 1.5% to 3%

1.16 Hybrid Annuity (PPP) model

Key Points:

1. In India, the new HAM is a mix of BOT Annuity and EPC models.
2. As per the design, the government will contribute to 40% of the project cost in the first five years through annual payments (annuity) whereas the remaining 60% is raised by developer from equity or loan as variable depending upon the value of assets created.
3. Under HAM, Revenue collection would be the responsibility of the National Highways Authority of India (NHAI).The developer doesn't have right to collect revenue.

Additional Info:

Build Operate and Transfer (BOT): This is the simple and conventional PPP model where the private partner is responsible to design, build, operate (during the contracted period) and transfer back the facility to the public sector. Role of the private sector partner is to bring the finance for the project and take the responsibility to construct and maintain it. In return, the public sector will allow it to collect revenue from the users. The national highway projects contracted out by NHAI under PPP mode is a major example for the BOT model.

period of concession.

Engineering Procurement Model: Under this system the entire project is **funded by the government**. The EPC entails the contractor build the project by designing, installing and procuring necessary labour and land to construct the infrastructure, either directly or by subcontracting. Under EPC model the **contractor is legally responsible to complete the project under some fixed predetermined timeline** and may also involve scope for penalty in case of time overrun. In EPC as **all the clearances**, land acquisition and regulatory norms have to be completed by the **government itself** and the private players do not have to get itself involved in these time taking procedures**.**

1.17 UdyamSakhi Portal

On the occasion of International Women's Day today, March 8,the Ministry of Micro, Small and Medium Enterprises(MSME) launched a portal for women entrepreneurs of India: www.udyamsakhi.org. The portal is a network for nurturing entrepreneurship and creating business models for low cost products and services in order to empower women and make them self-reliant and self-sufficient.

1.18 World's first Brass future contract

Multi Commodity Exchange of India (MCX) today launched futures trading in brass for the first time globally, which will facilitate brass stakeholders to hedge their price risk.

MCX Brass future is the first non-ferrous contract with compulsory delivery option.

1.19 Currency Derivatives

Currency derivatives are considered to be one of the best options to manage any risk against foreign currency exchange rate volatility

- ✓ Currency derivatives are exchange-based futures and options contracts that allow one to hedge against currency movements.
- ✓ One can use a currency future contract to exchange one currency for another at a future date at a price decided on the day of the purchase of the contract.
- ✓ Till January 2010, exchange rate futures were available only for US Dollar vis-à-vis Indian Rupee.
- ✓ Now, currency Derivatives are available on four currency pairs viz. US Dollars (USD), Euro (EUR), Great Britain Pound (GBP) and Japanese Yen (JPY).

1.20 Inter-Creditor Agreement (ICA)

- ✓ The agreement is part of the proposed Project Sashakt.
- ✓ "Sashakt" plan is approved by the government to address the problem of resolving bad loans.
- ✓ The objective is to use this ICA for faster facilitation of resolution of stressed assets.
- ✓ It is aimed at the resolution of loan accounts with a size of Rs. 50 crore and above that are under the control of a group of lenders.

More than a dozen of lenders led by State Bank of India recently signed the inter-creditor agreement (ICA).

What are the provisions?

- ✓ If 66% of the lenders agree to a resolution plan it would be binding on all lenders.
- ✓ A 'dissenting creditor' is that which votes against or abstains from voting for the resolution plan approved by the committee.
- ✓ A dissenting creditor could sell its loan at a discount of 15% of the liquidation value to other lenders.
- ✓ Liquidation value is the amount at which a company could sell its assets and settle liabilities.
- ✓ Another option is to sell their loans to any person at a price mutually arrived between dissenting lender and the buyer.
- ✓ However, it cannot sell it to an asset reconstruction company.
- ✓ The agreement has a standstill clause wherein all lenders are barred from enforcing any legal action against the borrower.
- ✓ During standstill period, lenders are also barred from transferring or assigning their loan to any other person except a bank or finance company.

1.21 Regional Rural Banks (RRBs)

Regional Rural Banks (RRBs) were set up as government-sponsored, regional based rural lending institutions under the Regional Rural Banks Act, 1976 to provide sufficient banking and credit facility for agriculture and other rural sectors. These were set up on the recommendations of the M. Narasimham Working Group.

The Regional Rural Banks were owned by the Central Government, the State Government and the Sponsor Bank (there were five commercial banks, Punjab National Bank, State Bank of India, Syndicate Bank, United Bank of India and UCO Bank, which sponsored the regional rural banks) who held shares in the ratios as follows Central Government – 50%, State Government – 15% and Sponsor Banks – 35% .

1.22 NABARD study on Farm Household

The current one had a sample size of 40,327 rural households, selected through a multi-stage stratified random sampling from 29 states, 245 districts, and 2,016 villages.

The survey defined those households as agricultural that earned Rs. 5,000 or more each month from agricultural activities, such as farming, horticulture, fodder, plantation, animal husbandry, poultry, fishery, piggery, bee-keeping, vermiculture, and sericulture, and had at least one member indulging in agricultural activities in the past 365 days. The average debt of an indebted agricultural household stood at Rs. 1,04,602 in comparison to Rs. 76,731 for indebted non-agricultural households. The Nabard plans to conduct such surveys every three years to fill gaps left by the NSSO's surveys, which are done every 10 years the level of indebtedness since 2012-13 has not decreased much, remaining static at 52-53 per cent.

1.23 India pips France to become world's 6th largest economy

According to updated World Bank figures on GDP of countries for 2017, India has become world's sixth-biggest economy surpassing France to seventh place. India's gross domestic product (GDP) amounted to $2.597 trillion at the end of 2017, as against $2.582 trillion for France.

According to the World Bank, the surge in India's GDP has been a result of the good performances in the manufacturing sector driven by increased consumer spending. Overall, India's economy has shown a rapid progress, doubling its GDP in less than past 10 years and positioning India as the engine of economic growth in Asia at a time when the Chinese economy is shown definite signs of lethargy.

1.24 FDI Confidence Index

India was ranked 11th position in the FDI Confidence Index 2018 released by global consultancy firm A T Kearney. It has slipped by three notches in 2018 as it was ranked 8th in 2017 and 9th in 2016.

Top 5 countries in FDI Confidence Index 2018 are United States (1st), Canada (2nd), Germany (3rd), United Kingdom (4th) and China (5th).

The index is annual analysis of how political, economic, and regulatory changes will likely affect FDI inflows into countries in coming years.It is constructed using primary data from proprietary survey administered to senior executives of world's leading corporations. Companies participating in survey have annual revenues of $500 million or more.

1.25 National Policy on Electronics 2018

Union Ministry of Electronics and Information Technology (MeitY) has issued draft 'National Policy on Electronics 2018' (NPE 2018) for Electronics System Design and Manufacturing (ESDM) Sector of India. It sets ambitious target of creating $400 billion electronics manufacturing industry by 2025 with mobile phone devices segment accounting for three-fourths of production.

1. It replaces existing incentive schemes like Modified Special Incentive Package Scheme (M-SIPS), with schemes that are easier to implement such as interest subsidy and credit default guarantee etc.
2. It proposes suitable direct tax benefits, including inter-alia investment-linked deduction under Income Tax (IT) Act for electronics manufacturing sector, for setting up of new manufacturing unit or expansion of an existing unit.
3. The set target of $400 billion turnover under it includes targeted production of 1 billion mobile handsets by 2025, valued at $190 billion.

1.26 BSE first to launch Commodity Derivatives Contract in Gold and Silver

India's leading bourse Bombay Stock Exchange (BSE) became first stock exchange in the country to launch commodity derivative contracts. It has launched contracts in popular commodities like gold (1kg) and silver (30kg). This launch comes after unified exchange regime kicked off from 1 October 2018. The launch of commodity derivatives platform on BSE will help efficient price discovery, reduce timelines and make it cost effective. BSE also has applied for launching of crude oil and copper commodity contracts with capital markets regulator Securities and Exchange Board of India (SEBI).

1.27 Bharat 22 Exchange Traded Fund (ETF)

Exchange Traded Funds are essentially Index Funds that are listed and traded on exchanges like stocks.

These funds mainly track an index, a commodity, or a pool of assets.

Key Points:

- ✓ Bharat 22 is the second Exchange Traded Fund (ETF), launched by the Union Finance Ministry (first was CPSE ETF's 10).
- ✓ It comprises 22 stocks including those of central public sector enterprises, PSU banks and holdings under the Specified Undertaking of Unit Trust of India.
- ✓ Bharat 22 is a well-diversified ETF spanning six sectors — basic materials (4.4%), energy (17.5%), finance (20.3%), industrials (22.6%), FMCG (15.2%) and utilities (20%).
- ✓ The ETF will also include some of the government's holdings in SUUTI (Specified Undertaking of Unit Trust of India). The Bharat 22 ETF will be managed by ICICI Prudential AMC while Asia Index will be the index provider.

1.28 Public Credit Registry

What is PCR?

1. A public credit registry is an information repository that collects all loan information of individuals and corporate borrowers.
2. It helps banks distinguish between a bad and a good borrower and accordingly offer attractive interest rates to good borrowers and higher interest rates to bad borrowers.

Panel's proposals

1. The move is based on the recommendations of a committee, headed by Y.M. Deosthalee.
2. The committee has suggested the registry should capture all loan information and borrowers be able to access their own history.
3. Data is to be made available to stakeholders such as banks, on a need-to-know basis. Data privacy will be protected.

1.29 'Angel Tax' Controversy

Angel Tax is a 30% tax that is levied on the funding received by startups from an external investor. However, this 30% tax is levied when startups receive angel funding at a valuation higher than its 'fair market value'. It is counted as income to the company and is taxed.

The tax, under section 56(2)(viib), was introduced by in 2012 to fight money laundering. The stated rationale was that bribes and commissions could be disguised as angel investments to escape taxes. But given the possibility of this section being used to harass genuine startups, it was rarely invoked. In a notification dated May 24, 2018, the Central Board of Direct Taxes (CBDT) had exempted angel investors from the Angel Tax clause subject to fulfillment of certain terms and conditions, as specified by the Department of Industrial Policy and Promotion (DIPP). However, despite the exemption notification, there are a host of challenges that startups are still faced with, in order to get this exemption.

1.30 RBI Panel on Economic Capital Framework

RBI has constituted a panel on economic capital framework. It will be headed by Ex-RBI governor BimalJalan. The expert panel on RBI's economic capital framework has been formed to address the issue of RBI reserves—one of the sticking points between the central bank and the government.

What's the issue?

The government has been insisting that the central bank hand over its surplus reserves amid a shortfall in revenue collections. Access to the funds will allow the government to meet deficit targets, infuse capital into weak banks to boost lending and fund welfare programmes.

Terms of reference:

- ✓ The panel will decide whether RBI is holding provisions, reserves and buffers in surplus of the required levels.
- ✓ It would propose a suitable profits distribution policy taking into account all the likely situations of the RBI, including the situations of holding more provisions than required and the RBI holding less provisions than required.
- ✓ The ECF committee will also suggest an adequate level of risk provisioning that the RBI needs to maintain. That apart, any other related matter, including treatment of surplus reserves created out of realized gains, will also come within the ambit of this committee.

What is economic capital framework?

Economic capital framework refers to the risk capital required by the central bank while taking into account different risks. The economic capital framework reflects the capital that an institution requires or needs to hold as a counter against unforeseen risks or events or losses in the future.

1.31 PCS 1x System

- ✓ Indian Ports Association (IPA) under the guidance of Ministry of Shipping launched the Port Community System 'PCS 1x' with url indianpcs.gov.in.

- ✓ The platform has the potential to revolutionize maritime trade in India and bring it at par with global best practices and pave the way to improve the Ease of Doing Business world ranking and Logistics Performance Index (LPI) ranks.
- ✓ 'PCS 1x' is a cloud based new generation technology, with user-friendly interface. This system seamlessly integrates 8 new stakeholders besides the 19 existing stakeholders from the maritime trade on a single platform.

1.32 Section 7 of the RBI Act

The Central government has reportedly initiated steps towards invoking its powers under Section 7 of the RBI Act of 1934.

What does the section contain?

- ✓ It is a provision under which the government can give directions to the RBI to take certain actions in the public interest.
- ✓ This provision has been built into the law governing not just the RBI but also regulatory bodies in other sectors.
- ✓ Section 7 has two parts - consultation and then issuing a direction to the RBI for taking some action in public interest.
- ✓ Under it, the Central Government may from time to time give such **directions**

to the Bank as it may consider necessary in the public interest.

- ✓ This has to be done only after consultation with the Governor of RBI.
- ✓ Subject to any such directions, the general superintendence and direction of the affairs and business of the Bank shall be entrusted to a **Central Board of Directors**.
- ✓ The Central Board of Directors in turn will exercise all powers and do all acts and things which may be exercised or done by the Bank.
- ✓ The Central Board of Directors comprises a Governor and [not more than four] Deputy Governors to be appointed by the Centre, four Directors to be nominated by the Centre and one government official nominated by the Centre.

1. Until now, however, the government has never exercised its powers under Section 7 of the RBI Act.

What has led to this scenario?

- ✓ The central government issued three letters to the central bank in the last one month for consultation under Section 7 of the RBI Act.
- ✓ The First letter pertained to exemption for power companies from new stressed asset norms.
- ✓ The second one was related to dilute capital threshold norms of the prompt corrective action framework.
- ✓ The third one was pertaining to more capital to the government from the reserves of the central bank.
- ✓ However, RBI has refused to provide any leeway to stressed borrowers or give in to the demand of higher dividend by the government.
- ✓ RBI on its part said that it has responded to all the communications that were sent by the government and has decided to maintain its stance.

- This made the government to invoke its powers and initiate consultations under Section 7.

1.33 World Bank's Doing Business Report, 2018

Ease of doing business refers to the regulatory environment in a country to set up and operate a business.

The **ease of doing business index** is an index created by the World Bank Group. Economies are ranked on their ease of doing business, from 1–190. A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm.

A nation's ranking on the index is based on the average of 10 sub-indices: Starting a business, Dealing with construction permits, Getting electricity, Registering property, Getting credit, Protecting investors, Paying taxes, Trading across borders, Enforcing contracts and Resolving insolvency.

India's Performance

1. India has recorded a jump of 23 positions against its rank of 100 in 2017.
2. It is placed now at 77th rank among 190 countries with a leap of 23 ranks.
3. As a result of continued efforts by the Government, India has improved its rank by 53 positions in last two years and 65 positions in last four years.

Doing Business Assessment of India

1. The Doing Business assessment provides objective measures of business regulations and their enforcement across 190 economies on ten parameters affecting a business through its life cycle.
2. India has improved its rank in 6 out of 10 indicators and has moved closer to international best practices (Distance to Frontier score) on 7 out of the 10 indicators.

3. Indicators where India improved its rank are as follows:

The Ease of Doing Business Rank (EODB) state rankings

The Ease of Doing Business Rank (EODB) by World Bank is a measure of an economy's position to the best regulatory practices. At national level Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry, releases the rankings of States in Ease of Doing Business .

Performance of states:

- ✓ The top rankers are Andhra Pradesh, Telangana and Haryana. Jharkhand and Gujarat stood fourth and fifth respectively.
- ✓ Delhi is placed at 23rd among 34 states and Union territories. Its rank also worsened from 18th in 2016.
- ✓ Karnataka has occupied the eighth spot, against 13th in 2016.

The rankings are based on the performance of states in implementing the Business Reform Action Plan (BRAP). The reform plan includes 372 recommendations for reforms on regulatory processes, policies, practices and procedures spread across 12 reform areas including labour regulation enablers; contract enforcement; registering property; inspection reform enablers; single window system; land availability and allotment; construction permit enablers etc.

1.34 Financial Inclusion Index

- ✓ Department of Financial Services, Ministry of Finance will release an Annual Financial Inclusion Index from 2019 onwards.
- ✓ FII will be a measure of access and usage of a basket of formal financial products and services that include savings, remittances, credit, insurance and pension products.

The index will have three measurement dimensions-

(a) Access to financial services

(b) Usage of financial services

(c) Quality.

Significance

- ✓ Financial Inclusion Index can be used directly as a composite measure in development indicators.
- ✓ The single composite index will give a snapshot of level of financial inclusion that would guide macro policy perspective.
- ✓ The various components of the index will also help to measure financial services for use of internal policy making.
- ✓ It enables fulfillment of **G20 Financial Inclusion Indicators requirements**.
- ✓ It will also facilitate researchers to study the impact of financial inclusion and other macroeconomic variables.

1.35 World Bank's Human Capital Index

The World Bank released a Human Capital Index (HCI) as part of the World Development Report 2019.

About HCI & its Theme:

- ✓ Broader theme of the World Development Report (WDR) this year is "The Changing Nature of Work". As part of this report, the World Bank has launched a Human Capital Project (HCP).
- ✓ There are three components of HCP- a cross-country human capital measurement metric called the Human Capital Index (HCI), a programme of measurement and research to inform policy action, and a programme of support for country strategies to accelerate investment in human capital.
- ✓ The HCI has been constructed for 157 countries.
- ✓ The HCI index values are contended to convey the productivity of the next generation of workers, compared to a benchmark of complete standard education and full health.

The HCI has three components:

(i) **Survival**, as measured by under-5 mortality rates;

(ii) **Expected years of Quality-Adjusted School** which combines information on the quantity and quality of education (quality is measured by harmonizing test scores from major international student achievement testing programs and quantity from number of years of school that a child can expect to obtain by age 18 given the prevailing pattern of enrolment rates across grades in respective countries); and

(iii) **Health environment** using two proxies of (a) adult survival rates and (b) the rate of stunting for children under age 5.

The HCI measures the Index outcomes for each country as a fraction of maximum value of 1. As expected the advanced economies such as North America and Europe mostly have HCI value of above 0.75, while South Asia and Sub Saharan Africa have the lowest HCI among the regions. The HCI for India has been estimated at 0.44. The quality adjusted learning has been measured in case of India by using the data as old as 2009.

The key observations regarding HCI for India in the Report are as under:

- ✓ Human Capital Index: A child born in India today will be only 44 per cent as productive when she grows up as she could be if she enjoyed complete education and full health.
- ✓ The HCI in India for females is marginally better than that for males.
- ✓ Further, there has been marked improvement in the HCI components in India over the last five years.
- ✓ Probability of Survival to Age 5: 96 out of 100 children born in India survive to age 5.
- ✓ Expected Years of School: In India, a child who starts school at age 4 can expect to complete 10.2 years of school by her 18th birthday.
- ✓ Learning-adjusted Years of School: Factoring in what children actually learn, expected years of school is only 5.8 years.
- ✓ Adult Survival Rate: Across India, 83 per cent of 15-year olds will survive until age 60.
- ✓ Healthy Growth (Not Stunted Rate): 62 out of 100 children are not stunted. 38 out of 100 children are stunted, and so at risk of cognitive and physical limitations that can last a lifetime.
- ✓ Gender Differences: In India, HCI for girls is marginally higher than for boys.

1.36 Global Competitiveness Index 2018

World Economic Forum has released 'Global Competitiveness Report 2018' with a new milestone of introducing for the first time Global Competitive Index 4.0 to measure how well countries adapt to the Fourth Industrial Revolution (4IR)

Global Competitive Index (GCI 4.0)

- ✓ The Forum's 2018 report uses new methodology to understand the full impact of the 4IR, and finds factors including human capital, agility, resilience, openness and innovation becoming increasingly important.
- ✓ The new index measures 140 economies against 98 indicators, organized into 12 'pillars' or drivers of productivity, to determine how close the economy is to the ideal state or 'frontier' of competitiveness.
- ✓ The US topped the rankings, being 'closest to the competitiveness frontier', with Singapore, Germany, Switzerland and Japan, completing the top five.
- ✓ At the other end of the scale, Haiti, Yemen and Chad were found to be the least competitive economies.
    - ✓ The new Index emphasises that competitiveness is not only associated with higher incomes, but also better socioeconomic outcomes, including life satisfaction.
    - ✓ It emphasizes the role of human capital, innovation, resilience and agility, as not only drivers but also defining features of economic success in the 4IR.
    - ✓ It calls for better use of technology for economic leapfrogging—but also cautions that this is only possible as part of a holistic approach with other factors of competitiveness.
    - ✓ Finally, it offers objective, data-driven analysis for dispassionate, future-oriented, and rational policy-making.

GCI –India

- ✓ India ranks 58th, up five places from 2017 out of 140 economies.
- ✓ The country registered the largest gain of any country in the G20.
- ✓ As per the report, India is a remarkable example of a country that has been able to accelerate on the pathway to innovation due to the quality of its research institutions.
- ✓ In spite of a high degree of entrepreneurship (23rd), business dynamism is hampered by administrative hurdles.
- India currently ranks 108th on the Health pillar and 96th on the Skills field of the index.

1.37 Monetary Policy and Monetary Policy Committee (MPC)

- ✓ The Monetary Policy Committee (MPC) is a committee of the Central Bank in India (Reserve Bank of India), headed by its Governor, which is entrusted with the task of fixing the benchmark policy interest rate (repo rate) to contain inflation within the specified target level i.e. inflation targeting.
- ✓ The Reserve Bank of India Act, 1934 (RBI Act) was amended by the Finance Act, 2016, to provide for a statutory and institutionalized framework for a Monetary Policy Committee, for maintaining price stability, while keeping in mind the objective of growth.
- ✓ MPC was set up consequent to the agreement reached between Government and RBI to task RBI with the responsibility for price stability and inflation targeting.

Structure of MPC

- ✓ The committee has 6 members. Three of the members are from the RBI while the other three members are appointed by the government. Members from the RBI are the Governor who is the chairman of the MPC, a Deputy Governor and one officer of the RBI. The government members are appointed by the Centre on the recommendations of a search-cum-selection committee which is to be headed by the Cabinet Secretary. Search cum selection committee consisting of the cabinet secretary (Chairperson), the RBI Governor, the secretary of the Department of Economic Affairs, Ministry of Finance, and three experts in the field of economics or banking as nominated by the central government. Each member has one vote of equal weight, for which they can be held publicly accountable. The MPC takes decisions based on majority vote (by those who are present and voting). In case of a tie, the RBI governor will have the deciding vote. The decision of the Committee would be binding on the RBI.

RBI Monetary Policy:

- ✓ Monetary policy refers to the policy of the central bank with regard to the use of monetary instruments under its control to achieve the goals specified in the Act. The Reserve Bank of India (RBI) is vested with the responsibility of conducting monetary policy. This responsibility is explicitly mandated under the Reserve Bank of India Act, 1934.

Monetary Policy Process

- ✓ The Monetary Policy Committee (MPC) constituted by the Central Government under Section 45ZB determines the policy interest rate required to achieve the inflation target.
- ✓ The Reserve Bank's Monetary Policy Department (MPD) assists the MPC in formulating the monetary policy. Views of key stakeholders in the economy, and analytical work of the Reserve Bank contribute to the process for arriving at the decision on the policy repo rate.

Goals of Monetary Policy

- ✓ The primary objective of monetary policy is to maintain price stability while keeping in mind the objective of growth. Price stability is a necessary precondition to sustainable growth. In May 2016, the Reserve Bank of India (RBI) Act, 1934 was amended to provide a statutory basis for the implementation of the flexible inflation targeting framework. The amended RBI Act also provides for the inflation target to be set by the Government of India, in consultation with the Reserve Bank, once in every five years. Accordingly, the Central Government has notified in the Official Gazette 4 per cent Consumer Price Index (CPI) inflation as the target for the period from August 5, 2016 to March 31, 2021 with the upper tolerance limit of 6 per cent and the lower tolerance limit of 2 per cent.

1.38 Multidimensional Poverty Index 2018

- ✓ The United Nations Development Programme (UNDP) and the Oxford Poverty and Human Development Initiative (OPHI) have recently released the 2018 Multidimensional Poverty Index (MPI).
- ✓ The MPI looks at the multifaceted nature of poverty and provides the most comprehensive view of the various ways in which **3 billion people worldwide experience poverty in their daily life**.
- ✓ Multidimensional Poverty Index (MPI) identifies people's deprivations across three key dimensions – health, education and living standards.
- ✓ MPI covers 105 countries in total, home to 75% of the world's population, or 5.7 billion people. Of this proportion, 1.3 billion are identified as multi-dimensionally poor, and half of them are younger than 18 years old.
- ✓ The latest data further reveals the vast majority of the multidimensional poor – 1.1 billion people – live in rural areas around the world, where poverty rates are four times higher than among those living in urban areas.
- ✓ **83% of the world's poor live in South Asia and Africa**.

India's performance

- ✓ India has made momentous progress in reducing multidimensional poverty, bringing down its poverty rate from 55% to 28% in ten years.

- ✓ Between 2005-06 and 2015-16, **more than 271 million people have come out of the clutches of poverty in India.**
- ✓ However, **India still has the largest number of people living in multidimensional poverty in the world**- around 364 million people.
- ✓ Among states, Jharkhand had the greatest improvement, with Arunachal Pradesh, Bihar, Chhattisgarh, and Nagaland only slightly behind. However, **Bihar is still the poorest state in 2015/16, with more than half of its population in poverty**.

1.38 Small Finance Banks

What are Small Finance Banks?

The small finance bank will primarily undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections including small business units, small and marginal farmers, micro and small industries and unorganised sector entities.

What they can do:

- ✓ Take small deposits and disburse loans.
- ✓ Distribute mutual funds, insurance products and other simple third-party financial products.
- ✓ Lend 75% of their total adjusted net bank credit to priority sector.
- ✓ Maximum loan size would be 10% of capital funds to single borrower, 15% to a group.
- ✓ Minimum 50% of loans should be up to 25 lakhs.

What they cannot do:

- ✓ Lend to big corporates and groups.
- ✓ Cannot open branches with prior RBI approval for first five years.
- ✓ Other financial activities of the promoter must not mingle with the bank.
- ✓ It cannot set up subsidiaries to undertake non-banking financial services activities.
- ✓ Cannot be a business correspondent of any bank.

The guidelines they need to follow:

- ✓ Promoter must contribute minimum 40% equity capital and should be brought down to 30% in 10 years.
- ✓ Minimum paid-up capital would be Rs. 100 cr.
- ✓ Capital adequacy ratio should be 15% of risk weighted assets, Tier-I should be 7.5%.
- ✓ Foreign shareholding capped at 74% of paid capital, FPIs cannot hold more than 24%.
- ✓ Priority sector lending requirement of 75% of total adjusted net bank credit.
- ✓ 50% of loans must be up to Rs. 25 lakh.

Differentiated Banks vs Universal Banks

Differentiated banks are distinct from Universal Banks (Eg: Commercial Banks like SBI, HDFC, ICICI etc) as they are infused as niche segments. Niche banks typically target a specific market and tailor the bank's operations to this target market's preferences. The differentiation could be on account of capital requirement, the scope of activities or area of operations. As such, they offer a limited range of services/products or function under a different regulatory dispensation.

Scope of activities of SFBs

- ✓ The small finance banks shall primarily undertake basic banking activities of **acceptance of deposits and lending** to unserved and underserved sections including small business units, small and marginal farmers, micro and small industries and unorganised sector entities.
- ✓ There will not be any restriction in the area of operations of small finance banks.

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1.39 Bad Bank

Bad bank or **PARA** (Public Sector Asset Rehabilitation Agency) was proposed in Economic Survey 2016-17. Bad Bank is an institution which specializes in loan resolution process, so that banking system is free to focus on core banking solutions.

Moving away from the decentralized approach of presently existing schemes, PARA is a centralised resolution of NPA crisis.

Need for PARA

According to Economic Survey, need for PARA arises because:

- ✓ Early resolution so that Funds for creation of new credit can be used.
- ✓ Wilful Defaulters cannot escape because of non-coordination in Joint Lenders' Forum.
- ✓ Large Defaulters comprise more value of NPAs, as 50 top defaulters account for 71% of NPAs. Therefore, PARA, with focus on top cases can lead to faster recovery.
- ✓ PARA with its mandate on time-bound resolution, may be better equipped with decision making capabilities, in comparison to bank management, who feared CVC and CAG enquiry on debt write-offs.
- ✓ ARCs have not been successful, as they have bought only 5% of NPAs, according to ES 2016-17.
- ✓ Without PARA, banks have resorted to refinancing, which leads to delaying the cases. This further leads to lack of credit and investment in the economy.
- ✓ PARA helps to enhance investment in banks and improves credit ratings, so that Indian firms have access to cheap global credit.

What is NPA?

NPA or Non-Performing Assets are **loans or advances that are in default** or are in arrears on scheduled payments of principal or interest, usually for a period of 90 days. Before the period of 90 days, they are called **Stressed Assets**.

Stressed assets= NPAs + restructured loans + Written off Assets.

Types of stressed Assets:

- ✓ **Sub-standard Assets** – If borrower fails to repay the installment, interest on principal or principal for 90 days the loan becomes NPA and it is termed as Special Mention Account (SMA). If it remains SMA for a period less than or equal to 12 months it is termed as Substandard Assets.
- ✓ **Doubtful Assets** – If the Sub-standard asset remains so for 12 months or more, then it would be termed as Doubtful Asset.
- ✓ **Loss Assets** – If the loan is not repaid even after it remains substandard for more than three years it would be called as loss Asset.
- ✓ **Written Off Assets** -Written off assets are those on which the bank or lender doesn't count the money borrower owes to it.

Implications of NPAs:

- ✓ Twin Balance Sheet Syndrome – Over-leveraged corporates and stressed banks
- ✓ Credit Growth decreases
- ✓ Corporates **investment** ability decreases
- ✓ **Production** capacity of Economy decreases
- ✓ **Unemployment** increases

Effects on **Banks**:

- ✓ Regulatory norms like CAR need to be strengthened
- ✓ Net **income** of banks decrease
- ✓ **Provisioning** (money kept aside in anticipation of an NPA according to Basel norms) increases
- ✓ **Operating earnings** fall
- ✓ **Shares** of PSBs fall

Steps taken so far:

SDR – Strategic Debt Restructuring – Creditors could take over and sell to new owners.

CDR – Corporate Debt Restructuring – Creditors came together to restructure the debt of companies so as to provide timely support.

5/25 Scheme – It allows banks to extend long-term loans of 20-25 years to match the cash flow of projects, while refinancing them every five or seven years.

S4A – Scheme for Sustainable Structuring of Stressed Assets – deep financial restructuring of big debt projects by allowing lender (bank) to acquire part equity of the stressed project and restructuring the other part.

ARCs – Asset Reconstruction Companies – The idea is Efficient division of labour**,**so that, banks concentrate on the business of deposits and loans. On the other hand, ARCs specialize in the business of NPA resolution.

DRTs – Debt Recovery Tribunals – Debt Recovery Tribunals were established to facilitate the debt recovery involving banks and other financial institutions with their customers. They are quasi-judicial authorities.

SARFAESI Act – Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2016 – Banks utilize this act as an effective tool for bad loans (NPA) recovery where non-performing assets are backed by. Upon loan default, banks can seize the securities (except agricultural land) without intervention of the court.

Indradhanush Plan – It is a comprehensive plan for recapitalisation of public sector lenders with a view to make sure they remain solvent and fully comply with the global capital adequacy norms, Basel-III.

JLF – Joint Lenders Forum – It is a dedicated grouping of lender banks that is formed to speed up decisions when an asset (loan) of more Rs. 100 crore or more turns out to be a stressed asset

Recapitalisation plan

Way Forward

Economic Survey has proposed 4 steps with the name of **4Rs** for resolution of NPA crisis.4 Rsrefer to Recognition, Recapitalization, Resolution, and Reform.

- ✓ **Recognition –** Banks must value their assets accurately as far as possible
- ✓ **Re-capitalisation –** Banks' capital position must be safeguarded via infusions of equity
- ✓ **Resolution**– The underlying stressed assets in the corporate sector must be sold or rehabilitated
- ✓ **Reform –**future incentives for the Private Sector and corporates must be set-right to avoid a repetition of the problem

1.40 Liberalised Remittance Scheme (LRS)

Recently Reserve Bank of India (RBI) has narrowed the definition of relatives to check the flow of funds. There are some concerns over funds sent abroad under the 'maintenance of close relative' category of the Liberalised Remittance Scheme (LRS).

Details:

- ✓ Now, funds under the 'maintenance of close relative' category can be sent only to immediate relatives such as parents, spouses, children and their spouses. This has brought about by defining 'relatives' under the Companies Act, 2013 instead of the same act of 1956.
- ✓ Since the system uses the Permanent Account Number of the remitter to aggregate remitter-wise data, the central bank has made furnishing of PAN mandatory for such transactions.

About Liberalised Remittance Scheme (LRS):

- ✓ Under LRS, all resident individuals can freely remit $250,000 overseas every financial year for a permissible set of current or capital account transactions.

- ✓ Remittances are permitted for overseas education, travel, medical treatment and purchase of shares and property, apart from maintenance of relatives living abroad, gifting and donations. Individuals can also open, maintain and hold foreign currency accounts with overseas banks for carrying out transactions.
- ✓ However, the rules do not allow remittances for trading on the foreign exchange markets, margin or margin calls to overseas exchanges and counterparties and the purchase of Foreign Currency Convertible Bonds issued by Indian companies abroad.
- ✓ Sending money to certain countries and entities is also barred.
- ✓ Under LRS, people can't send money to countries identified as 'non cooperative' by the Financial Action Task Force. Remittances are also prohibited to entities identified as posing terrorist risks.

1.41 National Investment and Infrastructure Fund (NIIF)

National Investment and Infrastructure Fund (NIIF) is a fund created by the Government of India for enhancing infrastructure financing in the country.

- ✓ The objective of NIIF would be to maximize economic impact mainly through infrastructure development in commercially viable projects, both greenfield and brownfield, including stalled projects. It could also consider other nationally important projects, for example, in manufacturing, if commercially viable.
- ✓ The functions of NIIF are as follows:

a) Fund raising through suitable instruments including off-shore credit enhanced bonds, and attracting anchor investors to participate as partners in NIIF;

b) Servicing of the investors of NIIF.

c) Considering and approving candidate companies/institutions/ projects (including state entities) for investments and periodic monitoring of investments.

d) Investing in the corpus created by Asset Management Companies (AMCs) for investing in private equity.

e) Preparing a shelf of infrastructure projects and providing advisory services.

- ✓ NIIF would have full autonomy for project selection. NIIF would formulate guidelines and would follow due processes for selection criteria for AMCs and Non-Banking Financial Companies (NBFCs) / Financial Institutions (FIs). Appropriate rules of bidding including potential conflicts of interest will be worked out.

1.42 Udyam Abhilasha

Small Industries Development Bank of India (SIDBI), had launched a National Level Entrepreneurship Awareness Campaign, **Udyam Abhilasha in 115 Aspirational Districts identified by NITI Aayog.** SIDBI has partnered with CSC e-Governance Services India Limited, a Special Purpose Vehicle, (CSC SPV) set up by the Ministry of Electronics & IT, Govt. of India for implementing the campaign. SIDBI is also taking-up with stakeholders including Banks, NABARD, NBFCs, SFBs, District Industries Centres, State Governments etc. to be a part of this campaign and ensure multifold impact.

Objectives of the Campaign

The objectives of the missionary campaign include:

- ✓ to inspire rural youth in Aspirational districts to be entrepreneurs by assisting them to set up their own enterprise,
- ✓ to impart trainings through digital medium across the country,
- ✓ to create business opportunities for CSC VLEs,
- ✓ to focus on women aspirants in these Aspirational districts to encourage women entrepreneurship and
- ✓ to assist participants to become bankable and avail credit facility from banks to set up their own enterprise.

1.43 Financial Stability and Development Council (FSDC)

It is an apex-level body constituted by the government of India. Recommendations for such a super regulatory body were first mooted by the RaghuramRajan Committee in 2008. Finally in 2010, the then Finance Minister of India, Pranab Mukherjee, decided to set up such an autonomous body dealing with macro prudential and financial regularities in the entire financial sector of India. It is not a statutory body.

Chairperson: The Union Finance Minister of India

Members: Heads of the financial sector regulatory authorities (i.e., RBI, SEBI, IRDA, and PFRDA), Finance Secretary and/or Secretary, Department of Economic Affairs (Union Finance Ministry), Secretary, Department of Financial Services, and Chief Economic Adviser. FSDC can invite experts to its meeting if required.

The objectives of FSDC would be to deal with issues relating to:

- ✓ Financial stability
- ✓ Financial sector development
- ✓ Inter-regulatory coordination
- ✓ Financial literacy
- ✓ Financial inclusion
- ✓ Macro prudential supervision of the economy including the functioning of large financial conglomerates.
- ✓ Coordinating India's international interface with financial sector bodies such as the Financial Action Task Force (FATF) and Financial Stability Board (FSB).

Functions: To strengthen and institutionalize the mechanism of maintaining financial stability, Financial Literacy, Financial Inclusion, financial sector development, inter-regulatory coordination along with monitoring macro-prudential regulation of economy. FSDC was formed to bring greater coordination among financial market regulators.

1.44 Open Acreage Licensing Programme

The government has replaced the New Exploration and Licensing Policy (NELP) with the Open Acreage Licensing Policy (OALP).

What is Open Acreage Licensing?

- ✓ OALP gives an option to a company to **select the exploration blocks on its own,** without waiting for the formal bid round from the Government.
- ✓ Under OALP, a bidder intending to explore hydrocarbons may apply to the Government seeking exploration of any new block which was not already covered by exploration.
- ✓ The Government will examine the interest and if it is suitable for award, then the government will call for competitive bids after obtaining

necessary environmental and other clearances.

- ✓ OALP was introduced as part of the new fiscal regime in exploration sector called Hydrocarbon Exploration and Licensing Policy (HELP).
- ✓ So that, it will enable a **faster survey and coverage** of the available geographical area which has potential for oil and gas discovery.
- ✓ Successful implementation of OALP requires building of National Data Repository on geo-scientific data.

What are the positives of OALP over NELP?

- ✓ By placing **greater discretion** in the hands of explorers and operators, the OALP attempts to address a major drawback in the NELP that forced energy explorers to bid for blocks chosen by the government.
- ✓ Companies can now apply for particular areas they think are attractive to invest in, because in the past, the blocks chosen by the government often had only a small fraction of hydrocarbon reserves.
- ✓ By offering companies the freedom to choose exactly the areas they want to explore, and their size, the government has abetter chance to woo serious energy investors.
- ✓ The government also introduced **National Data Repository (NDR).**
- ✓ It is envisaged as a centralised database of geological and hydrocarbon information that will be available to all.
- ✓ It will allow potential investors to make informed decisions and **will open up a new sector in India.**

1.45 Treasury Bill

Government raise money, by issuing two types of debt instruments – Treasury bills and government bonds.

- ✓ Treasury bills are issued when the government need money for a shorter period while bonds are issued when it need debt for more than say five years.
  - ✓ Treasury bills; generally shortened as T-bills, have a maximum maturity of 364 days. Hence, they are categorized as money market instruments (money market deals with funds with a maturity of less than one year).
  - ✓ Treasury bills are presently issued in three maturities, namely, 91 day, 182 day and 364 day.
- ✓ Treasury bills are zero coupon securities and pay no interest. Rather, they are issued at a discount (at a reduced amount) and redeemed (given back money) at the face value at maturity. For example, a 91 day Treasury bill of Rs.100/- (face value) may be issued at say Rs.98.20, that is, at a discount of say, Rs.1.80 and would be redeemed at the face value of Rs.100/-. This means that you can get a hundred-rupee treasury bill at a lower price and can get Rupees hundred at maturity.
- ✓ The return to the investors is the difference between the maturity value or the face value (that is Rs.100) and the issue price. The Reserve Bank of India conducts auctions usually every Wednesday to issue T-bills. The rational is that since their maturity is lower, it is more convenient to avoid intra period interest payments.
- ✓ Treasury bills are usually held by financial institutions including banks. They have a very important role in the financial market beyond investment instruments. Banks give treasury bills to the RBI to get money under repo. Similarly, they can keep it as part of SLR.

1.46 Support Initiatives for MSME Sector

The Prime Minister, launched support and outreach programme for the Micro, Small and Medium Enterprises (MSME) sector.

- ✓ The programme includes 12 key initiatives which will help the growth, expansion and facilitation of MSMEs across the country.
- ✓ There are five key aspects for facilitating the MSME sector, viz. access to credit, access to market, technology upgradation, ease of doing business, and a sense of security for employees. The 12 initiatives will address each of these five categories.
- ✓ The announcement comes when the Government is already working on steps to improve liquidity in the financial markets to provide relief to the Non-Banking Financial Companies (NBFCs), which have a high exposure to the MSME sector. After banks, NBFCs are major lenders to the MSMEs.
- ✓ MSME entrepreneurs are facing several problems i.e. Poor infrastructure, Access to modern technology, Access to markets, getting statutory clearances related to power, environment, labour etc.

Access to Credit

1. Launch of the **59 minute loan portal** to enable easy access to credit for MSMEs.

- ✓ The loans **uptoRs. 1 crore** can be granted in-principle approval through this portal, in just 59 minutes.
- ✓ The link to this portal will be available through the GST portal.

2. A **2% interest subvention** for all GST registered MSMEs, on fresh or incremental loans.

- ✓ Increase in interest rebate from 3% to 5% for exporters who receive loans in the pre-shipment and post-shipment period.

3. All companies with a turnover more than Rs. 500 crore, must now compulsorily be brought on the Trade Receivables e-Discounting System (TReDS).

- ✓ Trade Receivables Discounting System (TReDS) is the institutional mechanism for facilitating the financing of trade receivables of MSMEs from corporate and other buyers, including Government Departments and Public Sector Undertakings (PSUs), through multiple financiers. It has been set up under the regulatory framework set up by RBI under Payment and Settlement Systems Act 2007.

Access to Markets

- ✓ Public sector companies have now been asked to compulsorily procure 25%, instead of 20% of their total purchases, from MSMEs.
- ✓ Out of the 25% procurement mandated from MSMEs, 3% must now be reserved for women entrepreneurs.
- ✓ All public sector undertakings of the Union Government must now compulsorily be a part of Government e-Marketplace (GeM). They should also get all their vendors registered on GeM.

Government e-Marketplace (GeM)

- ✓ GeM is an Online Market platform to facilitate procurement of goods and services by the government ministries, departments, public sector undertakings (PSU) etc.
- ✓ It functions under Directorate General of Supplies and Disposals (DGS&D), Ministry of Commerce and Industry.
- ✓ GeM is a completely paperless, cashless and system driven e-market place that enables procurement of common use goods and services with minimal human interface.

Technology Upgradation

- ✓ 20 hubs, and 100 spokes in the form of tool rooms will be established across the country to facilitate product design.
- ✓ A toolroom is a room where tools are stored or, in a factory, a space where tools are made and repaired for use throughout the rest of the factory.

Ease of Doing Business

- ✓ Clusters of pharma MSMEs will be formed and 70% cost of establishing these clusters will be borne by the Union Government.
- ✓ In order to simplify the government procedures, the return under 8 labour laws and 10 Union regulations must now be filed only once a year.

- ✓ The establishments to be visited by an Inspector will be decided through a computerised random allotment.
- ✓ Environmental Clearance under air pollution and water pollution laws, have been merged into one. Also, the return will be accepted through self-certification.
- ✓ For minor violations under the Companies Act, the entrepreneur will no longer have to approach the Courts, but can correct them through simple procedures.

1.47 Inclusive Wealth Report 2018

The Inclusive Wealth Report (IWR) is a biennial effort led by the UN Environment to evaluate the capacities and performance of the nations around the world to measure sustainability of economy and wellbeing of their people.The Index provides important insights into long-term economic growth and human well-being. The Index measures the wealth of nations through a comprehensive analysis of a country's productive base and the country's wealth in terms of progress, well-being and long-term sustainability.

Highlights of the report:

- The biennial report finds The Republic of Korea, Singapore and Malta as the nations that have had the most economic growth. The report also revealed that carbon damage is relatively larger in high-income countries.

Performance of India:

It had revealed that India's economic growth took a toll on its natural assets like forests, food and clean air. It had added that when the average growth rate of gross state domestic product (GSDP) during 2005-15 for almost all the states was around 7-8%, 11 states registered a decline in their natural capital.

1.48 National Investment and Manufacturing Zones (NIMZs)

The National Investment & Manufacturing Zones (NIMZs) are an important instrumentality of the National manufacturing policy. The NIMZs are envisaged as integrated industrial townships with:

- ✓ State of the art infrastructure.
- ✓ Land use on the basis of zoning.
- ✓ Clean and energy efficient technology.
- ✓ Necessary social infrastructure.
- ✓ Skill development facilities etc.

Aim: NIMZs aim to provide a productive environment for persons transitioning from the primary to the secondary and tertiary sectors.

What is National Manufacturing Policy (NMP)?

The National Manufacturing Policy (NMP) has the objective of enhancing the share of manufacturing in GDP to 25% and creating 100 million jobs over a decade. The NMP provides for promotion of clusters and aggregation, especially through the creation of national investment and manufacturing zones (NIMZ).

Facts about NIMZ:

- ✓ NIMZ can be proposed with land area of at least 5000 hectares.
- ✓ Land will be selected by state governments and preference would be given to uncultivable land.
- ✓ NIMZ will be managed by Special Purpose Vehicle, headed by. Govt. officials and experts, including those of environment.

- ✓ To enable NIMZs to function as self-governing autonomous bodies, they will be declared by the state government as industrial townships under Article 243 Q (c) of the constitution.
- ✓ NIMZs will be notified by the central government.

1.49 Linking Swift to Core Banking

The Reserve Bank of India (RBI) has directed banks to link SWIFT (Society for World Interbank Financial Telecommunication System platform) with their core core banking solutions (CBS) in the background of Rs.11,400 crorefraud that was unearthed at Punjab National Bank (PNB).

SWIFT is global financial messaging service that enables financial institutions worldwide to send and receive information about financial transactions in secure, standardized and reliable environment. It is used to transmit messages relating to cross border financial transactions. Globally over 11,000 financial institutions in more than 200 countries use services of SWIFT.

1.50 World Employment and Social Outlook

The report by the **International Labour Organization (ILO)** analyses key job quality indicators, devoting particular attention to informality, underemployment and temporary employment. It also takes stock of structural sectoral shifts and ageing, two long-term trends likely to add further pressures on the labor market.

Report findings on India:

- ✓ India's economy, which is anticipated to expand by 7.4 per cent in 2018 (up from 6.7 per cent in 2017), is contributing to the pick-up in economic activity in Southern Asia.
- ✓ India's unemployment rate continued as 3.5% (2017), 3.5%(2018) and projected as 3.5%(2019).
- ✓ India's unemployment in millions- 18.3m(2017) increased to 18.6m(2018) and projected to be 18.9m(2019)
- ✓ The high incidence of informality continues to undermine the prospects of further reducing working poverty, especially in South and South-Eastern Asia. Indeed, informality affects around 90 per cent of all workers in India, Bangladesh, Cambodia and Nepal.
- ✓ Increased informal jobs in India both in agriculture and non-agriculture sectors.
- ✓ In India, the share of informal employment has risen within almost all manufacturing industries, partly as a result of labour market rigidities preventing modern manufacturing from creating employment opportunities.

1.51 World Economic Outlook

The World Economic Outlook (WEO) is a survey conducted and published by the **International Monetary Fund (IMF).**

- ✓ It is published biannually and partly updated two times a year.
- ✓ It portrays the world economy in the near and medium context, with projections for up to four years into the future.
- ✓ WEO forecasts include key macroeconomic indicators, such as

GDP, inflation, current account and fiscal balance of more than 180 countries around the globe.

- ✓ It also deals with major economic policy issues.

The World Economic Outlook of the International Monetary Fund (IMF) has given the following prospects about the growth trends for India. IMF has retained its growth projection for the country at 7.5 per cent for 2019-20 and said it is likely to accelerate to 7.7 per cent in 2020-21. . This brings cheers for India as the world growth rates have been revised downwards. India will remain the fastest-growing economy in the world, at least for the next two years. India's growth rate is poised to pick up in 2019, benefiting from low oil prices and a slower pace of monetary tightening than previously expected as inflation pressures ease. The projection by IMF is higher than the Central Statistics Office's (CSO) estimate of 7.2 per cent and lower than the RBI's estimate of 7.4 percent. IMF's estimates are in line with the World Bank's estimate of 7.3 per cent.

1.52 Municipal Bond

A municipal bond is a debt obligation issued by a local authority with the promise to pay the bond interest on a specified payment schedule and the principal at maturity.

The Government of India allowed ULBs to issue tax-free municipal bonds in 1999-2000 and has amended the Income Tax Act (1961 vide the Finance Act 2000) inserting a new clause (vii) in Section 10(15), whereby interest income from bonds issued by local authorities was exempted from income tax. **Ahmedabad Municipal Corporation** (AMC) was the first ULBs in India to issue tax-free municipal bonds for water and sewerage projects.

On **July 2015**, SEBI notified a **new regulatory framework** for issuing municipal bonds in India for streamlining the system of the municipal bond market in India.

Some main features include

- ✓ Investment grade ratings for ULBs,
- ✓ No default in last 365 days and positive net worth,
- ✓ A mandated guarantee from the State Government or Central Government,
- ✓ Compliance with the state's municipal account standards or the National Municipal Accounts Manual to be eligible for the issue, etc.

1.53Gross Value Addition

Gross Value Added (GVA) is defined as the value of output less the value of intermediate consumption. It is used to measure the output or contribution of a particular sector. When such GVAs from all sectors (GVA) are added together and adding taxes (product) and reducing subsidies (product), we can get the GDP (at market price). GVA thus shows the production contribution of a particular sector.

Technically,

GDP at Market Prices = GVA at basic prices + product taxes – product subsidies.

1.54 India Post Payment Bank

A Payments Bank is a "differentiated bank" set-up by the Reserve Bank of India (RBI) to further financial inclusion for the underserved population by providing (i) current and savings accounts and (ii) payments or remittance services to migrant labour workforce, low income households, small businesses, unorganized sector entities and other users.

IPPB will offer demand deposits such as savings and current accounts up to a balance of Rs 1

Lac, digitally enabled payments and remittance services of all kinds between entities and individuals.Provide access to third-party financial services such as insurance, mutual funds, pension, credit products, forex, and more, in partnership with insurance companies, mutual fund houses, pension providers, banks, international money transfer organizations, etc.

Issuance of ATM / Debit Cards, Payments banks, however, cannot issue credit cards

All 1.55 lacs post offices including the 1.39 lac of the rural post offices will be mapped to the IPPB branch at the district headquarter and function as access points for IPPB. IPPB has been set up as a Public Limited Company under the Department of Posts with an independent Board of Directors. It will be headed by a Managing Director and CEO, and will set up a corporate head quarter.

1.55 Bali Fintech Agenda

The **International Monetary Fund & World Bank** has recently launched the Bali Fintech Agenda, a set of 12 policy recommendations aimed at better harnessing the benefits and opportunities of rapid advances in financial technology. It also highlighted the importance of managing risks. The Bali Agenda sets out a road-map to be used by national authorities as a reference point for policy design and implementation.

The Bali Agenda correctly sees a role for central banks to issue digital currency, and expanding access to and improving the resilience of payments services.

1.56 Sovereign Blue Bond

The Republic of Seychelles has launched the world's first sovereign blue bond—a pioneering financial instrument designed to support sustainable marine and fisheries projects.

- ✓ The bond demonstrates the potential for countries to harness capital markets for financing the sustainable use of marine resources.
- ✓ The 10-year bond was sold directly to three social impact investors based in the United States; Calvert Impact Capital, Nuveen, and Prudential, through Standard Chartered which served as the placement agent, said the World Bank, which supported the issuance.
- ✓ The Indian Ocean archipelago's economy is dependent on the ocean and on fisheries for food, nutrition and livelihoods, marine habitats, and other blue economy sectors like tourism.
- ✓ Marine resources are critical to the Seychelles economic growth. After tourism, the fisheries sector is its most important industry, contributing significantly to annual GDP and employing 17 per cent of the population. Fish products make up around 95 per cent of the total value of domestic exports.

1.57 Global Financial Stability Report

The recently released Global Financial Stability Report by the **International Monetary Fund** brings out the following salient facts:

- The Indian industrial sector is now among the most heavily indebted in the world in terms of the ability of its cash flows to meet its bank loan repayments.

- ✓ The Indian banking sector comes out as worse-off compared to other emerging economies in terms of how little bank capital it has set aside to provision for losses on its assets.
- ✓ When banks are in poor health, it does affect the potential borrowers.
- ✓ Once a bank's asset quality is adequately impaired, the bank does not grow its lending book much with fresh loans.
- ✓ Faced with such borrowing prospects, healthy borrowers who have access to alternative forms of finance may be able to switch out of bank borrowing.
- ✓ Financial intermediation, however, is likely to grow at an anaemic pace, and **many deserving borrowers likely to remain starved of credit.**

What are the available options for the banks?

- ✓ **Private capital rising**
- ✓ **Asset sales**
- ✓ **Mergers**
- ✓ **Tough prompt corrective action**
- ✓ **Divestments**

1.58 Global Gender Gap Report

India has come at 108th position in the recently released Gender Gap Index 2018 by World Economic Forum. The Global Gender Gap Report is published annually by the World Economic Forum since 2006. The Global Gender Gap Index is an index that measures gender equality across four key pillars which are economic opportunity, political empowerment, educational attainment, and health and survival.

Iceland has been ranked as number 1 in the WEF's Gender Gap Index for the 10th consecutive year.

India has improved in wage equality for similar work subindex of the Gender Gap Index 2018. It has been able to fully close the tertiary education gender gap for the very first time. India has been ranked 142nd in the economic opportunity and participation sub index out of total 149 countries.India widened the gap in health and survival subindex. It continues to rank third-lowest in this subindex in the world. It has made the least improvement in this parameter in the last 10 years

1.59 National Financial Reporting Authority(NFRA)

Its mandate is for establishment and enforcement of accounting and auditing standards and oversight of work of auditors. It will ensure quality of audits to strengthen independence of audit firms and therefore, enhance investor and public confidence in financial disclosure of companies.

Composition: NFRA will be 15 members body, consisting of Chairperson, three full-time Members and one Secretary.

Functions: It will overarching watchdog for auditing profession. It can debar an erring auditor or auditing firm for up to 10 years besides it can also slap heavy penalties. Even powers of Institute of Chartered Accountants of India (ICAI) to act against erring chartered accountants will be vested with NFRA.

1.60 Global wage report

The International LabourOrganisation recently released the Global Wage Report 2018/19.

Highlights

- ✓ India recorded the highest average real wage growth in South Asia during 2008–17.
- ✓ India led the average real wage growth in 2008–17 at 5.5 against a regional median of 3.7.
- ✓ Following India was Nepal (4.7), Sri Lanka (4), Bangladesh (3.4), Pakistan (1.8) and Iran (0.4).
- ✓ Workers in Asia and the Pacific have enjoyed the highest real wage growth among all regions over the period 2006–17.
- ✓ This reflects more rapid economic growth than in other regions.
- ✓ Countries such as China, India, Thailand and Vietnam are leading the way.
- ✓ All emerging G20 countries except Mexico experienced significant positive growth in average real wages between 2008 and 2017.
- ✓ Wage growth continues in Saudi Arabia, India and Indonesia, whereas in Turkey it declined to around 1% in 2017.
- ✓ South Africa and Brazil have experienced positive wage growth starting from 2016.
- ✓ This was notably after a phase of mostly zero growth during the period 2012–16, with negative growth in Brazil during 2015–16.
- ✓ Russia suffered a significant drop in wage growth in 2015, owing to the decline in oil prices.
- ✓ But since then, it has bounced back with moderate though positive wage growth.
- ✓ The U.S. posted an unchanged 0.7% wage growth and Europe (excluding Eastern Europe) stalled at about zero last year.
- ✓ Wages in developing countries are increasing more quickly than those in higher-income countries.
- ✓ Pay rose by just 0.4% during last year in advanced economies, but grew at over 4% in developing countries.
- ✓ The real wages almost tripled in the developing and emerging countries of the G20 between 1999 and 2017.
- ✓ However, in the advanced economies of G20, the increase over the same period aggregated to a far lower 9%.
- ✓ This is however seen positive in the sense of 'convergence' happening around the world.
- ✓ Nevertheless, salaries are still far too low in the developing world.
- ✓ The gaps are still significantly big as often the wage level is still not high enough for people to meet their basic needs.
- ✓ **Gender pay gap** - For the first time, the ILO report also focuses on the global gender pay gap.
- ✓ It notes that despite some significant regional differences, men continue to be paid around 20% more than women.
- ✓ In high-income countries the gender pay gap is at its biggest in top-salaried positions.
- ✓ In low and middle-income countries, however, the gap is widest among lower-paid workers.
- ✓ Data suggests that traditional notions like differences in the levels of education play only a "limited" role in explaining gender pay gaps.
- ✓ In many countries women are more highly educated than men but earn lower wages, even in the same occupational categories.
- ✓ The wages of both men and women also tend to be lower in enterprises/occupations with a predominantly female workforce.

1.61 Strategy for New India @75

The NITI Aayog recently unveiled its comprehensive National Strategy for New India @ 75, which defines clear objectives for 2022-23.

Key Points

1. Doubling of farmers' income, boosting 'Make in India', upgrading the science, technology.
2. Need for creating agripreneurs.
3. Participation of Private Sector in Indian Railways.
4. Expanding the scope of Swachh Bharat Mission.
5. Better compensation to banking correspondents.
6. Identification of the poorest among the minority communities through the socio-economic caste census data for proper targeting of various schemes.

Objective

The Strategy document aims to further improve the policy environment in which private investors and other stakeholders can contribute their fullest towards achieving the goals set out for New India 2022 and propels India towards a USD 5 trillion economy by 2030.

Highlights of the Vision document

- ✓ The development strategy includes doubling of farmers' income, boosting 'Make in India', upgrading the science, technology and innovation ecosystem, and promoting sectors like fin-tech and tourism.
- ✓ It prescribes reducing upper age limit to join the civil services to 27 years from the present 30 years for General Category candidates by 2022-23 in a phased manner and also to have one integrated exam for all civil services.
- ✓ It calls for successfully implementing the Ayushman Bharat programme including the establishment of 150000 health and wellness centres and rolling out PradhanMantri Jan ArogyaYojana.
- ✓ The document outlines the need for creating agripreneurs, which implies creation of agro-processing industry at a much faster pace to enhance farmer participation though agro processing.
- ✓ It calls for participation of Private Sector in Indian Railways. From ownership of locomotives and rolling stocks to modernising stations, improvement of the railways hinges on private participation.
- ✓ It boasts of expanding the scope of Swachh Bharat Mission to cover initiatives for landfills, plastic waste and municipal waste and generating wealth from waste.
- ✓ The government will have to ease the tax compliance burden and eliminate direct interface between taxpayers and tax officials using technology.
- ✓ It suggests better compensation to banking correspondents, facilitating paperless banking and introducing financial literacy chapters in school curricula to spur financial inclusion.
- ✓ It recommends identification of the poorest among the minority communities through the socio-economic caste census data for proper targeting of various schemes.

1.62 Ease of Living Index

- ✓ The index conceived in June 2017 aims to help cities assess their liveability vis-a-vis global and national benchmarks and encourage cities to move towards an 'outcome-based' approach to urban planning and management.
- ✓ It covers **111 cities** that are smart city contenders, capital cities and cities with population of 1 million plus.

- ✓ It captures quality of life based on data collected from urban local bodies on **four parameters**, which were further broken down into 15 categories.
- ✓ The four parameters include
  - **institutional** (governance),
  - **social** (identity, education, health, security),
  - **economic** (economy, employment) and
  - **physical factors** (waste water and solid waste management, pollution, housing/ inclusiveness, mixed land use, power and water supply, transport, public open spaces).
- ✓ Institutional and social parameters carry 25 points each, physical factors have weightage of 45 points and economic factors 5 points totaling to 100 mark scale on which cities were evaluated.
- ✓ Index is released by **Ministry of Housing and Urban Affairs (MoHUA)**.
- ✓ **Andhra Pradesh** has topped Ease of Living Index rankings.

1.63 SEBI reforms on FPIs

Based on the interim report of the Khan Committee, along with other reports such as A.R Dave panel on the Consent Mechanism and the T.K Viswanathan on Fair Market Conduct, SEBI has initiated a process of reforms in the capital market of the country.

- ✓ SEBI eased the KYC norms and eligibility terms for FPIs. Now the beneficial ownership criteria in the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PMLA Rules), will apply for KYC. As per the new norms clubbing of investment limit should not be done based on beneficial owner (BO).
- ✓ There will be separate set of norms for determining conditions, wherein NRIs, OCIs and resident Indian are constituents.
- ✓ NRIs, OCIs and resident Indians are allowed to be constituents of FPIs if a single NRI, OCI or RI holds less than 25% of holding.
- ✓ Investment managers of NRIs, OCIs and RIs can control the FPI, if they are regulated in the home jurisdiction and registered with SEBI as a non-investing FPI. Such an FPI may be directly or indirectly fully-owned and controlled by an NRI, OCI, or RI.

1.64 IL&FS crisis and NCLT

IL&FS Ltd, or Infrastructure Leasing & Finance Services, is a core investment company and serves as the holding company of the IL&FS Group.

IL&FS is termed as a “shadow bank.” The term is used to refer to the non-bank financial intermediaries that provide services similar to traditional commercial banks.

Crisis:

- ✓ IL&FS has run out of money and, therefore, has been unable to service its repayment obligations. According to the latest available data, the company has a total consolidated debt of Rs.90,000crore.
- ✓ The crisis began in august 2018, when ILFS defaulted on the payment of Rs.1000 Cr that was issued by SIDBI
- ✓ This was followed by a series of defaults on commercial papers, debentures, term loans and Inter-Corporate Deposits.

Credit-rating agency ICRA downgraded the company’s creditworthiness to ‘D’ (default grade). A downgrade in the credit rating led to lowering of price of bond's which affected debt funds.

Steps taken:

1. New Board formed:

Post IL&FS crisis, the government filed a petition at NCLT under section 241 and 242 of Companies Act. The NCLT had allowed government to take over the board of the IL&FS fearing a contagion effect. Following this, the government appointed a new 6-member board to manage the IL&FS, which has been headed by MrUdayKotak.

2. Steps to increase liquidity and tackle credit crunch:

The RBI took the following steps-

- ✓ Conducted OMO (Open Market Operations)
- ✓ Relaxed liquidity norms to ease the strain in the financial markets and allowed more bank lending to NBFCs.

1.65 Draft National Policy on e-commerce

A Commerce Ministry task force has submitted its recommendations on a draft national e-commerce policy.

Recent developments

- ✓ India's e-commerce sector is currently estimated to be worth around $25 billion.
- ✓ It is expected to grow to $200 billion over the next 10 years.
- ✓ Cheaper smartphones and data tariffs, and enhanced connectivity contribute to the growth prospects.

Key recommendations

- ✓ FDI may be allowed in inventory-based e-commerce companies up to 49%.
- ✓ This comes with a condition that the e-tailer sells 100% Made-in-India products.
- ✓ This will allow e-commerce firms to offer their own brands as long as they are made in India.
- ✓ It is also suggested that foreign e-commerce websites be brought on a level playing field with their Indian counterparts.
- ✓ For online marketplaces, restrictions would be imposed on group companies of such platforms.
- ✓ The marketplaces will not be able to offer deep discounts through their in-house companies listed as sellers.
- ✓ This is to prevent them from directly or indirectly influencing the prices of goods and services.
- ✓ Bulk purchases of branded goods "by related party sellers which lead to price distortions in a marketplace" will be prohibited.
- ✓ To provide a forum for consumers, the task force suggested a Central Consumer Protection Authority (CCPA).
- ✓ This, besides helping consumers, will act as the nodal agency for intra-government coordination.
- ✓ It will thus provide a platform for e-commerce operators regarding complaints of fraudulent activities.
- ✓ The draft suggests a separate wing to be set up in the Enforcement Directorate.
- ✓ This will handle grievances related to guidelines for foreign investment in ecommerce.
- ✓ To make online payments safer, the task force has suggested creating a fraud intelligence mechanism.
- ✓ This would use artificial intelligence-based authentication systems, for early detection of frauds.
- ✓ A relook has been suggested on what constitutes entry barriers and anti-competitive practices.
- ✓ The Competition Commission of India has been asked to undertake such exercises.

- ✓ The policy also suggests a sunset clause for deep discounting wherein a "maximum duration" would be set for "differential pricing strategies".

1.66 Sunil Mehta Committee: 5-point NPA formula

It was set up to look into the faster resolution of stressed assets.

Five-pronged resolution

- ✓ The report comprises a bank-led resolution process and a five-pronged strategy to resolve stressed assets called **Project Sashakt.**
- ✓ The idea behind Project Sashakt is to ensure the operational turnaround of the banks and stressed companies so that the asset value is retained.
- ✓ The five-pronged resolution route:
  - outlining an SME resolution approach,
  - bank-led resolution approach,
  - AMC/AIF led resolution approach,
  - NCLT/IBC approach, and
  - asset-trading platform.
- This 5 pronged approach will be applicable to smaller assets with exposure up to Rs.50 crore, mid-size assets between Rs.50 crore and Rs.500 crore, and large assets with exposure of Rs.500 crore and more which have a potential for turnaround.

1.67 India's export subsidies issue at WTO

What is the issue?

India's rising per capita income has created a problem for export subsidies.

What is the status India's per capita income?

- ✓ India's per capita income is above $1000 formally qualifying it as a middle income country.

How India is responsible to WTO on this situation?

- ✓ According to WTO rules, now India is ineligible to provide direct export subsidies.
- ✓ Under WTO, production-based subsidies such as technological up gradation, capacity building and infrastructure development are permissible.
- ✓ Even for countries below the $1,000 per capita threshold, product-specific subsidies may be questioned if the export of the product concerned accounts for over 3.25% of the global exports for over two consecutive years.
- ✓ In that case, the country concerned will have to phase out subsidies over eight years.

What is the issue?

- ✓ The US has recently challenged in the WTO almost all Indian export subsidy programmes.

What is the exception provided for India?

- ✓ India was among the 20 developing countries included in Annex VII of the Agreement on Subsidies and Countervailing Measures (SCM Agreement).
- ✓ This allowed it to use export subsidies as long as per capita Gross National Product (GNP) had not crossed $1,000, at constant 1990 dollars, for 3 consecutive years.
- ✓ This was provided to the developing countries for phasing out export subsidies.
- ✓ It is an exception under the "special and differential treatment".

- ✓ India thus had the flexibility to use export subsidies until 2015.

What is the contention now?

- ✓ India had crossed the $1,000 GNP per capita threshold in 2015.
- ✓ India must have eliminated export subsidies immediately upon crossing the threshold.
- ✓ The complaint now is that India is violating its commitments under the SCM Agreement.
- ✓ But in Doha negotiations, India and several other "special provision" countries sought an amendment of the agreement.

1.68 Block chain Bond

- The World Bank launched world's first blockchain bond named Bond – I Bond - I will be created, allocated, transferred and managed by using blockchain technology.
- Bond - I stands for Blockchain Offered New Debt Instrument as well as a reference to Australia's famous Bondi beach in Sydney.
- Bond-I is Ethereum blockchain bond dominated in Australian dollars.
- World Bank has chosen Commonwealth Bank of Australia as a sole arranger for this bond.
- Maturity period of bond is two-year

Questions

Q.1. LEADS index is released by
a. Ministry of commerce
b. World Bank
c. NITI Ayog
d. International Monetary fund
Answer: a

Q.2. With reference to LTCG, recently in news, consider the following statements:
1. It is 15% tax on short-term capital gains tax.
2. Investors have to pay 10% tax on gains exceeding one lakh on the sale of shares or equity mutual funds held for more than one year.

Which of the following is/are correct?
a. 1 only
b. 2 only
c. Both 1 and 2
d. Neither 1 nor 2
Answer: b

Q.3. With reference to MSME, consider the following statement:
1. Enterprises having annual turnover less than or equal to Rs. 5 crore fall under the 'micro' category.Units having turnover between Rs. 5 crore to Rs. 50 crore will be classified as small enterprises.
2. CriSidEx, India's first sentiment index for micro and small enterprises (MSEs) was developed by Ministry of MSME.

Which of the following is/are incorrect?
a. 1 only
b. 2 only
c. Both 1 and 2
d. Neither 1 nor 2
Answer: c

Q.4. With reference to Operation Greens, consider the following statements:
a. It was announced for the first time in the budget speech of Union Budget 2017-18.
b. , a new Scheme "Operation Greens" was announced on the line of "Operation Flood", with an outlay of Rs.500 crore.

Q.5. Which among the following is not a sub-index in the World Bank's "ease of doing business" index?
a. Labour market regulation
b. Getting electricity
c. Trading across borders
d. Protecting minority investors
Answer: a.

Q.6. Which of the following are correct with respect to inverted Duty Structure,
a. Taxation of imported finished goods at rates lower than on similar domestically produced finished-goods
b. Inputs being taxed at higher rates than on finished products
c. A taxation system that the World Trade Organisation requires developing countries to adopt

d. None of the above
Answer: b

Q.7. Consider the following statements with reference to Hybrid Annuity Model (HAM)
1. HAM is a new variant of BOT model.
2. One of the advantages is that the developer bears the risk of maintaining the project.

Which of the following is/are correct?
a. 1 only
b. 2 only
c. Both 1 and 2
d. Neither 1 nor 2
Answer: d

Q.8. With reference to Treasury Bills (TBs), Consider the following statements:
1. Treasury Bills (TBs) are used by the Central Government to fulfil its short-term liquidity requirement up to the period of 3 months.
2. TBs function as requirements of the Cash Reserve Ratio and Statutory

a. 1 and 2
b. 2 and 3
c. 3 only
d. 1, 2 and 3
Answer: c

Q.11. With reference to JalMargVikas Project, consider the following statement:
1. The JalMargVikas Project (JMVP) on all Inland waterways is being implemented with the financial and technical support of the World Bank.
2. It will boost multi modal mode of transport in all parts of India

Which of the statements given above is/are correct?
a. 1 only
b. 2 only
c. Both 1 and 2
d. Neither 1 nor 2
Answer: d

Q.12. With reference to FDI confidence index, consider the following statement:
1. India was ranked 10th position in the FDI Confidence Index 2018 released by global consultancy firm A T Kearney.
2. The index is bi-annual analysis of how political, economic, and regulatory changes will likely affect FDI inflows into countries in coming years

Which of the following is/are incorrect?
a. 1 only
b. 2 only
c. Both 1 and 2

Liquidity Ratio of the banking institutions.

Which of the statements given above is/are correct?
a. 1 only
b. 2 only
c. Both 1 and 2
d. Neither 1 nor 2
Answer: b

Q.9. Consider the following statements about the Inter-Creditor Agreement:
a. Under it, if half of the lenders in terms of aggregate exposure approve, then the resolution plan is binding on all the lenders.
b. It was framed under the aegis of the RBI.
c. Public, private and foreign banks have signed it.

Which of the statements given above is/are correct?

d. Neither 1 nor 2
Answer: c

Q.13. With reference to Human capital index, consider the following statement:
1. Human Capital Index (HCI) is released by World economic forum as part of the World Development Report 2019.
2. 2018 Theme of the World Development Report (WDR) is "The Changing Nature of Work".
3. The HCI has been constructed for 157 countries.
4. The components of HCI include Survival, Expected years of Quality-Adjusted School and Health environment

Which of the following is/are correct?
a. 1, 2 and 3
b. 2, 3 and 4
c. 3 and 4
d. 1, 2, 3 and 4
Answer: b

Q.14. With reference to small Finance banks, consider the following statements:
1. They can distribute mutual funds, insurance products and other simple third-party financial products.
2. They can end 75% of their total adjusted net bank credit to priority sector.
3. Maximum loan size would be 10% of capital funds to single borrower and 15% to a group.

Which of the following is/are correct?

a. 1 and 2
b. 2 and 3
c. 1 and 3
d. 1, 2 and 3
Answer: d

Q.15. With reference to non-performing assets, consider the following statements:

1. A Sub-Standard asset is one which has been NPA for a period not exceeding 6 months.

c. 1, 2 and 3
d. 3 only
Answer: d

Q.16. With reference to Liberalised Remittance Scheme (LRS), consider the following statement:

1. Under LRS, all resident individuals can freely remit $250,000 overseas every financial year for a permissible set of current or capital account transaction
2. Under LRS, people can freely remit to any nation throughout the world for education, travel, medical treatment and purchase of shares and property, apart from maintenance of relatives living abroad, gifting and donations.

Which of the following is/are incorrect?
a. 1 only
b. 2 only
c. Both 1 and 2
d. Neither 1 nor 2
Answer: b

Q.17 Sovereign blue bond, a pioneering financial instrument designed to support sustainable marine and fisheries projects was launched by
a. India
b. Seychelles
c. Mauritius
d. China
Answer: b

2. A Doubtful asset is one which has been NPA for more than 6 months.
3. Twin Balance Sheet Syndrome means Over-leveraged corporates and stressed banks.

Which of the following is/are correct?
a. 1 and 2
b. 2 and 3

Q.18. Consider the following statements with reference to Letters of Undertaking(LoU)

1. LoU are issued to avail both short-term and long-term credit
2. LoU are availed mainly by the gems and jewellery sector
3. Make a difference to the competitiveness of Indian exports

Which of the following is/are correct?
a. 1 and 2 only
b. 3 only
c. 2 and 3 only
d. 1, 2 and 3
Answer: c

Q.19. With reference to Global Gender Gap report, consider the following statement:

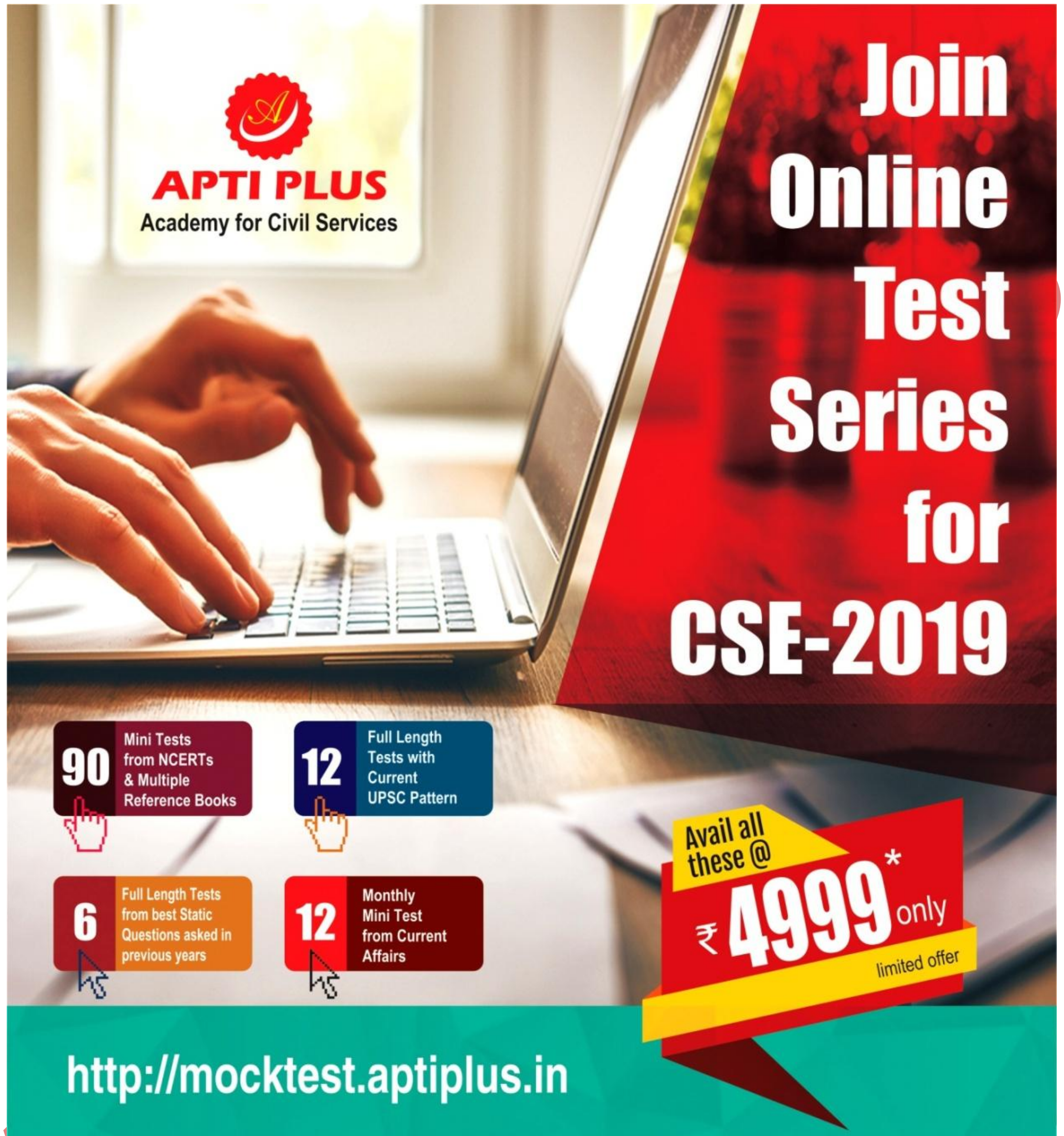
1. The Global Gender Gap Report is published annually by the World Bank since 2006
2. India has been ranked 142nd in the economic opportunity and participation sub index out of total 149 countries
3. Sweden has been ranked as number 1 in the WEF's Gender Gap Index for the 10th consecutive year.

Which of the following is/are correct?
a. 1 and 2
b. 2 and 3
c. 2 only
d. 1, 2 and 3
Answer: c

Q.20. With reference to recent IL&FS crisis, consider the following statement:

1. IL&FS is termed as a "shadow bank."
2. Credit-rating agency ICRA downgraded the company's creditworthiness to 'B--' (default grade).
3. Following the crisis government appointed a new 6-member board to manage the IL&FS, which has been headed by MrBimalJalan.

Which of the following is/are correct?
a. 1 only
b. 1 and 2
c. 2 and 3
d. 1, 2 and 3
Answer: a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