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TARGET 2021

ECONOMY & AGRICULTURE II

INDEX

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ECONOMY & AGRICULTURE II

(JANUARY 2021 TO JULY 2021)

ECONOMY

1. GROWTH & DEVELOPMENT

1.1 GDP Projections

Recently, NSO projected that GDP of the current fiscal will be around Rs 134.4-lakh crore in constant prices rebounding after pandemic-induced slump of the preceding two quarters.

- After contracting by almost 16% in the April-September period, GDP is just short of Rs 10,400 crore when compared to the second half of the earlier figure.
- NSO has assumed that output will recover vigorously in the third and fourth quarters & it is highly optimistic about the expenditure side and gross value added of various industries.
- NSO expects manufacturing sector to shrink 9.4% this fiscal & the GVA of services components-trade, hotels, transport- to contract over 21.4% over the 12-month period.
- COVID-19 mandated social distancing norms has severely affected services sector which contributes almost a fifth to overall GVA.
- Private consumption expenditure — the single biggest component propelling GDP— is estimated to shrink 9.5% in the full year after contracting nearly 19% in the first half.
- This reflects the fact that consumers had shed their suspicion in spending in the face of COVID-19.
- They will now begin to consume goods and services close to pre-pandemic levels & this will reduce the instances of job losses.

1.2 Bond Yield, GDP and GVA

- As the Covid-19 vaccines are rolled out, economic activity is gaining momentum.
- So investors are moving away from government bonds thereby increasing the bond yields.
- A bond is a debt instrument which governments sell to raise fund for meeting its expenditure.
- These bonds have a selling price and a fixed coupon rate.
- Bond yield is the return an investor realizes on a bond and it is inversely proportional to the bond price.
- If investors are apprehensive about the economy, they will invest in government bonds as it is the safest form of investment.
- In such cases, the demand for government bonds will rise and so will their prices and yield will fall down.
- If investors have positive view about the economy, they move away from government bonds, which results in a fall in bond prices and increase in yields.
- With the arrival of Covid-19 vaccines in the US, economy is regaining its pace so investors move away from government bonds.
- But US bond yields are influential and seen as safest one in the global market hence they attract funds from investors across the world increasing the bond yields.
- Hence the US central bank will raise interest rates to contain inflation as economic growth takes off now.

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- Now Global investors will pull out money from emerging economies such as India and invest in US bonds which affect India's domestic stock markets negatively.
- But the yields of Indian G-secs have also got raised in line with US bond yields.
- This means that investors find lending to the Indian government a better alternative than lending to the Indian firms.

GDP vs GVA

- GDP is the total amount of money spent in an economy and GVA is the value added (in money terms) by economic agents in each sector of the economy.
- GVA is more relevant to map the performance of the domestic economy from one quarter to another.
- In fact in a year, GVA data is made available first and GDP is arrived at by taking the GVA and adding all the government taxes and subtracting all the government subsidies.
- This implies that for the same level of GVA in an economy, the GDP could alter just because the government earned more money from its taxes or spent more on subsidies.
- In other words, to have a better picture about the true state of India's economic revival GVA should be used.

1.3 India's GDP 2020-2021

- Gross Domestic Product (GDP) is the total value of all final goods and services produced within the country in one financial year.
- Ministry of Statistics and Programme Implementation released the First Advance Estimates (FAE) for the financial year 2020-2021.
- The key takeaways from the FAE 2020-21 is that India's GDP will contract by 7.7% in 2020-21.
- The MoSPI's FAE provides India's GDP, real GDP, per capita real GDP, Gross Value Added, Private Final Consumption Expenditure (PFCE), per capita PFCE, Gross Fixed Capital Formation (GFCF), etc.,

Terminologies

- **Real GDP** is the GDP without the influence of inflation.
- **Gross Value Added** maps the value-added by different sectors of the economy such as agriculture, industry and services.
- In other words, GVA provides a proxy for the income earned by people involved in the various sectors.
- **Private Final Consumption Expenditure** includes all the things that a household would buy in their private individual capacity.
- PFCE constitutes over 56% of the total GDP.
- It is the biggest demand for goods and services comes from private individuals trying to satisfy their consumption needs.

First Advance Estimates

- For any financial year, the MoSPI provides regular estimates of GDP.
- The first such instance is through the FAE. The FAE for any particular financial year is presented on 7th January.
- The FAE are arrived at before the end of the concerned financial year by extrapolating the available data.
- The MoSPI's approach for compiling the Advance Estimates is based on Benchmark-Indicator method.

- **Gross Fixed Capital Formation** is a type of demand that accounts for close to 28% of India's GDP.
- Taken together, private demand and business demand account for almost 85% of all GDP.

1.4 GDP as a Measure of Economic Growth

- Ever since India revised the way it calculates its Gross Domestic Product (GDP) in 2015, there's been a debate raging not just about how India calculates its GDP but also about GDP as a measure itself.
- The International Monetary Fund states that the GDP measures the monetary value of final goods and services i.e., those that are bought by the final user - produced in a country in a given period of time.
- **Debate** - For a while now, GDP's dominance has been questioned.

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- GDP fails to capture the welfare loss. GDP often doesn't adequately account for all the welfare gains as well.
- As far as the broader question of people's wellbeing is concerned, GDP is inadequate. But GDP is not designed for this purpose.
- There are suggestions to find alternative measures to GDP as it is a simple measure, and berating it by judging it based on social or moral norms would be completely missing the point of using GDP.
- **Alternatives to GDP** - GDP per capita, median income, inequality (Gini coefficient), net domestic product (NDP), well-being (using Maryland's Genuine Progress Indicator), etc.,

1.5 India's Economic Situation

- Over the past few weeks, Indians have become more and more worried about the inflation rate (or the rate at which prices are rising).
- **Retail inflation** for May 2021 was at 6.3% i.e., 30 basis points above the highest level of inflation that RBI targets. No other Asian country has faced the high levels of inflation that India is becoming used to.
- [Retail inflation is measured by using the Consumer Price Index.]
- The Retail inflation data for June will be crucial in determining RBI's monetary policy stance when it meets in August, 2021.
- In 2022, consumer prices will grow at a rate that is around 2 ½ times more than the rest of Asia's average.
- **Oil prices** have been high and rising for two broad reasons.
    - Rising prices of imported crude oil (India depends on oil imports to meet more than 80% of its domestic requirement) and
    - Taxation of refined fuel within the country.
- For every 10% increase in oil prices, economic growth of India falls by 20 basis points and the inflation rate goes up by 40 basis points.
- Even when crude oil prices went down, retail prices have stayed up due to the way the government taxes petrol and petroleum products.
- Besides the price rise in fuel, the prices of the food and non-food goods have shot up.
- **Unemployment** - India's unemployment rate is so much higher than other Asian countries. India's high unemployment rate is despite a low labour force participation rate.
- Total number of people employed in the Indian economy is over 5% less than the number of people employed before the pandemic. So, instead of creating jobs, the economy has extinguished close to 22 million jobs.

1.6 S&P on India's Economic Growth

- S&P Global Ratings has affirmed its lowest investment grade sovereign rating at 'BBB-' and stable outlook for India.
- It says that the country's recovery will gain pace through the second half of fiscal 2022 and the following year.
- It has projected the economy to grow at 9.5% in FY22 over a very weak base of record 7.3% contraction in FY21.
- However, S&P may lower the ratings if,
    - The country's economy recovers significantly slower than it expects from FY22 onwards or
    - The country's Net general government deficits and the associated accumulation of indebtedness materially exceed its forecasts.
- It warned that fiscal settings are weak, and deficits will remain elevated.

1.7 Gross Environment Product

- The Uttarkhand government announced that it will initiate valuation of its natural resources in the form of 'Gross Environment Product' (GEP), said to be along the lines of Gross Domestic Product (GDP).

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- Gross Environment Product (GEP) is an assessment system to measure the ecosystem services of any area.
- It reflects the aggregated annual value of goods and services provided by ecosystems (forests, water bodies, oceans, etc.) to people in a given region, such as at district levels, state, and country.
- It entails the establishment of a natural capital accounting framework by integrating ecological benefits into common measures of economic growth such as GDP.
- It summarizes the value of ecosystem services in a single monetary metric.

1.8 Ecosystem Services

- The term "ecosystem services" (ES) was coined in 1981 to attract academics to address environmental issues.
- ES are the benefits human populations derive, directly or indirectly, from ecosystem functions.
- In 1997, a group of economists and ecologists led by ecological economist Robert Costanza showed that at global level the value of "Ecosystem Services" is about twice as much as the global GDP.

2. PUBLIC FINANCE

2.1 Digital Services Tax

United States Trade Representative (USTR) reported that India's DST is discriminatory & inconsistent with international tax principles.

- In 2016, **Akhilesh Ranjan Committee** suggested to create a level-playing field between online businesses and brick-and-mortar businesses.
- Since digital businesses don't have physical presence but enjoy a sustainable economic presence they need to be taxed.
- In 2016, India became the first country to implement the equalisation levy, on advertising services at 6%.
- In 2018, India introduced the term significant economic presence in Income Tax Act.
- According to which, if a company had users in India, it sort of defined its economic connection with India and therefore gives India the right to tax.

Digital Service Tax

Digital companies are not adequately taxed because they don't have a physical location in the markets where they operate.

DST aims to ensure that non-resident, digital service providers pay their fair share of tax on revenues generated in the Indian digital market.

- In 2020, the new equalisation levy expanded its scope even to e-commerce.
- USTR reports find DST as discriminatory because tax incident by design is on non-resident company's levy.
- But the market itself is dominated by U.S. firms hence it finds discriminatory but reality is not so.
- Moreover the threshold that India has laid down for the equalisation levy is actually much below what the EU envisages.
- Moreover the levy aims to create a level-playing field with ordinary businesses have a physical presence & pay regular taxes.
- Now international communities are moving towards a scenario where such transactions need to be taxed.
- Hence to say that levy violates international tax principles is not valid.

2.2 U.S. Retaliatory Tariff on Digital Service Taxes

The United States announced and then immediately suspended retaliatory tariff imposition on digital service taxes (DST) on six countries including India.

- The retaliatory tariff on digital service taxes (DST) was proposed for a period up to 180 days.
- It was proposed to be imposed on Austria, India, Italy, Spain, Turkey, and the U.K.

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- The US announced 25% tariffs on over $2 billion worth of imports from these six countries.
- It then immediately suspended the duties to allow time for international tax negotiations.
- [In India's case, around 26 categories of goods are in the preliminary list of products that would be subject to the additional tariffs.]

Digital Services Taxes in India

- The government had moved an amendment in the Finance Bill 2020-21.
- It imposed a 2% digital service tax.
- It applies to trade and services by non-resident e-commerce operators with a turnover of over Rs 2 crore.
- This includes e-commerce operators involved in supply of services, including online sale of goods and provision of services.
- [The move effectively expanded the scope of equalisation levy.
- Till the previous year, the equalisation levy only applied to digital advertising services.]
- Estimates indicate that the DST payable by US-based company groups to India will be up to approximately $55 million per year.
- So, the U.S. proposal, if applied, would collect duties on Indian goods in the range of the same amount of DST that India collects from US companies.

2.3 SC Ruling on Taxation of Overseas Software

The Supreme Court held that the amounts paid by Indian companies for the use of softwares developed by foreign companies do not amount to 'royalty.'

- Also, such payments do not give rise to income which is taxable in India.
- The SC has followed the globally-accepted interpretation.
- Accordingly, payment made by end-users and distributors is akin to payment for sale of goods.
- It is not for grant of licence under the Indian Copyright Act.
- So, the buyer only gets the right of use, and not the intellectual property of the software.
    - Only where copyright in the software is permitted to be exploited by the payer can the payment take the character of royalty.
- Indian companies thus need not deduct tax for the amount they pay to foreign manufacturers and suppliers for use or re-sale of computer software through end-user licence agreements (EULA).
- This ruling should now prevent similar disputes, but a few questions still require deliberation.

2.4 SC Verdict on Loan Moratorium Case

The Supreme Court (SC), on the loan moratorium case, declined to extend the 6 months loan moratorium, observing further that the waiver of complete interest is not possible.

- The verdict came on a batch of petitions seeking –
    i. waiver of all interest during the period of the pandemic-specific moratorium
    ii. relief from compound interest for the period for all borrowers without distinction
    iii. extension of the moratorium period itself
- The petitions had also challenged the decision of the Centre and RBI to restrict waiver of interest on interest to certain categories of borrowers who had availed loans of less than Rs 2 crore.
- **Centre's Stand -** The Centre had earlier submitted before the top court in this regard.
- Accordingly, if interests are waived on all the loans and advances to all categories of borrowers for the 6-month moratorium period, then the amount foregone would be more than Rs 6 trillion.
- If the banks were to bear this burden, then it would necessarily wipe out a substantial part of their net worth.

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- This would render most of the lenders unviable and raise a very serious question mark over their very survival.
- **Court's ruling -** The apex court said that the waiver of complete interest is not possible as it affects depositors.
- The Court has sought to limit the scope of its juridical intervention to the questions of -
  - i. whether any laws have been violated
  - ii. whether any actions that banks may have taken under the policy guidance of the government and central bank likely violated any rights of the petitioners
- It observed that wisdom and advisability of economic policy were ordinarily not amenable to judicial review.
- The Bench thus denied all but one of the petitioners' pleas.
- It held that the government's decision to limit the waiver of compound interest to loans under Rs.2 crore was "arbitrary and discriminatory."
- It thus directed a refund of all compound interest levied during the moratorium period.
- The Court justly flagged the absurdity of levying the compound interest on any category of loans.
- This is because, by its very nature, it was a penal interest intended to impose a cost on wilful or deliberate default.
- However, a borrower's decision to defer repayment of instalment by availing of the moratorium could not be considered wilful default.
- Any amount collected as compound interest shall thus be adjusted to the next instalment payable instead of refunding it to the borrower, irrespective of the loan amount.
- This part of the ruling would surely come as a welcome relief to borrowers across categories and loan size.
- On the other hand, it would add a relatively smaller burden, estimated at about Rs.7,500 crore, on lenders (or the Centre, if the government decides to foot the bill and spare banks the cost).
- The verdict thus necessitates the policymakers to urgently come up with measures to help mitigate the crisis before lenders meet with more defaults.

2.5 Global Minimum Tax

U.S. Treasury Secretary Janet Yellen recently urged the adoption of a minimum global corporate income tax.

- The global minimum tax rate would apply to companies' overseas profits.
- So, if countries agree on a global minimum, governments could still set whatever local corporate tax rate they want.
- But, if companies pay lower rates in a particular country, their home governments could "top-up" their taxes to the agreed minimum rate.
- This would eliminate the advantage of shifting profits to a tax haven.
- The Biden administration in the U.S. has said that it wanted to deny exemptions for taxes paid, to countries that did not agree to a minimum rate.
- Major economies are aiming to discourage multinational companies from shifting profits and tax revenues to low-tax countries regardless of where their sales are made.
- Increasingly, income from intangible sources such as drug patents, software and royalties on intellectual property has migrated to these jurisdictions.
- This, in turn, is allowing these companies to avoid paying higher taxes in their traditional home countries.
- With a broadly agreed global minimum tax, the Biden administration hopes to reduce such tax base erosion.
- This could be done without putting American firms at a financial disadvantage, allowing them to compete on innovation, infrastructure and other attributes.
- The Trump administration attempted at capturing revenues lost to tax havens with a U.S. corporate offshore minimum tax in 2017.

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- The "Global Intangible Low-Taxed Income," or GILTI, tax rate was only 10.5% - half the domestic corporate tax rate.

2.6 EPF Tax Rules

The new EPF tax rules came into effect from April 1, 2021 as announced in the Union Budget of 2021.

- **Old Rule -** If a person contributes more than the limit prescribed under **Section 80C of the Income Tax Act**, he cannot get a tax break on his excess contribution.
- The earnings on contributions rarely suffered taxation since tax laws pegged tax-free earnings to higher rates than the interest rate on the EPF.
- Moreover the person will pay tax on their corpus, only if he withdrew it within 5 years from the comment of the contribution.
- This taxation framework incentivised employees to use the EPF as their primary retirement saving and it acted as risk-free retirement savings mode.
- **New Rule -** The new tax regulation will label a person as a high net worth individual if he misuses EPF by contributing more than Rs 2.5 lakh per annum to the EPF.
- The limit is Rs 5 lakh in cases where employers do not make contributions to the provident fund.

2.7 US Anti-trust Order

The U.S. President Joe Biden signed a new executive order aimed at cracking down on anti-competitive practices in Big Tech, labour and numerous other sectors.

- The U.S. anti-trust order is aimed at cracking the dominance of big tech firms.
- [Antitrust laws are made by governments to protect consumers from predatory business practices and ensure fair competition.]
- Its purpose is to foster competition across a number of sectors.
- The executive order includes 72 actions and suggestions involving multiple federal agencies.
- The line of actions proposed include a set of new rules to be issued by the FTC (Federal Trade Commission) on –
  - i. data collection
  - ii. increased scrutiny of fresh mergers in the technology sector
  - iii. scrutiny of the anti-competitive moves in the internet marketplaces
- Other sectors under the scanner include travel, healthcare and agriculture.
- The order calls for changes to how tech mergers and other anti-competitive behaviour by big-tech is scrutinised.
- It also aims to bring down prices of goods and services that have risen over time.
- [The rise was a result of companies in various sectors gaining control of their respective segments.]
- In India, there have been a number of antitrust cases against big-tech companies like Amazon and Google.
- They are being investigated by the Competition Commission of India.
- But none has had any significant impact on the behaviour of the companies' operations so far.
- In 2018, the CCI fined Google Rs 136 crore for "search bias".
- However, this fine was set aside by the National Company Law Appellate Tribunal (NCLAT) just months later.
- There is also the recent IT Intermediary Rules that impact social media companies like Facebook and Twitter.
- Another one is the imminent amendments to Consumer Protection (E-commerce) Rules.
- It increases compliance burden for Amazon and Walmart-owned Flipkart.

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- The Indian antitrust regulator is also studying the dependence of consumers and enterprises on a few large digital platforms.
- A government-instituted review of the Competition Law has found the existent provisions "largely adequate and fit-for-purpose."
- But it has recommended overarching amendments for additional enforcement mechanisms.
- This should work in the interest of speedier resolution of cases, which is particularly critical in the context of fast changing digital markets.

2.8 Software Royalty Tax Dispute

- The Supreme Court ruled that cross-border payments made by Indian buyers to a non-resident for use or re-sale of computer software, through end-user licence agreements (EULA), are not to be taxed as "**royalty**".
- The ruling reasoned that payment of royalty is only for exclusive use of copyright of a work under a non-exclusive licence.
- The Indian buyer only receives the right to use the software, but does not get any copyright on the software.
- Hence, the amount paid does not qualify as royalty for which tax should be deducted at source under Section 195 of the I-T Act.

2.9 Basic Customs Duty

- The government has decided to levy basic customs duty (BCD) on solar cells and modules from April 1, 2022, which will lead to increase in solar power tariff rates.
- BCD would also be applicable for already bid out projects. So, the time-frame for which BCD would be applicable is uncertain, which results in an additional risk for domestic manufacturers in incurring capex.
- Further, it would reduce the overall attractiveness of solar projects to off-takers and end-consumers.
- As BCD covers imports from all countries, it minimises any scope for imports being routed from any country outside India.
- If domestic manufactures become competitive with time by reducing their cost against the imported modules and cells, BCD may come down.

2.10 New Rules for Trusts and Non-Profit Organisations

- The Central Board of Direct Taxes (CDBT) has notified a new set of rules and application forms for trusts and non-profit organisations, which will help them to get tax exemption for their own income.
- Under the Section 10 of the Income Tax Act, there are incomes from certain funds, universities, educational institutions, hospitals, etc, that are not included in the total income for the taxation purpose.
- Contributions made to certain relief funds and charitable institutions can be claimed as a deduction under Section 80G of the Income Tax Act.
- But, only those donations made to the prescribed funds and institutions that have been defined in the notification qualify as a deduction.

- These rules and forms indicate the procedure and details to be complied in the forms for seeking registration of charitable & religious entities, hospitals, etc.
- As per Section 12A, the requirement for registration has been mandated for all the existing registered entities under 12AA as well as for the new entities seeking provisional registration.

2.11 Post Devolution Revenue Deficit

- The Department of Expenditure, Ministry of Finance released the second monthly instalment of Post Devolution Revenue Deficit (PDRD) Grant of ₹ 9,871 crore for the financial year 2021-22 to 17 States.
- The Centre provides the Post Devolution Revenue Deficit Grant to the States under **Article 275** of the Constitution.
- PDRD is charged on the **Consolidated Fund of India** in each year as grants in aid of the revenues of such States as Parliament may determine to be in need of assistance.
- As per the recommendations of the **Finance Commission,** the grants are released in **12 monthly instalments** to meet the gap in revenue accounts of the States post-devolution.
- The Finance Commission provides PDRD grants as a mechanism for compensation of any loss incurred by states.
- The 15th Finance Commission has recommended PDRD grants over the five-year period ending FY26 to the States based on the gap between the assessment of revenue and expenditure of the State.

Finance Commission Grants

- The Finance Commission Grants, in the Union Budget, provides funds to local bodies, state disaster relief funds and compensates any revenue loss to states after devolution of taxes. The grants include,
- **Grants for rural local bodies**- Nearly half of the Finance Commission Grants in Union Budget goes to village local bodies.
- **Grants for urban local bodies** - Urban local bodies like municipal councils receive the largest chunk of Finance Commission Grants after Rural Local Bodies and Post Devolution Deficit Grants to states.
- **Assistance to SDRF** - Based on the recommendations of the Finance Commission, the central government provides funds to State Disaster Relief Funds.
- **Post devolution revenue deficit grants** - This forms the second largest chunk of Finance Commission transfers after the assistance to local rural bodies.

2.12 Retrospective Tax Demand

Cairn Energy argued that India's retrospective taxation was in breach of the India-UK Bilateral Investment Treaty which obligated India to treat investment from UK in a "fair and equitable manner".

- So, Cairn is suing Air India in New York to seize its assets to enforce the $1.2 billion arbitration award it won against the Indian government in a retrospective tax dispute.
- **Vodafone case** - In 2012, the Supreme Court ruled that a series of transactions involving Vodafone did not attract capital gains.
- It said that these transactions did not amount to transfer of a capital asset within the meaning of Section 2(14) of the Income Tax Act.
- The government amended the Income Tax Act retrospectively in 2012, due to the Supreme Court ruling in Vodafone case.
- **The 2012 amendment** - "An asset or a capital asset being any share or interest in a company or entity registered or incorporated outside India shall always be deemed to have been situated in India, if the share or interest derives its value substantially from the assets located in India".

Retrospective Taxation

- Retrospective Taxation allows a country to pass a rule on taxing certain products, items or services and deals and charge companies from a time behind the date on which the law is passed.

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- This route is used by the countries to correct any anomalies in their taxation policies that have, in the past, allowed companies to take advantage of such loopholes.
- Retrospective amendment to taxation laws ends up hurting companies that had knowingly or unknowingly interpreted the tax rules differently.
- Apart from India, countries like the US, the UK, the Netherlands, Canada, Belgium, Australia, etc have retrospectively taxed companies.

2.13 Vaccine GST Exemption

- Several states are demanding for removing taxation on Covid-related medicines and supplies, including a GST exemption on vaccines.
- Finance Minister responded that exemptions on domestic supplies and commercial imports would make them costlier for consumers.
- A 5% GST is levied on domestic supplies and commercial imports of vaccines; Covid drugs and oxygen concentrators attract 12%.
- This tax rate ensures that the manufacturer is able to utilise ITC and in case of overflow of Input Tax Credit (ITC), claim refund. This ensures that the taxes are not passed on to the end consumer by price rise.
- Categorising domestic supplies as zero-rated might be a better option than granting a full exemption, as it will pave the way for availing ITC.
- **IGST Sharing** - If Rs 100 IGST is collected on an item, the states and Centre get 50% each as SGST and CGST respectively.
- Also, 41% of CGST revenue is transferred to states as devolution. So out of a collection of Rs 100, as much as Rs 70.50 is the share of the states.
- This is the case with the GST revenues collected from sale of vaccines.
- These items are already exempt from Customs duty and health cess.

2.14 Zero-Rated Supplies

- Under Section 2(47) of the CGST Act, 2017, a supply is exempt when it attracts a nil rate or is specifically exempted, but that is not equivalent to being zero-rated.
- Inputs and input services that would have gone into the making of the good or provision of service would have already faced a tax levy, and only the final product is exempted.
- GST-related laws do not allow availing of credit on inputs and input services used for supply of the exempted output. This becomes a cost for the supplier, and is usually passed on to the consumer.
- Zero-rating makes the entire value chain of the supply exempt from tax.
- It exempts the output from tax and there is no bar on availing credit of taxes paid on the input side for providing the output supply.
- As per GST-related laws, zero-rating is applicable for exports and exports and supplies to Special Economic Zones (SEZs). Addition of any other category would require a legal amendment.

2.15 Tax on Oxygen Concentrators as Gifts

- The government has waived Integrated Goods and Services Tax (IGST) and customs duty on oxygen concentrators that are gifted from overseas or imported.
- But the Foreign Contribution (Regulation) Act (FCRA) is triggered in the case of non-profit institutions.
- Only non-profit entities with a valid FCRA registration can legally receive charitable funds and articles from donors outside India.
- For any non-profit entities without an FCRA licence or for profit companies receiving these equipments as gifts, there could be questions later on under FCRA.
- Even certain individuals who import oxygen concentrators could face taxes. There is a need for clarification.

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2.16 Global Minimum Corporate Tax Rate

- The Group of Seven (G7) Finance Ministers reached a landmark accord setting a global minimum corporate tax rate at 15% (least), an agreement that could form the basis of a worldwide deal.
- [G7 countries - UK, Canada, France, Germany, Italy, Japan and US. All of them are part of G20]
- Corporation tax is a direct tax imposed on the net income or profit that enterprises make from their businesses.
- The Global Minimum Corporate Tax Rate will ensure taxes were paid in the countries where businesses operate. It may apply to overseas profits.
- Governments could still set whatever local corporate tax rate they want, but if companies pay lower rates in a particular country, their home governments could "top-up" their taxes to the minimum rate.
- This will eliminate the advantage of the companies' shifting profits and tax revenues to low-tax countries regardless of where their sales are made.

3. INFLATION

3.1 On Retail Inflation

India's retail inflation - Consumer Price Index (CPI) - slowed to a 16-month low of 4.06% in January 2021.

- However, various factors make the inflation outlook for the coming months less encouraging.
- Inflation appears to have cooled after having stayed stubbornly stuck above the RBI's upper tolerance threshold of 6% for six months through November 2020.
- The latest retail inflation readings offer monetary authorities a fair amount of comfort.
- The deceleration was helped by an appreciable softening in food prices.
- Specifically, the Consumer Food Price Index reflected a gain of a mere 1.89% in January 2021.
    - vegetable prices saw a disinflation of 15.8%
    - cereal prices eased considerably for a second month in the wake of kharif crop arrivals
- The RBI in its recent monetary policy statement, cited the below as factors that augured well for the months ahead-
    i. the bumper kharif crop
    ii. rising prospects of a good rabi harvest
    iii. larger winter arrivals of key vegetables
    iv. softer egg and poultry demand on avian flu fears

3.2 Retail Inflation & Industrial Output Data

National Statistical Office (NSO) released the retail inflation and industrial output data.

- It offers some relief from the economic impact of second wave of the COVID-19 pandemic, but there are still factors to remain cautious about.
- Provisional headline inflation (Consumer Price Index (CPI)) slowed to a three-month low of 4.29% in April, 2021.
- This was a result of softer food prices and a statistical base effect.
- A closer look at the inflation data reveals a substantial cooling in the prices of cereals, milk and milk products, vegetables, and pulses and products.
- Both cereals and vegetables saw a deflationary trend widen to -2.96% and -14.2%, respectively.
- Dairy products, which have the second-largest weight in the food and beverages category, also slid into deflation territory at -0.13%.

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- Price gains in pulsesdecelerated into single digits to reach a 20-month low of 7.51%.
- [Earlier price gains in pulses had been bothering monetary policy makers by having been stuck in the double digits over an 18-month stretch.]
- The combined impact of these slowed inflation across the food and beverages group by more than 250 basis points to 2.66%.

4. BANKING

4.1 Bad Bank

As the problem of non-performing assets (NPAs) persists stressed by the pandemic, the RBI Governor has agreed to look at a proposal for creating a bad bank.

- A bad bank conveys the impression that it will function as a bank but has bad assets to start with.
    - Currently, loans in which the borrower fails to pay principal and/or interest charges within 90 days are classified as NPAs and provisioning is made accordingly.
- Technically, a bad bank is an asset reconstruction company (ARC) or an asset management company.
    - It takes over the bad loans of commercial banks, manages them and finally recovers the money over a period of time.
- The bad bank is not involved in lending and taking deposits.
- It just helps commercial banks clean up their balance sheets and resolve bad loans.
- The takeover of bad loans is normally below the book value of the loan and the bad bank tries to recover as much as possible subsequently.
- US-based Mellon Bank created the first bad bank in 1988.
- After this, the concept has been implemented in other countries including Sweden, Finland, France and Germany.
- However, resolution agencies or ARCs set up as banks, which originate or guarantee lending, have ended up turning into reckless lenders in some countries.
- The RBI has taken a series of measures for better recognition and provisioning against NPAs.
- There have also been massive doses of capitalisation of public sector banks by the government.
- Despite these, the problem of NPAs continues in the banking sector, especially among the weaker banks.
- The idea of a bad bank gained currency during Former RBI Governor Raghuram Rajan's tenure.
    - The RBI had then initiated an asset quality review (AQR) of banks.
    - It found that several banks had suppressed or hidden bad loans to show a healthy balance sheet.
- However, the idea remained on paper amid lack of consensus on the efficacy of such an institution.
- ARCs have not made any impact in resolving bad loans due to many procedural issues.
- Now, with the pandemic hitting the banking sector, the RBI fears a spike in bad loans in the wake of a six-month moratorium announced to tackle the economic slowdown.
- A professionally-run bad bank, funded by the private lenders and supported the government, can be an effective mechanism to deal with NPAs.
- The bad bank concept is in some ways similar to an ARC but is funded by the government initially, with banks and other investors co-investing in due course.
- The presence of the government is seen as a means to speed up the clean-up process.
- Many other countries had set up institutional mechanisms such as the Troubled Asset Relief Programme (TARP) in the US to deal with the problem of stress in the financial system.

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4.2 RBI's Regulatory Framework for NBFCs

The RBI has proposed a tighter regulatory framework for non-banking financial companies (NBFCs), in its discussion paper on revised regulatory framework for NBFCs.

- **Classification** - The RBI has said the regulatory and supervisory framework of NBFCs should be based on a four-layered structure:
  - i. NBFCs in lower layer will be known as NBFC-Base Layer (NBFC-BL).
  - ii. NBFCs in middle layer will be known as NBFC-Middle Layer (NBFC-ML).
  - iii. NBFCs in the Upper Layer will be known as NBFC-Upper Layer (NBFC-UL).
  - iv. There is also a Top Layer, ideally supposed to be empty.
- Each of these will invite a new regulatory superstructure.
- **Regulation** - Once an NBFC is identified as NBFC-UL, it will be subject to enhanced regulatory requirement.
- This will apply at least for four years from its last appearance in the category, even where it does not meet the parametric criteria in the subsequent year.
- In other words, if an identified NBFC-UL does not meet the criteria for classification for 4 consecutive years, it will move out of the enhanced regulatory framework.
- **Base Layer** - If the framework is visualised as a pyramid, the bottom of the pyramid will be the base layer.
- This is where least regulatory intervention is warranted.
- It can consist of NBFCs, currently classified as non-systemically important NBFCs (NBFC-ND), NBFCP2P lending platforms, NBFCAA, NOFHC and Type I NBFCs.
- **Middle Layer** - Going up, the next layer can consist of NBFCs currently classified as –
  - systemically important NBFCs (NBFC-ND-SI), deposit taking NBFCs (NBFC-D), housing finance companies, IFCs, IDFs, SPDs and core investment companies
- The regulatory regime for this layer will be stricter compared to the base layer.
- Adverse regulatory arbitrage vis-à-vis banks can be addressed for NBFCs falling in this layer in order to reduce systemic risk spill-overs, where required.
- **Upper Layer** -Going further, the next layer can consist of NBFCs which are identified as systemically significant.
- This layer will be populated by NBFCs which have large potential of systemic spill-over of risks and have the ability to impact financial stability.
- There is no parallel for this layer at present, as this will be a new layer for regulation.
- The regulatory framework for NBFCs falling in this layer will be bank-like, but with suitable and appropriate modifications.
- **Top Layer** - If certain NBFCs in the upper layer are seen to pose extreme risks as per supervisory judgement, they can be put to higher and customized regulatory/supervisory requirements.
- These NBFCs will occupy the top of the upper layer as a distinct set.
- Ideally, this top layer of the pyramid will remain empty unless supervisors take a view on specific NBFCs.

Indian Banks Association

- It is a representative body of management of banking in India and an association of Indian banks and financial institutions.
- Currently, it has members from public and private sector, foreign and urban co-operative banks, asset reconstruction companies, credit rating companies, credit guarantee funds etc.

4.3 Indian Banks Association and RTI

Recently, Indian Banks Association said that government cannot exercise control over its functioning.

- Its major objectives are rendering assistance and providing common services to the banking industry; developing and implementing new ideas and innovations in banking services etc.

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- It covers broad range of services in the banking industry and banks follow its advice in addition to RBI's regulatory guidance.
- It also makes various recommendations to the government and the RBI over various banking-related matters like treatment of non-performing assets, formation of Bad Bank, etc.
- It conducts wage negotiation with workers' and officers' unions, and signs a wage pact called Bipartite Settlements and Joint Notes which IBA claims as authorised by banks.
- IBA claims it to be a voluntary association of member banks which is neither a governmental entity nor a regulatory authority.
- It says that it is not compliant to the writ jurisdictions of courts and not subjected to Right to Information Act, 2005.
- It has not designated any Central Public Information Officer (CPIO) till now.
- But IBA is financed by member banks and public does not know the financial status of IBA though all PSBs and listed private banks contribute to its functioning.
- In RK **Jain versus Indian Banks' Association case**, CIC said that IBA qualifies to be a public authority under the RTI Act, 2005.
- This is because it performs functions as state agency and majority of its control vests in Government of India-appointed Managing Directors of public sector banks.
- Therefore it directed IBA to designate an official of the IBA as the CPIO and to comply with Section 4 of the RTI Act, 2005.
- But IBA filed a writ petition before the Delhi High Court & the Court stayed the CIC order.
- The court observed that IBA is an association of banks which has 241 members and only nine members are from public sector banks.
- It also said that case is yet to be decided whether IBA comes under RTI or not.

4.4 M Narasimham's Contribution

With the demise of M Narasimham, former RBI Governor, it is imperative to reflect on his contribution to reforms in the financial sector.

- (1927-2021) was the 13th governor of the RBI [from May 1977 to November 1977].
- He was the only governor of the RBI to have risen to the position from the central bank's ranks.
- He is most recognized for the role he played in liberalizing India's banking and financial system.
- He is rightfully the architect of modern Indian banking.
- What is seen in the banking system today in terms of the struggle to bring about change, had its genesis documented in Narasimham's epochal reports.
- **BIS** - The first was bringing in prudential concepts as propounded by the Bank for International Settlements (BIS).
- These were regarding income recognition, capital adequacy, quality of assets, provisioning, etc.
- These concepts took time to digest, and the RBI played a stellar role in bringing them in a calibrated manner so that the system was not disrupted.
- Basel II and Basel III were extensions of the same course.
- To note, the RBI took time to bring the 90-day concept for recognising non-performing assets (NPAs) so that the system was able to absorb this rule.
- **Private banks** - He had propagated the concept of having more private banks.
- This was a timely recommendation as the system was typified by public sector banks (PSBs), given the shadow of nationalisation.
- Getting in new private banks has brought about a technology revolution in the banking sector.

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- They have now permeated all banks, making the system globally comparable.
- Along with this suggestion was the extended frame provided to foreign banks to operate in India.
- There was also a firm signal that there would be no further nationalisation.
- **Interest rates** - The interest rates on deposits and loans were to be freed.
- This was significant because until that point of time all decisions came from the 'above'.
- Here, RBI had gradually moved towards giving banks the freedom to fix their rates on the deposits side.
- However, the lending side is once again back to the fold of partial regulation, with the central bank asking them to follow a formula.
- **CRR & SLR** - The reports argued for sharp reductions in the CRR (Cash Reserve Ratio) and the SLR (Statutory Liquidity Ratio) of banks.
- While banks argue against having a CRR, the system had a rate of 15% in 1989 and again in 1994, after which it has been brought down to 4%.
- The SLR at its peak was at 38.5% in 1990.
- The move to lower these pre-emption reserves owes a lot to the recommendations.
- **Government securities** - The concept of marking-to-market the portfolio of government securities was again a takeaway from the report.
- This was a way of making them market-oriented and also ensuring that the real value of bonds was accounted for by banks.
- **Four-tiered structure of banks** - Narasimham had suggested creating a four-tiered structure of banks, which is seen for the past three decades.
    i. large banks that can be globally competitive
    ii. regional banks that serve specific purposes
    iii. niche banks that cater to communities
    iv. new small banks and payments banks
- This was subsequently strengthened by an RBI committee where differentiated banks were spoken of.
- **Weak banks** - The identification of weak banks and putting conditions was again a concept from the reports.
- It is from this that the RBI has drawn the PCA (Prompt Corrective Action) policy.
- The report suggested ways to tackle such banks and get them out of the mess with narrow banking being an intermediate route.
- **Transparency** - The reports recommended introduction of transparency in bank accounts.
- Today, all annual reports include all disclosures and follow fixed formats.
- It is thus now possible for one to analyse any aspect pertaining to all banks in a uniform manner.
- **Mergers** - The concept of mergers across the financial sector was envisioned in terms of synergies being created.
- The report also spoke of mergers between PSBs, which is now a reality.

4.5 Easing the Pain

Recently RBI has announced series of measures to address the challenges posed by the ongoing second wave of COVID-19 pandemic.

- RBI has timely intervened to alleviate any financing constraint for those impacted including the health-care sector, state governments and public.
- It provides a special liquidity window of ₹ 50,000 crore where banks can borrow up to three-year money at the repo rate to on-lend special Covid loans to priority sector classified scheme.

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- Priority sector now includes entities of vaccine manufacturers, hospitals, pathology labs, suppliers of oxygen and ventilators, importers of COVID-related drugs and logistics firms.
- Small borrowers in the informal sector, micro enterprises and self-employed persons are worst hit by the localised lockdowns.
- So, RBI has enhanced the provision of credit by allowing small finance banks to classify loans to small microfinance institutions.
- It has announced one-time restructuring concession which is limited to loans up to Rs.25 crore.

4.6 G7 Global Corporate Tax Deal

Group of Seven (G7) countries have backed the proposal to impose a common global corporate tax.

- The tax proposal endorsed by the G7 countries (US, UK, Germany, France, Canada, Italy and Japan) has two parts.
- The agreement made will be discussed in detail at the upcoming meeting of G20 financial ministers and central bank governors.
- **First part** - Countries around the world should tax their home companies' overseas profits at a rate of at least 15%.
- This 15% of global minimum corporate tax would deter the practice of using accounting schemes to shift profits to a few very low-tax countries.
- [Often, these tax havens are the Caribbean Islands such as Bahamas or British Virgin Islands.
- Or at times, it is countries like Ireland where the corporate tax rate is as low as 12.5%.]
- **Second part** - This allows countries to tax a share of the profits earned by companies "that have no physical presence but have substantial sales."
- For instance, this could be through selling digital advertising.

G7

- It is an intergovernmental economic group consisting of 7 largest IMF advanced economies such as Canada, France, Germany, Italy, Japan, the UK, and the US.
- EU is also represented within the G7 as an invitee.
- These countries are the seven major advanced economies as reported by the IMF.
- Formerly called G8 with Russia in it, but due to Crimean crisis, Russia was ejected from the group.
- The organization was founded to facilitate shared macroeconomic initiatives by its members in response to the collapse of the exchange rate 1971.
- G7 summit is being held annually to discuss economic policies, while the G7 finance ministers have met at least semi-annually.

4.7 Financial Stability Report July 2021

The Reserve Bank of India recently released its latest Financial Stability Report (FSR).

- The Financial Stability Report (FSR) is published twice each year by the RBI.
- It presents an assessment of the health of the financial system.
- The FSR primarily looks at questions like the following:
  - i. Do Indian banks (both public and private) have enough capital to run their operations?
  - ii. Are the levels of bad loans (or non-performing assets) within manageable limits?
  - iii. Are different sectors of the economy able to get credit (or new loans) for economic activity?
- The data and information in the FSR allows the RBI to assess the state of the domestic economy.
- The FSR also allows the RBI to assess the macro-financial risks in the economy.
- As part of the FSR, the RBI also conducts “stress tests.”
- This is to figure out what might happen to the health of the banking system if the broader economy worsens.
- Similarly, it also tries to assess how factors outside India might affect the domestic economy.
- E.g. the crude oil prices or the interest rates prevailing in other countries

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- Each FSR also contains the results of something called the Systemic Risk Surveys.

Highlights

- **GNPAs** - In June 2020, the FSR had noted that Gross NPAs (GNPAs) could rise from 8.5% (of gross loans and advances) at the end of March 2020 to a two-decade high of 14.7% by March 2021.
- The recent FSR has found that the actual level of bad loans as of March 2021 is just 7.5%.
- However, the GNPA ratio of Scheduled Commercial Banks may increase from 7.48% in March 2021 to 9.80% by March 2022 under the baseline scenario.
- Under a severe stress scenario, it could increase to 11.22%, as shown by "macro-stress tests" for credit risk.
- So, the relief provided by the RBI in 2020 has contained the number of Indian firms that openly defaulted on their loan repayment.
- But things could get worse, especially for the small firms (or MSMEs).
- [The relief measures include cheap credit, moratoriums and facilities to restructure existing loans]
- **Regulatory relief and NPA** - A clear picture of NPAs will emerge only when the regulatory relief provided by the RBI is taken away.
- But it is not always clear when a central bank should pull back such regulatory relief.
- Historical experience shows that credit losses remain elevated for several years after recessions end.
- Indeed, in EMEs [Emerging Market Economies], NPAs typically peak 6 to 8 quarters after the onset of a severe recession.
- The longer the blanket support is continued, the higher the risk.
- Because providing excess regulatory relief might help inherently inefficient firms too.
- On the other hand, banks need sufficient buffers to absorb losses along the entire path to full recovery.
- So, support measures cannot be phased out before firms' cash flows recover.
- **Credit growth** - At less than 6%, the overall rate of credit growth in commercial banks is quite dismal.
- What is particularly worrisome is the negligible growth rate in wholesale credit [refers to loans worth Rs 5 crore or more].
- The rate of growth for retail loans (loans to individuals) had become much better in comparison.
- Notably, there was a sharp fall in credit growth much before the Covid pandemic hit India.
- It points to a considerable weakness in demand even before the pandemic.
- This, in turn, suggests that recovery in credit growth may take longer than usual.
- **Systemic Risk Survey (SRS)** - The FSR also published the results of the latest round (April 2021) of the Systemic Risk Survey (SRS).
- It reflects upon the major risks faced by the Indian financial system.
- The risks are broadly classified into five categories - global, macroeconomic, financial market, institutional and general.
- The overall risk perception is "medium."
- However, there were several factors on which experts expected a worrying picture than the one provided in the January 2021 FSR.

4.8 Data Localisation

The RBI has so far barred three foreign card payment network companies [Mastercard, American Express and Diners Club] from taking new customers on board, over the issue of storing data in India.

- Recently, the RBI imposed restrictions on Mastercard Asia Pacific Pte Ltd.
- It is kept from onboarding new domestic customers (debit, credit or prepaid) in India.

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- The RBI cited as reason the non-compliance with guidelines for storage of data in India.
- It said it had given almost 3 years for Mastercard to comply with the regulatory directions.
- But the firm was unable to complete the process.
- Earlier, the RBI had imposed restrictions on American Express Banking Corp and Diners Club International Ltd, over the same issue.
- **Impact** - Existing customers using credit or debit cards of these firms can continue using the same.
- However, banks and non-banking finance companies that were planning to use these payment networks will now not be able to use these platforms to enrol new customers.
- This leaves only Visa Inc and homegrown NPCI's RuPay as payment providers under no restrictions currently.
- Funds transferred using debit or credit cards are routed through platforms such as Mastercard, Visa and NPCI.
- These operate under the Payment and Settlement Systems (PSS) Act, 2007.
- Under the Act, the RBI is the authority for the regulation and supervision of payment systems in India.
- As part of this came the RBI circular on Storage of Payment System Data, dated April 6, 2018.
- These guidelines on data storage were to be adhered to within 6 months.
- As per this, all system providers are to ensure that the entire data relating to payment systems operated by them is stored in a system only in India.
- It applies to full end-to-end transaction details, information collected or carried or processed as part of the message or payment instruction.
- They were also required to report on their compliance to the RBI.
- They should also submit a board-approved system audit report conducted by a CERT-In empanelled auditor within the timelines specified.
- [CERT-In - Indian Computer Emergency Response Team.
- CERT-In is a government-mandated information technology (IT) security organization.]

4.9 Changes to the Deposit Insurance Laws

- The Union Cabinet has cleared changes to the deposit insurance laws.
- The Centre plans to introduce the Deposit Insurance & Credit Guarantee Corporation (Amendment) Bill 2021 soon.
- Currently, in an unlikely event of a bank failing in India, a depositor has a claim to a maximum of Rs 5 lakh per account as insurance cover.
- [In 2020, the government raised the insurance amount to Rs 5 lakh from Rs 1 lakh.]
- The cover of Rs 5 lakh per depositor is provided by the Deposit Insurance and Credit Guarantee Corporation (DICGC).
- Depositors having more than Rs 5 lakh in their account have no legal recourse to recover remaining funds in case a bank collapses.
- Despite the safety on funds parked with banks, there is an element of risk for the deposits in case a bank collapses.
- Depositors had troubles recently with access to their funds in banks such as Punjab & Maharashtra Co-operative (PMC) Bank, Yes Bank and Lakshmi Vilas Bank that faced RBI's actions.
- The changes made now would provide funds up to Rs 5 lakh to an account holder within 90 days if a bank comes under RBI moratorium.
- Currently, depositors normally end up waiting for 8-10 years before they are able to access their deposits in a distressed bank.

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- They receive it only after complete liquidation or restructuring of a distressed lender.
- With the changes being proposed now, depositors will get insurance money within 90 days.
- This will cover banks already under moratorium and those that could come under moratorium.
- Within the first 45 days of the bank being put under moratorium, the DICGC would collect all information relating to deposit accounts.
- In the next 45 days, it will review the information and repay depositors closer to the 90th day.

DICGC

- DICGC - Deposit Insurance and Credit Guarantee Corporation
- DICGC is a fully owned subsidiary of the Reserve Bank of India.
- It covers public and private sector banks, local area banks, small finance banks, RRBs, cooperative banks, Indian branches of foreign banks and payments banks.
- The functions of the DICGC are governed by the provisions of:
  i. 'The Deposit Insurance and Credit Guarantee Corporation Act, 1961' (DICGC Act)
  ii. 'The Deposit Insurance and Credit Guarantee Corporation General Regulations, 1961
- These were framed by the RBI.
- The DICGC Act provides for the establishment of a Corporation for the purpose of insurance of deposits.
- It is also intended for guaranteeing of credit facilities and for other matters connected therewith or incidental thereto.

4.10 Payments Infrastructure Development Fund

- This fund was operationalised by the Reserve Bank of India (RBI) to increase payments acceptance infrastructure by adding 30 lakh touch points every year in Tier-3 to Tier-6 centres.
- There would be special focus on the north-eastern states.
- An Advisory Council, under the chairmanship of RBI Deputy Governor BP Kanungo, has been constituted for managing the PIDF.
- The types of acceptance devices to be covered under the scheme are physical PoS, mPoS, GPRS, PSTN, and QR code-based payments.
- [mPoS - mobile PoS, GPRS - General Packet Radio Service, PSTN - Public Switched Telephone Network]
- However, payment methods that are not inter-operable would not be considered under the PIDF.
- PIDF scheme is on a reimbursement basis and accordingly, the claim has to be submitted only after making payment to the vendor.
- The maximum cost of the physical acceptance device eligible for subsidy is Rs 10,000 (including one-time operating cost up to Rs 500).
- The maximum cost of the digital acceptance device eligible for subsidy is Rs 300 (including onetime operating cost up to Rs 200).

4.11 Bank Investment Company

- A Bank Investment Company (BIC) would be established by the government under Companies act, 2013.
- BIC would act as a core investment company and will hold more than 50% shares in Public Sector Banks (PSBs).
- The character of BIC's business would make it resemble a passive sovereign wealth fund for the Government's banks.
- BIC was mooted in 2014 by the Reserve Bank of India's PJ Nayak Committee to review governance of boards of banks.

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- As per the Committee's recommendations, the government set up a Bank Boards Bureau (in 2016) for selecting the top management of PSBs.

4.12 Regulation of NBFCs

- The Reserve Bank of India (RBI) has created a **four-tier structure** for a tighter regulation of Non-Banking Financial Companies (NBFCs).
- The regulatory framework will be anchored on **proportionality**.
- The four-layered structure includes: Base Layer, Middle Layer, Upper Layer (will invite a new regulatory superstructure) and a possible Top Layer (is ideally supposed to be empty).
- The RBI has proposed classification of non-performing assets (NPAs) of base layer NBFCs from 180 days to 90 days overdue.
- If an identified NBFC-Upper Layer does not meet the criteria for classification for four consecutive years, it will move out of the enhanced regulatory framework.

4.13 New Umbrella Entities

- Companies with any presence in India's tech or financial services ecosystem are making a beeline to set up new umbrella entities (NUEs).
- NUE is the Reserve Bank of India's (RBI's) idea to create an alternate mechanism to the National Payments Corporation of India (NPCI).
- Currently, the umbrella entity for providing retail payments system is NPCI, which is a non-profit entity, owned by banks.
- The RBI has set a deadline of March 31 for firms to submit their applications for setting up NUEs for payment systems.
- An NUE will be a non-profit entity that will set-up, manage and operate new payment systems, especially in the retail space such as ATMs, white-label PoS; Aadhaar-based payments and remittance services.
- In addition to this, they will develop new payment methods, standards and technologies as well as operate clearing and settlement systems.
- Only those entities that are owned and controlled by Indian citizens with at least 3 years experience in payments segment can become promoters of NUEs.
- Also, foreign investment is allowed in NUEs as long as they comply with the existing guidelines.

4.14 Countercyclical Capital Buffer

- Based on the review and empirical testing of Countercyclical Capital Buffer (CCyB) indicators, the Reserve Bank of India (RBI) says it is not necessary to activate CCyB at this point in time.
- The framework on CCyB was put in place by the RBI in terms of guidelines issued in 2015.
- The 2015 guidelines advised that the CCyB would be activated as and when the circumstances warranted, and the decision to activate CCyB would normally be pre-announced.
- The framework envisages the credit-to-GDP gap as the main indicator.
- This main indicator may be used in conjunction with other supplementary indicators like Credit-to-Deposit Ratio, Industrial Outlook Assessment Survey, Interest Coverage Ratio, and Asset Quality.
- The aim of the CCyB regime is twofold,

Capital Buffer

- Capital buffers are mandatory capital that financial institutions are required to hold in addition to other minimum capital requirements. They are put in place by regulators.
- Regulations targeting the creation of adequate capital buffers are designed to reduce the procyclical nature of lending by promoting the creation of Countercyclical Capital Buffers (CCyB).
- Both capital Buffers and CCyBs were set forth under the Basel III regulatory reforms created by Basel Committee on Banking Supervision.

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1. It needs banks to build up a capital buffer in good times which may be used to maintain credit flow to the real sector in hard times.
2. It achieves the goal of restricting the banking sector from indiscriminate lending in the periods of excess credit growth that have been associated with the building up of system-wide risk.

4.15 Credit Guarantee Scheme for Subordinate Debt

- Credit Guarantee Scheme for Subordinate Debt (CGSSD) has been extended up to September 30, 2021.
- It was launched by the Ministry of Ministry of Micro, Small and Medium Enterprises (MSME) in 2020 to provide financial facility to stressed MSMEs, under the AtmaNirbhar Bharat Package.
- It extends support to the promoters of the MSMEs with Special Mention Accounts-2 (SMA-2) and NPA accounts which are stressed and have become NPA as on April 30, 2020.
- The eligible accounts for restructuring are selected as per RBI guidelines on the books of the lending institutions.
- The promoters of the MSME unit will be given credit equal to 15% of stake in the company or Rs 75 lakh, whichever is lower.
- Fraud/wilful defaulter accounts won't be considered under the scheme.

Special Mention Accounts

- The classification of SMA was introduced by the RBI in 2014, to identify those accounts that may become an NPA/Stressed Asset.
- They are those assets/accounts that shows symptoms of bad asset quality in the first 90 days itself or before it being identified as NPA.
- Types of Special Mention Accounts (categorized in terms of duration)
  a) SMA-NF - Non-financial indications about stress of an asset.
  b) SMA-0 accounts in which loan repayments are wholly or partly overdue for a period of up to 30 days.
  c) SMA-1 - Principal or interest payment overdue for 31-60 days.
  d) SMA-2 - Principal or interest payment overdue for 61-90 days.

4.16 Network for Greening the Financial System

- The Reserve Bank of India (RBI) has joined the Central Banks and Supervisors Network for Greening the Financial System (NGFS).
- It expects to benefit from the membership of NGFS by learning from and contributing to global efforts on Green Finance.
- The NGFS is a group of Central banks and supervisors willing to share the best practices and contribute to the development of the environment and climate risk management in the financial sector.
- It aims to mobilise mainstream finance to support the transition towards a sustainable economy.
- It aims to analyse the consequences of climate change for the financial system and to redirect global financial flows in order to enable low-carbon economic growth.
- The NGFS was launched at the Paris One Planet Summit in 2017.

Green Finance

- Green Finance has assumed significance in the context of climate change. It refers to financial support for green growth.
- It is a strategic approach to incorporate the financial sector in the transformation process towards low-carbon and resource-efficient economies, and in the context of adaptation to climate change.

4.17 Withdrawal of Rate Cuts on Small Savings Schemes

- Hours after notifying significant cuts in small savings instruments' returns for this quarter, the government has backtracked on these cuts.
- The Small Saving Schemes (SSSs) are major source of household savings in India.
- They have mobilized money from households and channelized them to government so that the centre and states can finance a part of their expenditure.

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- The Central Government operates SSSs through the nationwide network of Post Offices, branches of the Public-Sector Banks and select private sector banks and more than 5 lakh small savings agents.
- **Types** - The Small Savings instrument basket comprises 12 instruments. They can be grouped under three,
    1. **Post office Deposits** - Post Office Savings Account, Post Office Time Deposits (1,2,3 and 5 years), Post Office Recurring Deposits, Post Office Monthly Account,
    2. **Savings Certificates** - National Savings Certificate (VIII Issue) and Kisan Vikas Patra,
    3. **Social Security Schemes** - Public Provident Fund, Senior Citizens Savings Scheme, and Sukanya Samriddhi Account.

4.18 National Small Savings Fund

- National Small Savings Fund (NSSF) was established in 1999 within the **Public Account of India** for crediting the money collected from all small savings schemes (SSSs) to the NSSF.
- Also, withdrawals under SSSs by the depositors are made out of NSSF.
- **Administration of NSSF -** The NSSF is administered by the Ministry of Finance under National Small Savings Fund Rules, 2001, which is derived from Article 283(1) of the Constitution.
- Objective for the formation of a dedicated fund for small savings is to de-link small savings transactions from the Consolidated Fund of India.
- Since NSSF operates in the Public Account, its transactions do not impact the fiscal deficit of the Centre directly.
- As an instrument in the public account, the balances under NSSF are direct liabilities and constitute a part of the liabilities of the Centre.
- **Use of proceeds from NSSF -** Pattern of utilization of the NSSF among the centre and states is decided from time to time by the Government of India.
- As per the recommendations of the 14th Finance Commission, the government has excluded states (except four states) from the use of Small Saving Scheme money.
- This is because the SSSs have slightly higher interest rate than the loans procured by states. Now, the NSSF will be used by the centre.

5. CURRENCIES

5.1 RBI's Clarification on Cryptocurrencies

Some leading banks cautioned people against dealing in cryptocurrencies. Following this, the RBI intervened and made a clarification.

- State Bank of India and HDFC Bank cautioned their customers against dealing in virtual currencies such as Bitcoin.
- They cited the April 2018 order of the RBI on virtual currencies (VCs).
- Banks also warned customers that failure to adhere to the advisory may lead to cancellation or suspension of their cards.
- The 2018 order banned entities regulated by RBI from dealing in VCs or providing services for facilitating others to deal with or settling VCs.
- The RBI had no option but to allow it after the Supreme Court lifted the ban in 2020.
- So, the RBI now intervened and said the 2018 order was no longer valid from the date of the Supreme Court judgement (click here to know more).
- Therefore, it cannot be cited or quoted from.
- The RBI clarification is expected to give some relief to customers who have invested in cryptocurrencies.
- Many Indians have invested in cryptocurrencies like Bitcoin and Ethereum.

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- Their money, estimated to be around Rs 10,000 crore, will not be blocked now.
- Banks, as well as other entities addressed above, may continue to carry out customer due diligence processes with existing mechanisms.
- E.g. KYC, Anti-Money Laundering (AML), Combating of Financing of Terrorism (CFT), PMLA, FEMA, etc.
- Meanwhile, the RBI is in the process of developing its own virtual currency.

5.2 Dogecoin

- The co-founder of Dogecoin has called the cryptocurrency industry a right-wing, hyper-capitalistic technology built to amplify the wealth of the rich by extracting money from the financially desperate and naive.
- **Origin** - The meme-inspired Dogecoin is a Cryptocurrency was created in 2013 by software engineers as a faster but "fun" alternative to Bitcoin.
- It takes its name and logo from a Shiba Inu meme that was viral several years ago.
- **Difference** - Unlike Bitcoins, whose maximum possible number is fixed at 21 million (a figure that is estimated to be reached by 2040), Dogecoin numbers do not have an upper limit.

5.3 Britcoin

- The Bank of England and the Treasury will work together to assess the benefits of creating a new Central Bank Digital Currency (CBDC) called "Britcoin", at a time when cash payments are generally on the decline.
- If the new currency comes to pass, it would be a new form of digital money for use by households and businesses and would exist alongside cash and bank deposits, rather than replacing them.
- The vision of this coin is to have a more open, greener, and more technologically advanced financial services sector.

Central Bank Digital Currency

- A CBDC uses an electronic record or digital token to represent the virtual form of a fiat currency of a particular nation (or region).
- It is centralized; it is issued and regulated by the competent monetary authority of the country.
- These digital currencies are different in a key sense to Bitcoin as they are issued by state authorities.
- Currently, only the Bahamas has such a currency, though China is trialing it in several cities.
- Sweden could have its own digital currency by 2026, while the European Central Bank could have an electronic euro created within four years.

5.4 Digital Currency

- Digital currency, also known as digital money, electronic money, electronic currency or cyber cash, is a form of currency that is available only in digital or electronic form, and not in physical form.
- They are already being explored or even implemented in several other countries, with many proponents drawing inspiration from the success of Bitcoin and other so-called cryptocurrencies.
- All cryptocurrencies are digital currencies, but not all digital currencies are cryptocurrencies.
- **Benefits of a digital currency** - Backup to card payments if cash payments continue to drop in the years to come.
- [By the end of this decade, only one in 10 payments in the U.K. are expected to be made with traditional paper money.]
- They can provide another way for people to make purchases online.

6. FINANCIAL MARKET

6.1 Increase in Outstanding P-Notes

P-notes (Participatory notes) hit a 31-month high in November 2020, with the value of outstanding P-notes reaching Rs. 83,114 crore.

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- Foreign portfolio investment (FPI) is a common way to invest in overseas economies.
- It includes securities and financial assets held by investors in another country.
- P-notes are issued by foreign portfolio investors (FPIs) registered with SEBI to overseas investors who are not registered as FPIs in India.
- In this, the final owner can be concealed from regulators.
- This anonymity provided by P-notes had led to entities using this route to round-trip funds.
- P-notes have gained notoriety on account of their rampant misuse prior to 2008.
- The value of outstanding P-notes had exceeded 50% of FPI assets in late 2007.
- This led to SEBI clamping down on the issuances of, and disclosure and trading in, these instruments.
- Outstanding P-notes have reduced sharply since then.

6.2 One-Person Company

In the Budget speech, Finance Minister announced measures to ease norms for setting up one-person companies.

- According to data by Monthly Information Bulletin on Corporate Sector, there are 34,235 OPCs out of a total number of about 1.3 million active companies in India, as of 2020.
- The number of OPCs was 2,238 as of 2015 & more than half of the OPCs are in business services.
- In single-person Company, the person and the company are considered separate legal entities whereas in sole proprietorship, the owner and the business are considered the same.
- This has an important implication when it comes to the liability of the individual member or owner.
- In a one-person company, the sole owner's liability is limited to that person's investment but in sole proprietorship set-up, the owner has unlimited liability.

One-Person Company

- It is a company that is formed by just one person as a shareholder in contrast to private companies which require minimum of two members to get going.
- This is helpful to the person wants to get into business through his sole proprietorship mode but they are considered as private companies only.

- The 2014 rule states that OPCs would cease to have that status if its paid-up share capital exceeds Rs 50 lakh or its average turnover for the preceding three years exceeds Rs 2 crore.
- This condition was lifted in this budget.
- Earlier only an Indian citizen and an Indian resident could start a single-person company.
- Now it is proposed that residency limit for an Indian citizen to set up an OPC will be reduced from 182 days to 120 days & NRIs are now allowed to incorporate OPCs in India.
- These changes come along with the proposal to increase the threshold of capital base from Rs 50 lakh to Rs 2 crore & turnover from Rs 2 crore to Rs 20 crore for small companies.
- This means that these companies can have easy compliance requirements for longer time & will address the existing criticism that erstwhile rules governing OPCs are restrictive in nature.

6.3 National Stock Exchange Glitch

Recently, trading on National Stock Exchange (NSE) got halted due to a technical glitch.

- NSE accounts for 100% of equity derivative trades and almost 90 % of cash trades in equity.
- Its trading got halted due to issues with telecom links and trade did not migrate to the disaster recovery (DR) site immediately.
- NSE said that it has multiple telecom links with two service providers to ensure redundancy.
- But all the links became unstable in the same time thereby impacting the risk management system.

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- NSE reported that there was no impact on the trading system and trading hours got extended till 5 pm on the BSE, NSE and MSEI.
- Since February derivative contracts will get expired in the following day, those who held derivative positions got grieved due to the uncertainty in trade resumption.
- They also suffered losses on option contracts.
- Due to the gap in communication, intra-day trading positions got forcibly sold in BSE which resulted in loss for smaller traders.

6.4 Silicon Valley Start-up Robinhood

The online trading app Robinhood became a cultural phenomenon in Silicon Valley with being one of the hottest venues in the past week's retail-trading frenzy.

- But it abruptly blocked clients from purchasing shares of some companies whose stock prices had spiked dramatically and shaken up Wall Street.
- Many of the small investors were on a mission to challenge the dominance of Wall Street.
- They thus used Robinhood's free trades.
- Investors on Robinhood, who had been buying up options and shares of GameStop, a video game retailer, enlarged those bets.
- Rampant speculation on options contracts helped drive the rise of GameStop's shares from about $20 on January 12, 2021 to nearly $500 in less than 20 days.
- Investors also began making big trades in other stocks, including AMC Entertainment.
- The trade frenzy thus morphed into a crisis.
- As the trading mania grew, the financial system's risk reduction mechanisms kicked in.
    - The mechanism is managed by obscure entities at the center of the stock market called clearinghouses.
- This forced Robinhood to find emergency cash to continue to be able to trade.

Robinhood

- Robinhood is a trading platform operated by American financial services company Robinhood Markets Inc.
- It is a broker-dealer registered with the United States Securities and Exchange Commission.
- The company is headquartered in Menlo Park, California.
- It was founded in April 2013 by Vladimir Tenev and Indian American Baiju Bhatt.
- Both of them are now co-chief executive officers of the company.
- Robinhood's revenue comes from interest earned on customers' cash balances, margin lending and selling order information to high-frequency traders.
- The platform is believed to have had 13 million users in 2020.
- It came with a promise to wrest the stock market away from Wall Street's traditional gatekeepers and "let the people trade."

- It had to stop customers from buying a number of heavily traded stocks and draw on a more than $500 million bank line of credit.
- The company also took an emergency infusion of more than $1 billion from its existing investors.
- **Clearinghouse's role -** One institution that tripped up Robinhood in the recent episode is a clearinghouse called the Depository Trust & Clearing Corp (DTCC).
- It is owned by its member financial institutions including Robinhood.
- The DTCC clears and settles most stock trading, essentially making sure that the money and the shares end up in the right hands.
    - Options trades are cleared by another entity.
- But the DTCC's role is more than just clerical.
- Clearinghouses are supposed to help insulate a particular market from extreme risks.
- It does this by making sure that if a single financial player goes broke, it doesn't create a contagion.
- To do its job, the DTCC requires its members to keep a cushion of cash that can be put toward stabilizing the system if needed.

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- When stocks are swinging wildly or there's a flurry of trading, the size of the cushion it demands from each member, known as a margin call, can grow on short notice.
    - In the recent event, the DTCC notified its member firms that the total cushion, which was then $26 billion, needed to grow to $33.5 billion, within hours.
    - As Robinhood customers were responsible for so much trading, it was responsible for footing a significant portion of the bill.
- The DTCC's demand is not negotiable.
- A firm that cannot meet its margin call is effectively out of the stock trading business because DTCC will not clear its trades any more.
- For a start-up like Robinhood, generating additional hundreds of millions of dollars on short notice is a big deal.

6.5 SEBI's New AT1 Bond Norms

Securities and Exchange Board of India (SEBI) has slapped restrictions on mutual fund (MF) investments in additional tier-1 (AT1) bonds.

- This has raised concerns in the MF and banking sectors, and the Finance Ministry has asked the SEBI to withdraw the changes.
- In a recent circular, the SEBI told mutual funds to value the perpetual AT1 Bonds as a 100-year instrument.
- This essentially means MFs have to make the assumption that these bonds would be redeemed in 100 years.
- The regulator also asked MFs to limit the ownership of the bonds at 10% of the assets of a scheme.
- The RBI recently allowed a write-off of Rs 8,400 crore on AT1 bonds issued by Yes Bank Ltd after it was rescued by State Bank of India (SBI).
- The SEBI has probably made the decision after this.
- According to the SEBI, these instruments (AT1 Bonds) could be riskier than other debt instruments.
- Typically, MFs have treated the date of the call option on AT1 bonds as maturity date.

AT1 Bonds

- AT1 Bonds stand for additional tier-1 bonds.
- These are unsecured bonds which have perpetual tenure.
- In other words, the bonds have no maturity date.
- They have call option, which can be used by the banks to buy these bonds back from investors.
- These bonds are typically used by banks to bolster their core or tier-1 capital.
- Mutual funds (MFs) are among the largest investors in these perpetual debt instruments.
- MFs hold over Rs 35,000 crore of the outstanding additional tier-I bond issuances of Rs 90,000 crore.

- Now, if these bonds are treated as 100-year bonds, it raises the risk in these bonds as they become ultra long-term.
- This could also lead to volatility in the prices of these bonds as the risk increases, the yields on these bonds rises.
    - Bond yields and bond prices move in opposite directions.
    - Therefore, higher yield will drive down the price of bond.
- This, in turn, will lead to a decrease in the net asset value of MF schemes holding these bonds.
- Moreover, these bonds are not liquid and it will be difficult for MFs to sell these to meet redemption pressure.
- Potential redemptions on account of this new rule would lead to mutual fund houses engaging in panic selling of the bonds in the secondary market.
- This again will lead to widening of yields.
- **Impact on Banks -** AT1 bonds have emerged as the capital instrument of choice for public banks as they strive to shore up capital ratios.

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- If there are restrictions on investments by mutual funds in such bonds, banks will find it hard to raise capital.
- It becomes especially hard at a time when banks need funds in the wake of the soaring bad assets.

6.6 Independent Directors

Recently, SEBI made stringent rules for appointment and removal of independent directors to reinforce their independence.

- An Independent director (ID) is a non-executive director who does not have any kind of relationship, material or financial, with the company.
- They ensure the independence of decisions taken in matters related with the board.
- In 2018, SEBI made sweeping changes in its regulations thereby enlarging the role, responsibilities and eligibility criteria for IDs.
- In 2019, the Ministry of Corporate Affairs prescribed compulsory registration and written exam requirements for IDs.
- Currently IDs are recommended for appointment by the Nomination and Remuneration Committee (NRC) of the Board.
- This will be later ratified through an ordinary resolution passed by the board.
- Now SEBI recommends to replace the present rules with a dual approval process.
- It suggests that NRC's recommendation should be approved by a majority of a company's minority shareholders in addition to the ordinary resolution by the board.
- Removal of IDs should also go through the same process.
- To align ID interests with shareholders, it suggests the grant of long-vesting Employee Stock Options (ESOPs).

6.7 Special Purpose Acquisition Companies

Recently, International Financial Services Authority sought the views of the public on listing the securities of Special Purpose Acquisition Companies on the GIFT IFSC.

- SPACs are shell companies that raise money with the intention to acquire an existing company from the funds raised in the public offer.
- These companies don't have existing business and investors in these issues bet on future acquisitions which give them due returns.
- Like crypto currencies, the company assets don't have any intrinsic value at the time of the issue.
- Investors just rely on the reputation of the sponsor and his expertise in identifying the right company for acquisition.
- In recent times they are gaining popularity due to the increasing global liquidity levels on the prices of risky assets.
- IFSCA is right in its consideration to introduce new categories of securities in the IFSC.
- These securities can be issued by an unlisted issuer or a follow-on public offer of specified securities by a listed issuer or listing of specified securities by a start-up company or an SME.
- If the pool of investors at the IFSC increases, it will help domestic entities raise funds easily.
- Moreover listing of debt securities including ESG focussed debt securities can enhance the reputation of the IFSC.

Government Securities Acquisition programme

In its recent monetary policy briefing, the RBI announced of Rs one lakh crore Government Securities Acquisition programme (G-SAP 1.0.)

- The RBI periodically purchases Government bonds from the market through Open Market Operations (OMOs).

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- The G-SAP is in a way an OMO.
- But there is an upfront commitment by the RBI to the markets that it will purchase bonds worth a specific amount.
- The idea is to give a comfort to the bond markets.
- In other words, G-SAP is an OMO with a 'distinct character.'
- The governmentwill mainly be benefited from the G-SAP 1.0. operations.
- The government, notably, has a massive borrowing programme scheduled for FY22.
- It has planned a Rs 12.05 lakh crore borrowing plan for fiscal year 2022.
- So, the RBI's endeavour is to keep the yield down, to lower the borrowing cost of the Government.
- The plan is to enable a stable and orderly evolution of the yield curve amidst comfortable liquidity conditions.
- The endeavour will be to ensure congenial financial conditions for the economic recovery to gain traction.
- For Q1 of 2021-22, therefore, it has been decided to announce a G-SAP of Rs One lakh crore.
- Also, the positive externalities of G-SAP 1.0 operations need to be seen in the context of those segments of the financial markets that rely on the G-sec yield curve as a pricing benchmark.

6.8 Government Security

- Government Security (G-Sec) yields could soften temporarily as the Indian government's fiscal deficit may undershoot FY2021 Revised Estimate (RE) by ₹ 50,000 crore to ₹ 90,000 crore.
- G-Secs are a **government debt issuances** used to fund daily operations, and special infrastructure and military projects.
- They guarantee the full repayment of invested principal at the maturity of the security and often pay periodic coupon or interest payments.
- As they are issued by the government, they are considered to be risk-free.
- The trade-off of buying these securities is that they tend to pay a lower rate of interest than corporate bonds.
- Investors in G-Sec will either hold them to maturity or sell them to other investors on the secondary bond market.

6.9 Retail G-Sec

- The Reserve Bank of India (RBI) allowed retail investors to participate in the government securities (G-Sec) market through 'Retail Direct', an online portal for trading.
- This is a key structural reform since India is only the third country, after the US and Brazil, in enacting such a provision.
- [The RBI has been allowing small investors to participate in G-Sec market since 2001.]
- Through the proposed initiative, the RBI is going to auction long-term dated securities (G-Secs, State Development Loans) and short-term instruments (Treasury Bills) to retail investors.
- The main objectives of the government are:
  a) To provide retail investors a digital avenue for their financial savings;
  b) To meet its mammoth borrowing programme of ₹ 12 lakh crore in order to bridge its burgeoning fiscal deficit, and
  c) To broaden and deepen the investors' base for better price discovery in the G-Sec market.
- G-Secs/SDLs usually fare better in terms of safety, and offer higher yields than fixed deposits (FDs) in banks, but they provide lower after-tax returns compared to other small savings instruments.
- Retail investors can easily invest in G-Secs in the primary market, but it may not be that easy to sell (before maturity) in the secondary market since these securities need to be liquidated at prevailing market prices.

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- Digital financial inclusion can be a reality when the proposed G-Secs are made accessible to all eligible investors, including foreign investors.

6.10 RBI Retail Direct Scheme

- RBI announced that the 'RBI Retail Direct Scheme', a one-stop solution to facilitate investment in Government Securities (G-secs) by retail investors (individuals).
- Under the scheme, the investors will have the facility to open and maintain the 'Retail Direct Gilt Account' (RDG Account) with the RBI.
- [A "Gilt Account" means an account opened and maintained for holding Government securities. Instead of money, the account is debited or credited with treasury bills or government securities.]
- RDG account can be opened through an online portal provided for the purpose of the scheme. The online portal will give registered users access to primary issuance of G-secs and access to Negotiated Dealing System-Order Matching system (NDS-OM).
- [NDS-OM is an electronic, screen-based, anonymous, order-driven trading system for dealing in government securities. It was introduced by the RBI in 2005.]

Retail Investor

- They are non-professional investors who buy and sell securities or funds that contain a basket of securities such as mutual funds and exchange traded funds (ETFs).
- They execute their trades through traditional or online brokerage firms.
- They purchase securities for their own personal accounts and often trade in dramatically smaller amounts as compared to institutional investors.

Institutional Investor

- It is an umbrella term for larger-scale investments by professional portfolio and fund managers.
- They are the big players in the market who move big money.
- Examples - Pension funds, Mutual funds, Money managers, Insurance companies, Investment banks, Commercial trusts, Endowment funds for a university or college, Hedge funds, Private equity firms or investors, etc

6.11 Sovereign Gold Bonds

Recently the Reserve Bank of India (RBI) has announced a plan to sell sovereign gold bonds (SGBs) in six phases.

- Sovereign gold bonds are issued by the RBI on behalf of the government.
- They are government securities denominated in grams of gold which are substitutes for holding physical gold.
- In 2015, sovereign gold bond scheme was launched with an objective is to reduce the demand for physical gold and shift a part of the domestic savings (used for the purchase of gold) into financial savings.
- **Terms of the Issue -**The Sovereign Gold Bond Scheme 2021-22—Series I will be open for subscription for the period May 17-21, 2021.
- This will be followed by Series II (May 24-28), III (May 31-June 4), IV (July 12-16), V (August 9-13) and VI (August 30-September 3).
- The nominal value of the 8-year bond is Rs 4,777 per gram of gold, based on the simple average closing price on the last three business days of the week preceding the subscription period of Series I.
- There's a discount of Rs 50 per gram to investors when applied online and the payment against the application is made through digital mode.
- Gold bonds bear interest at a fixed rate of 2.50% per annum on the amount of initial investment which will be credited semi-annually.
- These bonds are sold through offices or branches of nationalised banks, private banks, foreign banks, designated post offices, Stock Holding Corporation of India Ltd., the authorised stock exchanges etc.
- **Limits -** The bonds are issued in denominations of 1 gram of gold and in multiples thereof.

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- The minimum investment will be 1 gram, with a maximum limit of subscription of 4 kg for individuals, 4 kg for Hindu Undivided Family (HUF) and 20 kg for trusts.
- Government notifies other similar entities from time to time per fiscal year (April–March).
- **Collateral -** They can be used as collateral for loans from banks, financial Institutions and non-banking financial companies (NBFC).
- The loan-to-value ratio will be the same as applicable to ordinary gold loans prescribed by RBI from time to time.
- Granting loans against SGBs would be subject to the decision of the bank/financing agency, and cannot be inferred as a matter of right.
- **Tax Implications -** Interest on the bonds will be taxable as per the provisions of the Income-Tax Act, 1961 (43 of 1961).
- But the capital gains tax arising on redemption of SGB to an individual has been exempted.
- Indexation benefits will be provided to long-term capital gains arising to any person on transfer of bonds.
- Though TDS is not applicable on the bonds, but it is the responsibility of the holder to comply with tax laws.

6.12 Sovereign Gold Bond Scheme

- The Government of India, in consultation with the Reserve Bank of India (RBI), has decided to issue Sovereign Gold Bonds in six tranches from May 2021 to September 2021.
- The Sovereign Gold Bond Scheme was launched in 2015. Its objective is to shift a part of the domestic savings (used for the purchase of gold) into financial savings in order to reduce the demand for physical gold.
- These gold-denominated government securities will be issued by the RBI on behalf of the Government through,
    1. Scheduled Commercial banks (except Small Finance Banks and Payment Banks),
    2. Stock Holding Corporation of India Limited (SHCIL),
    3. Designated post offices, and
    4. Recognised stock exchanges viz., National Stock Exchange of India Limited and Bombay Stock Exchange Limited.
- The Bonds will be issued as Government of India Stock under GS Act, 2006. The investors will be issued a Holding Certificate for the same.
- **Eligibility** - The Bonds will be restricted for sale to resident individuals, HUFs, Trusts, Universities and Charitable Institutions.
- **Tenor** - The tenor of the Bond will be for a period of 8 years with exit option after 5th year to be exercised on the next interest payment dates.
- **Size** - Minimum permissible investment will be 1 g of gold. Maximum limit shall be 4Kg (individual), 4Kg (HUF) and 20Kg (trusts and similar entities) per fiscal notified by the Government from time to time.
- Price of Bond and the redemption price will be fixed in Indian Rupees on the basis of simple average of closing price of gold of 999 purity for previous 3 working days published by IBJA Ltd.
- The investors will be compensated at a fixed rate of 2.50% per annum payable semi-annually on the nominal value.
- **Taxation** - The interest on Gold Bonds shall be taxable as per the provision of Income Tax Act, 1961.
- **Uses** - The Bond is tax efficient as no capital gains is charged in case of redemption on maturity.
- Bonds can be used as collateral for loans. Loan-to-value ratio is equal to ordinary gold loan mandated by the RBI from time to time.
- Bonds are eligible for conversion into demat form. They will be tradable on stock exchanges within a fortnight of the issuance by the RBI.

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6.13 International Financial Services Centres Authority

- International Financial Services Centres Authority (IFSCA) has become an associate member of the International Organization of Securities Commissions (IOSCO).
- The IOSCO membership will provide the IFSCA a platform to exchange information at the global level on areas of common interests.
- IOSCO platform will enable the IFSCA to learn from the experiences and best practices of the regulators of other well established financial centres.
- The first International Financial Services Centre (IFSC) in India has been set up at the Gujarat International Finance Tec-City (GIFT).
- To regulate such institutions, the government established IFSCA with its head office in Gandhinagar, Gujarat.

International Organization of Securities Commissions

- It is the international body established in 1983 that brings together the world's securities regulators.
- It develops, implements and promotes adherence to internationally recognized standards for securities regulation.
- It works intensively with the G20 and the Financial Stability Board (FSB) on the global regulatory reform agenda.
- It works closely with the G20 nations and the FSB, in setting up the standards for strengthening the securities markets.
- The IOSCO Objectives and Principles of Securities Regulation have been endorsed by FSB as one of the key standards for sound financial

6.14 Social Stock Exchange

- The Economic Survey 2021 highlighted the need to set up a Social Stock Exchange (SSE).
- SSE will be set up as a structure within the existing stock market ecosystem under the Securities and Exchange Board of India (SEBI).
- It would raise capital from organisations working for the realisation of a social welfare objective.
- SEBI made recommendations to include participation of non-profit organisations (NPO) and for-profit enterprises (FPE) on SSE subject to committing to minimum reporting requirements.
- It recommended standardisation of financial reporting by NPOs on SSE.

6.15 Accredited Investor

- Securities and Exchange Board of India (SEBI) has proposed to introduce the concept of 'accredited investors' in the securities market.
- Accredited investors (Qualified investors or Professional investors) are those who have an understanding of various financial products and the risks and returns associated with them.
- They are able to take informed decisions regarding their investments and are recognised by many securities and financial market regulators globally.
- SEBI said the accreditation once granted shall be valid for a year.
- The accreditation may be carried out via 'Accreditation Agencies' which may be the market infrastructure institutions or their subsidiaries.

6.16 Nifty50 PE Ratio

- The National Stock Exchange announced a change to the Nifty50's Price-Earnings (PE) ratio calculation that promises to reduce the Nifty PE.
- Seasoned investors and professional fund managers use the Nifty 50's PE number to quickly gauge if markets are expensive or cheap.
- Nifty PE will drop from 40 times to about 35 times on March 31, 2021.
- So far, Nifty PE ratio has been calculated based on standalone earnings of the 50 companies that make up the index for the trailing 4 quarters.

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- Now, it plans to use **consolidated earnings** - A more accurate representation of the true profitability and valuation of Nifty companies.
- But, standalone earnings of a company reflect only the profits made by it alone, without considering the operations of its subsidiaries.

6.17 Green Bonds

- India has announced its intention to achieve all the United Nations Sustainable Development Goals (SDG) by 2030.
- The evolution of green finance came into being when the first green bond was issued in 2015 (This is an alternative to Kuznets hypothesis that is used by the developed countries to achieve SDG goals).
- **Green bond** is a fixed-income instrument designed specifically to support specific climate-related or environmental projects.
- It encourages sustainability and more specifically, green bonds finance projects aimed at energy efficiency, pollution prevention, etc.
- Such bonds also finance the cultivation of environmentally friendly technologies and the mitigation of climate change.
- The key features involving the green bond market in India include:
    1. The market commenced with banks issuing green bonds. The share of corporates is now increasing, similar to the situation abroad
    2. Use of green label and certification is increasing, with many issuers opting for post-issuance certification
    3. Corporates issue green bonds for a period of 3-5 years. Banks opt for a longer tenure, i.e., 5-10 years
    4. The US dollar and Indian Rupee are two preferred currencies. The National Thermal Power Corporation and the International Finance Corporation started the overseas 'Masala Bond' market.

6.18 Ghaziabad Green Municipal Bonds

- Ghaziabad Nagar Nigam (GNN) or Ghaziabad Municipal Corporation, a civic body in Uttar Pradesh, has successfully listed India's first-ever Green Municipal bond issue on the Bombay Stock Exchange (BSE).
- It has raised Rs. 150 crore by issuing this bond at a coupon rate of 8.10% with over-subscription (One of the lowest in municipal bonds in India).
- The Urban Development Ministry has provided a 2% interest subvention, which means effectively Ghaziabad has raised funds at 6%.
- The funds will be utilised for an environmentally sustainable projects,
    a) Tertiary water treatment plant to benefit industries in Ghaziabad,
    b) Supply piped water through water-meters to places like Sahibabad.
- According to India Ratings, Ghaziabad bond is debt-free and has maintained a revenue surplus position in the last few years.
- **Other Cities** -Apart from Ghaziabad, municipal bonds have been raised by 9 cities - Ahmedabad, Surat, Visakhapatnam, Amravati, Indore, Bhopal, Pune, Hyderabad and Lucknow.

6.19 Compensation of Mutual Fund Managers

- The Securities and Exchange Board of India (SEBI) has notified some changes to the rules of the compensation of mutual fund (MF) managers and other key personnel in an asset management company (AMC).
- **Key personnel** - The likes of chief executive officer, chief investment officer, research head and their direct reportees.

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- **Minimum 20%** of the compensation to these key personnel should be in the form of units of the MF schemes they manage i.e. compensation is linked to performance.
- The SEBI has specified the rules of allocation of this 20% by saying that it should be proportional to the assets under management of the schemes in which an employee has a role or oversight.
- It has also specified that these units offered by way of compensation are locked-in for three years.
- **Benefits** - It will boost the transparency and accountability of compensation. It will ensure that fund houses actually link the pay of fund managers to performance.
- Besides, since many employees' compensation is linked to how well a MF is doing, it could encourage whistleblowing.
- It will give psychological comfort to investors that their fund manager has skin in the game.

6.20 Fractional Ownership

- The term ownership usually signifies exclusive right over an asset.
- Fractional ownership allows investors to own a bit of a pricey asset. Unrelated parties can share passive ownership of a high-value asset, thus democratising ownership.
- This can be a jet, commercial real estate, a luxury villa or warehouse.
- Both income and expenses related to this asset are then shared by investors in proportion to their investment.
- Nowadays, physical assets such as vehicles, equipment and furniture leased to corporates are also tapping into the fractional ownership craze.
- In such assets, the minimum investment can be as low as ₹ 20,000.
- In property, fractional ownership legally divides ownership rights across many owners. Pre-leased commercial real estate investments can be as low as ₹ 5 lakh.
- Typically, fractional ownership investments in commercial real estate are done through a Specific Purpose Vehicle (SPV) in which funds are raised to own and manage the property.
- As an investor, you will own shares of the SPV holding the property.

6.21 Bitcoin Mining Council

- The Bitcoin Mining Council will consist of miners who commit to publishing current and planned renewable usage.
- The move comes weeks after Elon Musk suspended Tesla vehicle purchases using bitcoin, over environmental concerns.
- He said that Tesla will not sell any bitcoin and intends to use bitcoin for transactions as soon as mining moves to more sustainable energy.
- Musk convinced many bitcoin miners in North America to form an organisation to promote cryptocurrency's energy usage transparency and accelerate sustainable mining worldwide.
- The Bitcoin Mining Council, formed by cryptocurrency companies like ArgoBlockchain, Galaxy Digital, Core Scientific and Hive, will,
    1. Standardise energy reporting,
    2. Pursue industry ESG goals and
    3. Educate and grow the marketplace.
- The Musk-led council will respect bitcoin's fungibility and won't change the nature of the crypto asset, but will simply promote greener practices.

6.22 Sensex Breached 50,000

- The constant decline in Covid cases recently has lifted the market sentiment and the benchmark indices BSE's Sensex and NSE's Nifty above the 50,000 and 15,000 marks respectively.

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- **Reasons for markets rising** - The resistance of union government to announce a nationwide lockdown provided a big relief to the markets in March and April 2021.
- Opening up of vaccination for all adults and the decline in Covid cases has boosted hopes of a less hindered industrial activity going forward.
- But the second Covid wave has impacted the rural India and also smaller companies in the unorganised sector much more than it did in its first phase last year.
- Large listed companies across sectors have benefitted at the cost of smaller ones and are seeing an increase in market share.
- That is leading to a rise in their share prices and market valuations thereby resulting into growth in Sensex and other leading indices.

6.23 National Financial Reporting Authority Database

- The National Financial Reporting Authority (NFRA) is a regulatory body set up under Section 132 of the Companies Act, 2013.
- NFRA oversees compliance by companies that can be described as Public Interest Entities (PIEs) with Accounting and Auditing Standards.
- PIEs include all listed companies, and large unlisted companies.
- To discharge this mandate, NFRA is in the process of creating a verified and accurate database of companies and auditors that come under the regulatory ambit of NFRA.
- In this regard the NFRA has been engaging with the Corporate Data Management (CDM) division of Ministry of Corporate Affairs (MCA) and three recognised stock exchanges in India.
- NFRA, formed in 2018, is responsible for transparency and reliability of financial statements and information presented by listed companies and large unlisted companies in India.

6.24 Insider Trading

- The Securities and Exchange Board of India (SEBI) found two Infosys employees guilty of insider trading. It has banned all the parties involved in these trades from buying and selling any shares.
- **Insider trading** refers to trading of shares by an 'insider' based on Unpublished Price Sensitive Information (UPSI).
- It involves buying or selling shares of a listed company using information that can materially impact the stock price, but has not been made public yet.
- SEBI regulations define an 'insider' as someone who is a connected person or has access to UPSI.
- A connected person can be anyone who during the 6 months preceding the insider trade has been associated with the company in some way.
- UPSI includes but is not restricted to information relating to a company's quarterly results, merger and acquisition deals, major capacity expansion or shutdown plans etc.,
- When insiders use the UPSI they possess to conduct trades, they can be taken to task by the regulator.
- While trading on UPSI in illegal, all insider trading is not barred. If such trades are disclosed to the stock exchanges as per SEBI rules, it isn't illegal.
- But a company must notify the exchanges within a few days about the trading details of the promoter/member of the promoter group or a director if securities worth ₹ 10 lakh plus are traded.

6.25 Electoral Bearer Bond Scheme

- The State Bank of India (SBI) has been authorised to issue and encash Electoral Bonds through its 29 Authorized Branches across the country w.e.f. July 01, 2021 to July 10, 2021.
- The Government of India notified the Electoral Bond Scheme in 2018.

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- **Donor** - Under the Scheme, Electoral Bonds may be purchased by a person, who is a citizen of India or incorporated or established in India.
- A person being an individual can buy Electoral Bonds through cheque/digital payment, either singly or jointly with other individuals by approaching the banks.
- The donor donates these bonds to the political party.
- **Receiver** - Electoral Bonds shall be received only by the Political Parties registered under Section 29A of the Representation of People Act, 1951.
- Also, these Political Parties should have secured not less than 1% of the votes polled in the last General Election to the House of the People or the Legislative Assembly of the State.
- **Encash** - The Electoral Bonds shall be encashed by an eligible Political Party only through a Bank account with the Authorized Bank. E.g.: SBI.
- The political party has to encash into the account which is registered with the Election Commission of India.
- **Validity** - Electoral Bond shall be valid for 15 calendar days from the date of issue and no payment shall be made to any payee Political Party if the Electoral Bond is deposited after expiry of the validity period.
- The Electoral Bond deposited by an eligible Political Party in its account shall be credited on the same day.

7. EXTERNAL SECTOR

7.1 Gold Standard

There International Bullion Exchange is being established in Gujarat International Finance Tec-City.

- Due to the absence of spot market for gold, domestic stakeholders were forced to use prices traded on international exchanges for computing local prices.
- So a MOU was signed between the leading stock and commodity exchanges and depository participants.
- This paved way for establishing the market infrastructure for the bullion exchange.
- **Current Practice -** Currently there is no transparency in determining the local price of gold.
- It is decided by the Indian bullion and jewellers association based on buy and sell quotes from ten of its biggest dealers.
- These dealers then convert the international gold price to rupee, add taxes and their commission to quote the price.
- This method of price fixing is vulnerable to manipulation as witnessed in countries such as the UK.
- With the establishment of this exchange, transparency will get imparted in determining the local price of gold.
- Also a strong bullion exchange in the IFSC will help jewellers and retailers to buy gold directly from foreign traders instead of using banks as intermediaries.
- **Benefits -** In the international bullion market, India will soon become a price setter from being a price taker.
- The exchange will help in better price discovery of bullions.
- It will facilitate in trading the bullion spot delivery contract and spot depository receipt.
- It has Bullion vaulting services which facilitates in storing the gold traded at the offshore exchange.
- This exchange can also become a future hub of gold trading if international traders are incentivised enough to shift part of their trading here.

7.2 FDI Hike in the Insurance Sector

Recently, Union cabinet approved a proposal raise the FDI limit from the current 49 % to 74%.

- Insurance penetration is defined as ratio of premium underwritten in a given year to the Gross Domestic Product (GDP).

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- As per the Economic Survey 2020-21, the insurance penetration in India has risen from 2.71 in 2001 to 3.76 in 2019.
- But this figure is far lower than in countries like Malaysia (4.72), Thailand (4.99) and China (4.3), despite India having24 life insurance companies and 34 non-life insurance companies.
- India's life insurance declined from 3.1 in 2013 to 2.82 in 2019 and non-life insurance is 0.94%.
- But the global insurance penetration stands at 3.35% in the life segment and 3.88 in the non-life segment.
- Similarly, the insurance density (the ratio of premium to population) in India rose from $11.5 in 2001 to $78 in 2019.
- But this data is lower than other Asian economies —Malaysia ($536), Thailand ($389) and China ($430).

7.3 Wrong Listing

Recently, US Department of Treasury included India in the currency manipulator's list in its April 2021 report.

- The current account deficit of the US is expanding to 3.5 per cent of GDP in the fourth quarter of 2020.
- This is the largest as a share of GDP since the last quarter of 2008 so it tries try to apply pressure on its trading partners.
- The report examined the macroeconomic and foreign exchange policies of major trading partners of the US.
- It has identified five countries — Vietnam, Switzerland, Taiwan, India and Singapore — as currency manipulators.
- The US Treasury identifies currency manipulators based on three factors:
  1. one-sided intervention in the foreign exchange market with the purchases amounting to at least 2 % of the country's GDP;
  2. current account surplus of at least 2%of GDP over a 12-month period;
  3. material trade surplus with the US of at least $20 billion over a 12-month period;
- One, though India's current account registered a surplus of 1.3 %of GDP in 2020, it was mainly due to falling demand leading to contraction in imports and falling crude oil prices.
- Two, India has always had a trade surplus with the US and therefore the surplus in goods trade with the US in 2020 at $24 billion is not new.
- Three, though RBI had to persistently purchase dollars through 2020 but it was not intended to help exporters.
- The purchases were mainly because of the large stimulus announced by global central banks which resulted in abundant foreign portfolio and FDI flows into the country.
- The RBI was forced to buy the dollars flooding the country, though it was inflationary and the return on dollar denominated securities was very poor.
- Therefore, RBI need not pay much attention to the US Treasury report.

7.4 India's Accumulation of Gold Reserves

- The RBI has revised its stance towards accumulation of gold reserves in the recent years.
- In this context, here is a look at the gold reserves trend and the rationale for the changes.
- The RBI has not made any move to increase its gold reserves for many years after its purchase of gold from the IMF in 2009.
- But India's gold reserves have been increasing at a steady pace over the last 3 years.
- These purchases have added 137 tonnes to the gold reserves between December 2017 and March 2021.
- The share of gold in India's foreign exchange reserves has increased to 7% currently, from 5% in March 2017.
- The resolve to buy gold is continuing in 2021, with purchases in the first quarter already amounting to 18.7 tonnes.

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- The RBI currently holds 695.3 tonnes of gold, ranking tenth globally in gold holding.
- The quantity of holding is less than that of the US, Germany, France and Switzerland.
- However, it is far higher than other emerging economies, with the exception of China
- India is not the only country purchasing gold.
- A few other emerging economies are also following a similar strategy.
- Countries such as Turkey, Russia and Kazakhstan have also been avid buyers of gold over the last 5 years.
- The main reason appears to be the need to reduce the risks emanating from excessive US dollar exposure.
- It is driven by a desire to reduce the dominance of the US over the global economy.
- One way to do so is to reduce the usage of US dollars in their external transactions as well as in their reserves.
- **India's rationale -** India's desire to add gold reserves seems to be driven mainly by the fear of depreciation in dollar value causing capital loss.
- India's forex reserves have been on an upward trajectory for most part over the last three decades.
- This was because the RBI used the foreign portfolio and direct investment inflows to build its reserves.
- More than one-third of these reserves are held as US treasury securities
- In this context, the beginning of the RBI's recent gold purchases in early 2018 coincides with two events.
    1. the US dollar fell sharply in 2017 as the trade war with China and crash in commodity prices led to selling in dollar assets
    2. yields on US treasury bonds spiked sharply between September 2017 and March 2018
- These two happenings, taken together, would have resulted in a sharp loss in the value of US treasury securities held in foreign exchange reserves.
- Gold prices have also been in a strong up-trend since September 2018, gaining almost 48% since then.
- All these would have encouraged the RBI's resolve further.
- **Downsides -** There are limitations to the gold reserves that India can hold.
- One, gold prices are volatile and can result in sharp capital loss.
- E.g. gold prices crashed around 30% in 2013.A country that held over 50% of its reserves as gold would have seen its reserve deplete by 15% that year.
- One of the objectives behind building forex reserves is to create a buffer to help tide over external account crisis or to support the currency in times of extreme stress.
- So, exposing a large part of reserves to sharp swings in value is not recommended.
- Secondly, gold's property as a safe haven has been questioned quite often in recent past.
- It does provide a hedge in periods of extreme stress that last for short durations, as was seen in March 2020.
- However, over longer time-frames, gold is not an effective hedge for the portfolio.
- Another factor is that liquidity in gold is relatively lower when compared to other fixed income securities.
- Also, if central banks begin offloading large quantities of gold in the market, it tends to impact gold price adversely.
- This, in turn, affects the residual holding in the reserves.
- Also, the assets that make up the reserves should be decided based on –
    - the currency-composition of the country's external trade
    - the currency in which it has borrowed overseas
    - the key currency to which its value is linked and so on
- Given these factors, India needs to hold a chunk of its reserves in US dollars.

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- Along with this, the RBI will have to decide how much exposure it wants in gold and regulate its purchases accordingly over the next 2 years.

7.5 Foreign Portfolio Investors & Domestic Institutional Investors

- For the first time in seven months, the Domestic Institutional Investors (DIIs) have overtaken the Foreign Portfolio Investors (FPIs) in net investment in Indian equities.
- If global liquidity and inflow of funds by FPIs led to the domestic market rally that began in October 2020, the current strength in the market is being provided by DIIs.

No	Foreign Portfolio Investors	Domestic Institutional Investors (DIIs)
1.	FPIs are foreign investors who invest in Indian securities, not more than 10% and satisfy the criteria laid down by the regulations.	DIIs are those institutional investors who invest in securities and other financial assets of the country they are currently residing in.
2.	They are the big foreign companies such as investment banks, mutual funds etc, who invest in the Indian markets.	There are four sets of DIIs - Indian Mutual Funds, Indian Insurance Companies, Local Pension Funds and Banking & Financial Institutions.
3.	SEBI introduced the concept of FPIs, regulated by SEBI (Foreign Portfolio Investors) Regulations, 2011. Under this, the FPI Includes the FII, QFI, and sub-accounts under one category.	They are also regulated by the government, but lesser than the FPIs.

8. GENERAL ECONOMY

8.1 Production Linked Incentive Scheme

- The Union Cabinet approved the Production-Linked Incentive (PLI) Scheme in 10 more key sectors, along with the pharmaceuticals for 9 years (2020-21 to 2028-29) and IT hardware sectors for 4 years.
- Apart from inviting foreign companies to set shop in India, it encourages local companies to set up or expand existing manufacturing units.
- It aims to give companies incentives on incremental sales from products manufactured in domestic units.
- It would boost domestic manufacturing and cut down on import bills, whichwould enhance India's manufacturing capabilities and exports.

8.2 Specialty Steel

- Specialty Steel (Alloy Steel) contain additional alloyed materials that deliver special properties under specific conditions.
- Government has approved inclusion of 'Specialty Steel' under the Production Linked Incentive (PLI) Scheme.
- This inclusion will promote the manufacturing of 'Specialty Steel' within the country to meet the domestic demand by attracting capital investment, generate employment etc.

8.3 IBC's Section 32A

In its judgment, the Supreme Court (SC) upheld the validity of Section 32 A of Insolvency and Bankruptcy Code (IBC).

- Section 32A of the IBC offers protection to successful bidders and the assets of a corporate debtor.

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- The court said that the successful bidders for a corporate debtor under the IBC would be immune from any investigations being conducted.
    - This applies to investigations either by any investigating agencies such as the Enforcement Directorate (ED) or other statutory bodies such as the SEBI.
- SC also said it was important for the IBC to attract bidders who would offer reasonable and fair value for the corporate debtor.
- This is to ensure the timely completion of corporate insolvency resolution process (CIRP).
- Such bidders, however, must also be granted protection from any misdeeds of the past since they had nothing to do with it.
- Such protection must also extend to the assets of a corporate debtor.
- The court has, however, said that the immunity would be applicable only if there is an approved resolution plan, and a change in the management control of the corporate debtor.
- The new management cannot be the disguised version of the old management. It cannot even be the related party of the corporate debtor.
- The protection forms a crucial attraction for potential bidders.
- It helps them in assessing and placing a fair bid for the company.
- This, in turn, will help banks clean up their books of bad loans.
- The extinguishment of the criminal liability of the corporate debtor is apparently important to the new management.
- This will help make a clean break with the past and start on a clean slate.

8.4 Section 32A of Insolvency and Bankruptcy Code

- The Supreme Court upheld the validity of Section 32 A of the Insolvency and Bankruptcy Code (IBC).
- [The protection to successful bidders and the assets of a corporate debtor are provided by the rules under Section 32A of the IBC.]
- It held that the successful bidders for a corporate debtor under the IBC would be immune from any investigations being conducted by investigating agencies or other statutory bodies.
- The court said that it was important for the IBC to attract bidders who would offer fair and reasonable value for the corporate debtor to ensure timely completion of Corporate Insolvency Resolution Process (CIRP).
- However, it also said that such immunity would be applicable only if there is an approved resolution plan, and a change in the management control of the corporate debtor.

Pre-Packs

- The government may amend the Insolvency and Bankruptcy Code (IBC) to introduce pre-packs as a resolution mechanism.
- A pre-pack is an agreement for the debt resolution of a distressed company through an agreement between secured creditors and investors instead of a public bidding process.
- In India, such a system would require that financial creditors agree on terms with potential investors and seek approval of the resolution plan from the National Company Law Tribunal (NCLT).
- Pre-pack would act as an important alternative resolution mechanism to the Corporate Insolvency Resolution Process (CIRP) of the IBC.
- This process would be completed much faster than the traditional CIRP.
- [CIRP requires the creditors of the distressed company allow for an open auction for qualified investors to bid for the distressed company.]
- In 2020, the government formed a committee led by **MS Sahoo**, chairperson of the Insolvency and Bankruptcy Board of India, to look into including pre-packs as a resolution mechanism under the IBC.

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8.5 Rising Oil Prices

Crude oil prices have hit a two-year high with Brent crude rising above the $71 per barrel mark on 2nd June 2021.

- In 2020, crude oil prices had reached a low of under $19 per barrel.
- So, key oil-producing countries made supply cuts to balance the prices.
- The Organisation of Petroleum Exporting Countries (OPEC) extended this supply cuts through the first 5 months of 2021.
- Saudi Arabia notably made an additional voluntary production cut of 1 million barrels per day between February and April 2021.
- There were also hopes of improving demand due to economic recoveries across geographies.
- With these, crude oil prices have been rising steadily since the beginning of 2021.
- In 2021 start, Brent Crude was trading at about $52 per barrel.

8.6 Draft Rules for E-Commerce Companies

The government has proposed changes to the e-commerce rules under the Consumer Protection Act.

- **Sales** - The draft rules seek to ban "specific flash sales" by e-commerce entities.
- Conventional e-commerce flash sales are not banned.
- However, specific flash sales or back-to-back sales "which limit customer choice, increase prices and prevents a level playing field are not allowed".
- **Liability** - In several cases, when problems arise with goods purchased, e-commerce platforms direct the consumers to the respective sellers.
- The rules have introduced the concept of "fall-back liability."
- With fall-back liability, consumers will be able to reach out to the platform itself to solve the grievance.
- E-commerce firms will be held liable iftheir seller fails to deliver goods or services due to negligent conduct, which causes loss to the customer.
- **Preferential treatment** - The rules propose to restrict e-commerce companies from "manipulating search results or search indexes."
- This will address the long-standing demand from sellers and traders to prevent preferential treatment to certain platforms.
- **Privacy** - Without express and affirmative consent, e-commerce companies cannot make available to any person information pertaining to the consumer.
- No entity shall record consent automatically, including in the form of pre-ticked checkboxes.
- **Domestic goods** - The companies will have to provide domestic alternatives to imported goods.
- This adds to the government's push for made-in-India products.
- **Other rules** - Any online retailer will first have to register itself with the Department of Promotion for Industry and Internal Trade (DPIIT).
- No logistics service provider of a marketplace e-commerce entity shall provide differentiated treatment between sellers of the same category.
- Parties and associated enterprises related to e-commerce companies will not be allowed to be enlisted as sellers on the respective platform.
- This follows from the DPIIT's foreign direct investment policy for e-commerce marketplaces.
- Any entity having 10% or more common ultimate beneficial ownership will be considered an "associated enterprise" of an e-commerce platform.
- The draft amendment also proposes to ask e-commerce firms to mandatorily become a part of the National Consumer Helpline.

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8.7 Hallmarking of Gold

The government announced the phased implementation of mandatory hallmarking of gold jewellery with effect from June 16, 2021.

- In the first phase, gold hallmarking will be available in only in 256 districts and jewellers having annual turnover above Rs 40 lakh will come under its purview.
- **Hallmarking** - The Bureau of Indian Standard (BIS) defines hallmarking as the accurate determination and official recording of the proportionate content of precious metal in precious metal articles.
- So, it is a "guarantee of purity or fineness" of precious metal articles. The BIS operates gold and silver hallmarking scheme in India.
- **Metals covered** - A government notification issued in 2018 notified two categories under the purview of hallmarking,
    1. Gold jewellery and gold artefacts; and
    2. Silver jewellery and silver artefacts.
- **Exemption** - Department of Consumer Affairs says that the following will be exempted from mandatory Hallmarking,
    1. Export and re-import of jewellery as per Trade Policy of Government of India,
    2. Jewellery for international exhibitions,
    3. Jewellery for government-approved B2B domestic exhibitions.
- The Ministry of Consumer Affairs, Food and Public Distribution said that watches, fountain pens and special types of jewellery such as Kundan, Polki and Jadau will be exempted from hallmarking.
- The jewellers can continue to buy back old gold jewellery without a hallmark from consumers.
- **Purity standards** - As per BIS standards, there are three categories of hallmarking based on purity of gold - 22 carat, 18 carat and 14 carat.
- However, the ministry announced that the gold of Additional carats 20, 23 and 24 will also be allowed for Hallmarking.
- **Penalty** - For non-compliance with the hallmarking norm, there will be no penalty imposed on jewellers till August 2021.

8.8 Fugitive Economic Offenders Act 2018

- At the UN General Assembly (UNGA) Special Session on Challenges and Measures to fight Corruption, India raises the serious issue of Fugitive Economic Offenders and Assets which flee across national jurisdictions.
- India's Fugitive Economic Offenders Act 2018 law empowers authorities for non-conviction-based attachment and confiscation of proceeds of crime and properties and assets of a 'fugitive economic offender'.
- **Fugitive Economic Offenders** are those against whom a warrant for arrest for a Scheduled Offence has been issued by any Indian court and who has left India to avoid criminal prosecution or judicial processes.
- **Scheduled Offence** refers to a list of economic offences contained in the Schedule to this Act.
- Some of the offences listed in the act are counterfeiting government stamps or currency, cheque dishonour, money laundering, transactions defrauding creditors, etc.,
- **Declaration** - After hearing the application, a special court (designated under the PMLA, 2002) may declare an individual as a fugitive economic offender.
- It may confiscate properties which are proceeds of crime, Benami properties and any other property, in India or abroad.
- Upon confiscation, all rights and titles of the property will vest in the central government, free from encumbrances (such as any charges on the property).
- The central government may appoint an administrator to manage and dispose of these properties.
- To know more about the Fugitive Economic Offenders Act 2018, click here.

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8.9 Iron-Ore Policy 2021

- The Ministry of Railways has approved the new Iron-ore Policy 2021 governing the allocation of rakes and transportation of iron-ore.
- The provisions of the new policy will be updated in the rake allotment system module by the Centre for Railway Information Systems (CRIS).
- The scrutiny of documentation by Railways has been removed.
- Executive Director Rake Movement of Railway Board (EDRM) office, Kolkata will have no regulatory role in the new policy.
- [EDRM Board office has been sanctioning programmes for movement of iron-ore traffic.]
- But, the office will be undertaking an analysis of various iron-ore traffic for further improvement of Railway freight loading.
- Customers desirous of moving their traffic under any priority will have to give an undertaking that they have procured, transported and utilized materials as per rules and regulations of Central and State Governments.
- For lapses, customers will be liable to be taken up as per the law of land and railway will stand indemnified for any such lapses.
- As per the new policy, higher priority will be given to the movement of iron-ore traffic for domestic manufacturing activity.
- The priority preferences for the customers will be self-generated by the system based on the customer's profile fed in the system by the concerning zone.

8.10 Terminating Iron Ore Mine Leases

- Ministry of Mines has prepared the Minerals (Other than Atomic and Hydro Carbons Energy Minerals) Concession (Amendment) Rules, 2021, to amend the Minerals Concession Rules, 2016.
- It has proposed to terminate the iron ore leases of those mines that have,
    1. Not started production after lapse of 7-8 months of auction and
    2. Not maintained minimum dispatch quantity up to the level required under Rule 12A of MCR for three consecutive quarters.
- It is proposed to strengthen the norms of minimum production / dispatch through amendment of Rule 12A of the MCR Rules, 1960, to ensure sustained supply of mineral in the market in future.
- Rule 12A would be amended to make the bidder to make payment equal to the revenue share and other statutory levies that is payable at the level of minimum production/ dispatch targets on a quarterly basis.

8.11 Central Employment Guarantee Council

- The Central Employment Guarantee Council's (CEGC's) 23rd Meeting was held recently.
- **Chairperson** - Minister of Rural Development, Agriculture and Farmers' Welfare.
- The Council was constituted in 2006under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2005.
- The Central Government has constituted this Council to discharge the functions and perform duties assigned to it by or under the provisions of the National Rural Employment Guarantee Act, 2005.
- It advises the Central Government on all matters concerning the implementation of this Act.
- It reviews the monitoring and redressal mechanism and recommends improvements required.
- It prepares annual reports to be laid before Parliament by the Central Government on the implementation of this Act.

8.12 Startup India Seed Fund Scheme

- Startup India Seed Fund Scheme (SISFS) has been approved for the period of 4 years starting from 2021-22.

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- [Seed Funding is a very early investment to a business to help it grow.]
- It will provide seed funding to eligible startups through eligible incubators across India, with effect from 1st April 2021.
- It will provide financial assistance to start ups for proof of concept, prototype development, product trials, market entry and commercialization.

8.13 Amendment to Insurance Ombudsman Rules

- The government has amended the Insurance Ombudsman Rules, 2017 to bring insurance brokers within the ambit of Ombudsman mechanism.
- Under the amended rules, policyholders can make complaints regarding deficiencies in insurance services electronically to the ombudsman.
- A complaints management system will be created to enable policyholders to track the status of their complaints online.
- Further, the ombudsman may use videoconferencing for hearings.
- The selection committee will now include an individual with a track record of promoting consumer rights or advancing the cause of consumer protection in the insurance sector.
- The ombudsman mechanism was administered by the Executive Council of Insurers, which is renamed as the Council for Insurance Ombudsmen.

8.14 Social Security Schemes

- As per the Periodic Labour Force Survey (PLFS) carried out by the National Sample Survey Organisation in 2017-18, the total employment in the country was around 47 crores. Out of this,
    1. Around 9 crores are engaged in the organized sector
    2. Around 38 crores are engaged in the unorganized sector.
- The categories of the workers include,
    1. Establishments with 10 or more workers;
    2. Establishments with 20 or more workers;
    3. Workers engaged in unorganised sector
- **ESI Act, 1948** is Social Security legislation applicable to all factories & notified establishments employing 10 or more persons, which are located in ESI notified areas. It does not apply to the unorganised sector as such.
- Employees earning wages up to Rs 21,000 per month (Rs 25,000/- in the case of persons with disability) are coverable under ESI Scheme.
- **Employees' Provident Fund and Miscellaneous Provisions Act, 1952** is applicable to the workers employed in organised sector establishments with 20 or more workers.
- The benefits of the EPF Act, 1952 is also extended through,
    1. The Employees' Provident Funds Scheme, 1952;
    2. The Employees' Pension Scheme, 1995;
    3. The Employees' Deposit Linked Insurance Scheme, 1976.
- **Unorganised Workers' Social Security Act, 2008** empowers the Central Government to provide Social Security benefits to unorganised sector workers by formulating suitable welfare schemes on matters like,
    1. Life and disability cover - PM Jeevan Jyoti Yojana (PMJJBY) and Pradhan Mantri SurkshaBima Yojana (PMSBY),
    2. Health and maternity benefits - Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (AB-PMJAY),
    3. Old age protection - PM Shram Yogi Maan-DhanYojana (PM-SYM) and National Pension Scheme for Traders, Shopkeeper and Self-Employed Persons (NPS- Traders)

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4. Any other benefit as may be determined by the Central Government.

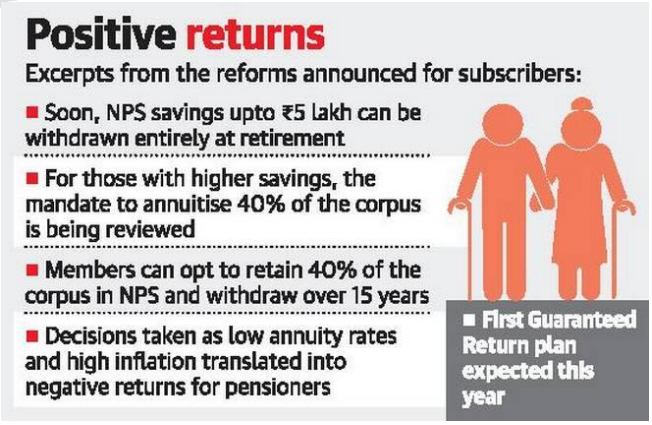
- Under theUnorganised Workers' Social Security Act, 2008, the State Governments can formulate suitable welfare schemes on the matters like housing, PFs, educational schemes, skill upgradation, old age homes etc.

8.15 International Monetary and Financial Committee

- Indian Minister for Finance & Corporate Affairs attended the Plenary Meeting of the International Monetary and Financial Committee (IMFC) of the International Monetary Fund's (IMF's) Board of Governors.
- IMFC usually meets twice a year at the Fund-Bank Spring Meetings (April), and the Annual Meetings (October).
- **Chairperson** - Magdalena Andersson, Sweden's Finance Minister (The first woman to hold this position). Holds office for 3 years.
- **Members** - IMFC has 24 members who are central bank governors, ministers, or others of comparable rank. These members are drawn from the governors of the 190 member countries of the IMF.
- Each member country and each group of member countries that elects an Executive Director appoints a member of the IMFC.
- **Role** - It discusses matters of common concern affecting the global economy and advises the IMF on the direction of its work and policies.
- It advises and reports to the IMF Board of Governors on the supervision and management of the international monetary and financial system.
- It considers proposals by the Executive Board to amend the Articles of Agreement and advises on matters referred to it by Board of Governors.
- **Observers in the IMFC's meetings** - International institutions.

8.16 Changes in NPS Rules

- The National Pension System (NPS) will no longer compel investors to convert 40% of their accumulated retirement corpus into an annuity.
- [NPS is subscribed by employees of Govt. of India, State Governments and by employees of private institutions/organizations & unorganized sectors.]
- This decision is taken as poor yields on annuities and high inflation are translated into negative returns, the Pension Fund Regulatory and Development Authority (PFRDA) Chairman said.
- Amendments would be made to PFRDA Act, 2013 to allow NPS members with a balance over Rs. 5 lakh to retain 40% of the corpus in the NPS or wind it down through a system akin to a systematic withdrawal plan.



Pension Fund Regulatory and Development Authority

- PFRDA is a statutory body established by the Pension Fund Regulatory & Development Authority Act, 2013.
- It promotes and develops an organized pension system to serve the old age income needs of people on a sustainable basis by developing and regulating pension funds. It regulates the pension industry.
- It regulates the National Pension System (NPS), and also administers the Atal Pension Yojana.
- It performs the function of appointing various intermediate agencies like Pension Fund Managers, Central Record Keeping Agency (CRA) etc.

8.17 Non-Fungible Tokens

- Non-Fungible Tokens (NFTs) are **transaction records captured on the blockchain** - the web version of a physical ledger.

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- NFTs allow people to trade the ownership of digital entities such as memes, media, tweets, arts, articles in 'token' form.
- As NFTs are supported by blockchain, these transaction records are permanent, verified multiple times and cannot be erased or changed.
- Each non-fungible token is uniquely identifiable. So, no two digital entities can have the same token.
- **Rights** - An NFT is a certificate of authenticity, or a digital autograph that can be attached to digital property. Buying an NFT doesn't convey copyright or usage rights unless there is an explicit licence mentioning it.
- **Earning** - NFTs don't offer any cash flow and are not real assets. The only way one can make money is by luring others into buying your NFT.
- To sell an NFT, a new NFT needs to be created by the seller. Creating an NFT will require spending real money which will go into the crypto economy.
- **Importance** - The Covid pandemic has further devastated the poorly-paid lives of innumerable artists, musicians and creators.
- The digital world offers a creative outlet, but in it, any creation can be easily duplicated. With NFTs, any creation can be tokenised to create a digital ownership certificate, helping creators get good price for their art.

8.18 Confidentiality Ring

- Deadline on the review of the Competition Commission of India's (CCI's) proposal to set up a Confidentiality Ring along with a draft of the revised Regulation 35 of CCI (General) Regulations, 2009 was extended.
- **Confidentiality regime** - Under the Competition Act 2002, there is a restriction on disclosure of certain information during a proceeding in order to maintain sanctity of the information relating to any enterprise.
- The existing Confidentiality regime provides a detailed mechanism to deal with the confidentiality request made by the parties and provides the procedure and the parameters for such claims.
- The current practice of filing of pleadings in two versions - confidential and non-confidential - would continue but on "self-certified basis".
- The existing regime which enables the informant to seek confidentiality over its identity on merely making a request in writing is also proposed to be done away with.
- **Confidentiality Ring -** Among others, the CCI has also proposed setting up of a "confidentiality ring".
- It will comprise authorised representatives (internal and external) of the parties who would be able to review the entire case records in an unredacted form, subject to appropriate undertakings against disclosure.

8.19 Model Insurance Villages

- The Insurance Regulatory and Development Authority of India (IRDAI) has come out with the concept of Model Insurance Villages (MIV).
- The idea behind the MIV concept is to offer comprehensive insurance protection to all the major insurable risks that villagers are exposed to and make available covers at affordable or subsidised cost.
- Such MIVs are expected to tackle losses due to natural calamities like floods and earthquakes. There's no catastrophe insurance in India now.
- The concept would be implemented in a minimum of 500 villages in different districts of the country in the first year and increased to 1,000 villages in the subsequent 2 years. It will be implemented for 3 to 5 years.
- Every general insurance company and reinsurance company accepting general insurance business and having office in India needs to be involved for piloting the concept.
- In order to make the premium affordable, financial support needs to be explored through NABARD, other institutions, CSR funds, support from government and re-insurance companies.
- This is to ensure that families and their property, crops get cover and the entire village community participate in the initiative.
- Nutrient Based Subsidy (NBS) Scheme for Fertilizers was initiated in 2010. It is implemented by the Department of Fertilizers, Ministry of Chemicals & Fertilizers.

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- Under the scheme, a fixed amount of subsidy is provided on each grade of subsidized Phosphatic and Potassic (P&K) fertilizers, except for Urea, based on the nutrient content (N, P, K & S) present per kg.
- Additional subsidy is also given to the fertilizers which are fortified with secondary and micronutrients such as molybdenum (Mo) and zinc.
- The subsidized rates of the P&K fertilizers are determined by the Government annually based on the international and domestic prices of P&K fertilizers, exchange rate, inventory level in India etc.
- NBS policy intends to increase the consumption of P&K fertilizers so that optimum balance (N:P:K= 4:2:1) of NPK fertilization is achieved.
- In India, urea is the only controlled fertilizer and is sold at a statutory notified uniform sale price.

8.20 'Contradiction' in India's push for IPR Waiver on vaccines

- India and South Africa had initiated a proposal for the temporary waiver of the World Trade Organisation's (WTO's) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).
- This proposal aims to facilitate fair, affordable and universal access of COVID vaccines and medicines, especially for developing countries.
- To know more about the waiver proposal, click here.
- But, there is a "contradiction" in India's global push as the government has said in the Supreme Court that bringing COVID-19 vaccines under a statutory regime will be "counter-productive" at this stage.
- The Centre has said, "Any exercise of statutory powers either under the Patents Act, 1970 read with TRIPS Agreement and Doha Declaration or in any other way can only prove to be counter-productive at this stage".
- The government assures that it is very actively engaging itself with global organisations at a diplomatic level to find out a solution in the best possible interest of India.

Patents Act, 1970

- The Patents Act, 1970 is the legislation that till date governs patents in India. It first came into force in 1972.
- This act is implemented by the Office of the Controller General of Patents, Designs and Trade Marks (CGPDTM).
- The Controller General supervises the Act's administration and also offers advice to the government on related matters.
- The Patents Act has been amended in 1999, 2002, 2005, 2006 to make the Act TRIPS compliant.
- The major amendment in the Patent Act was in 2005, when product patents were extended to all fields of technology like food, drugs, chemicals and microorganisms.

9. INFRASTRUCTURE

9.1 Zero Termination Rate

The telecom industry moves to a new regime from 1 January 2021 with the interconnect usage charge (IUC) becoming zero.

- A termination charge was paid to the operator on whose network the call terminated by the originating network.
- The new regime, where zero termination rate is payable, is known as bill and keep.
- With this, the operators will no longer have to pay the termination charge of 6 paise per minute to each other.
- The development would be revenue-neutral for all operators.
- This is because largely there is a symmetry by now between incoming calls to their networks and the outgoing to other networks.
- Till about a year ago, there was a symmetry between incoming and outgoing calls between the networks of Bharti Airtel and Vodafone Idea.

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- However, in case of Jio, the number of outgoing calls was larger than incoming.
- Therefore, it was a net payer of IUC rather than net receiver.
- Reliance Jio was thus the only operator which charged its customers for termination of off-net calls (calls made to another network like Bharti Airtel or Vodafone Idea).
- While levying a termination charge for off-net calls in October 2019, Jio had said it would abolish it the day IUC becomes zero.
- With the new regime, Reliance Jio said it would no longer levy this charge.

9.2 Kochi-Mangaluru Natural Gas Pipeline

- This 450 km long gas pipeline has been built by Gas Authority of India Limited i.e., GAIL (India) Ltd.
- This pipeline marks an important milestone towards the creation of 'One Nation One Gas Grid'.
- It will carry natural gas from the Liquefied Natural Gas (LNG) Regasification Terminal at Kerala's Kochi to Karnataka's Mangaluru.
- It will supply eco-friendly Piped Natural Gas (PNG) to households and Compressed Natural Gas (CNG) to the transportation sector.
- It will also supply Natural Gas to commercial and industrial units across the districts along the pipeline.
- To overcome the hurdle of laying the pipeline to cross water bodies at many locations, the Horizontal Directional Drilling method was used.

9.3 Sagarmala Seaplane Services Project

- Sea Plane will utilise the nearby water bodies for take-off and landing.
- Ministry of Ports, Shipping and Waterways kicked off the project of Sagarmala Seaplane Services (SSPS) with potential airline operators.
- The joint development and operation of SSPS on the select routes will be undertaken by forming a Special Purpose Vehicle (SPV) with **Sagarmala Development Company Limited** (SDCL).
- [SDCL would execute and implement the SDCL project.
- SDCL comes under the administrative control of the Shipping Ministry.]
- The proposed Origin-Destination pairs are developed under **Hub and Spoke model.**
- One Seaplane Service is already in operation between Kevadia and Sabarmati Riverfront in Ahmedabad.

9.4 Delhi-Varanasi High Speed Rail Corridor

- The proposed plan for Delhi Varanasi High Speed Rail (DVHSR) Corridor will connect Delhi with major cities like Mathura, Agra, Etawah, Lucknow, Raebareli, Prayagraj, Bhadohi, Varanasi and Ayodhya.
- With the start of Light Detection and Ranging Survey **(LiDAR) Survey**, HSR work gathered momentum for DVHSR Corridor.
- National High Speed Rail Corporation Ltd. (NHSRCL) is adopting LiDAR technology for the DVHSR survey.
- Also, NHSRCL has been entrusted to prepare the Detailed Project Reports for seven HSR Corridors.
- LiDAR survey technique will be used for ground survey in all the corridors to provide the ground details faster.
- **Ground survey** is a crucial activity for any infrastructure project as the survey provides accurate details of areas around the alignment.
- This technique uses a combination of Laser data, GPS data, flight parameters and actual photographs to give accurate survey data.
- During the Aerial LiDAR survey, 300 m (150 m on either side) of area around the proposed alignment is being captured for the survey purpose.

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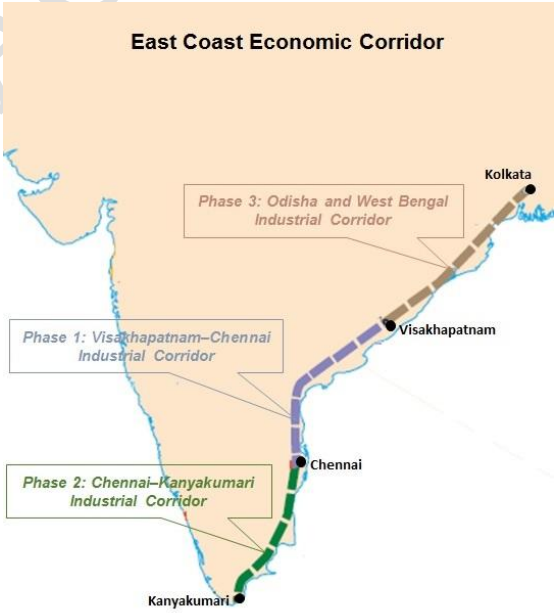
- After data collection, 3D Topographical map of 50 m corridor on either side of the proposed alignment on a scale of 1:2500 will be available for designing of the vertical & horizontal alignment, structures, etc

9.5 Chennai-Kanyakumari Industrial Corridor

- The Asian Development Bank (ADB) and the Government of India signed a $484 million loan to improve the Tamil Nadu Industrial Connectivity Project.
- This will improve transport connectivity and facilitate industrial development in the Chennai-Kanyakumari Industrial Corridor (CKIC) in the state of Tamil Nadu.
- CKIC is part of India's East Coast Economic Corridor (ECEC), which stretches from West Bengal to Tamil Nadu and connects India to the production networks of South, Southeast, and East Asia.
- The Connectivity project is part of the priority infrastructure projects identified for corridor development under the ADB-supported CKIC comprehensive development plan.
- In addition, the project will help improve the planning capacity of Tamil Nadu's Highways and Minor Ports Department.
- The overall objective is to spur industrial transformation through provisioning of essential transport, energy and urban infrastructure for holistic development of industrial growth centres.
- The project will upgrade about 590 km of state highways in the CKIC influence areas that cover 23 of the 32 districts between Chennai and Kanyakumari in Tamil Nadu.

9.6 East Coast Economic Corridor



- The East Coast Economic Corridor (ECEC) - India's first coastal corridor - is an example of an integrated economic development initiative.
- The key idea behind the corridor is port-based industrial development along the eastern coastal belt of India, in alignment with the goals of the Sagarmala initiative.
- It will integrate India's industrial clusters with value chains extending to Southeast Asia and East Asia.
- ECEC stretches from West Bengal to Tamil Nadu and connects India to the production networks of South, Southeast, and East Asia.
- ADB is the lead partner of the Government of India in developing ECEC.
- It covers West Bengal, Odisha, Andhra Pradesh and Tamil Nadu. Vizag to Chennai segment of this Corridor has been taken as phase-1.
- Vizag-Chennai Industrial Corridor (VCIC) is the first coastal economic corridor in the country.
- It is aligned with the Golden Quadrilateral (India's longest road project that connects Delhi, Mumbai, Kolkata and Chennai).
- It also plays a critical role in the "Act East Policy" of India.

9.7 Defence Industrial Corridors

- The Central Government established two Defence Industrial Corridors (DICs), one each in Uttar Pradesh (U.P.) and Tamil Nadu (T.N.) respectively.
    1. Uttar Pradesh U.P.DIC (UPDIC) has six identified nodes viz. Agra, Aligarh, Chitrakoot, Jhansi, Kanpur and Lucknow.
    2. Tamil Nadu DIC (TNDIC) has five identified nodes viz. Chennai, Coimbatore, Hosur, Salem and Tiruchirappalli.

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- To facilitate public/private sector for the investment in the two DICs, both State Governments have acquired lands at the identified nodes.
- The nodal agencies of the UPDIC and TNDIC are UP Expressways Industrial Development Authority (UPEIDA) and TN Industrial Development Corporation (TIDCO), the nodal agency respectively.
- The production of armament/ammunition; components of aerospace industries; missile systems; and establishment of research & development facilities has been envisaged in the two DICs.
- **Significance** - The establishment of the DICs may provide a fillip to the defence manufacturing ecosystem through synergistic development of technologies, promote growth of private domestic manufacturers.

9.8 Indian Energy Exchange

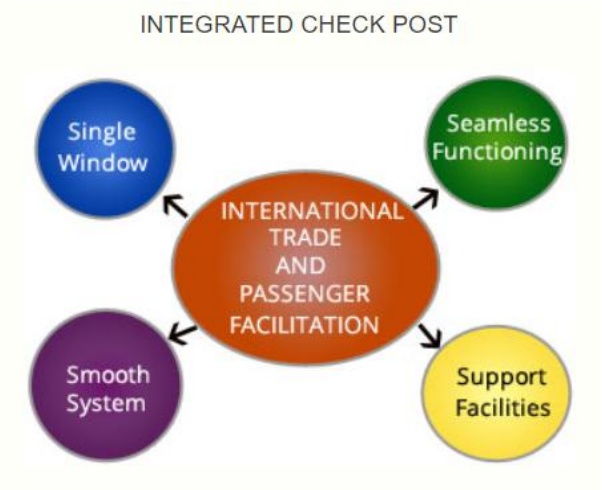
- Indian Energy Exchange Limited (IEX) is the first and largest nationwide energy exchange platform in India, which has been operating since 2008.
- It is an automated trading platform for physical delivery of electricity, Renewable Energy Certificates and Energy Saving Certificates.
- It enables efficient price discovery and increases the accessibility and transparency of India's power market.It also enhances the speed and efficiency of trade execution.
- It is a publicly listed company with NSE and BSE, and is regulated by Central Electricity Regulatory Commission (CERC).

9.9 City Innovation Exchange

- City Innovation Exchange (CiX) platform was launched by the Ministry of Housing and Urban Affairs.
- CiX, through an 'open innovation' process, engages with innovators to design-test-deliver on solutions to pressing urban challenges.
- It brings together Citizen Organisations-Academia-Businesses-Government to co-create for the future of Urban India in a transparent and sustainable manner.
- It will ease the discovery, design & validation of solutions through a user centric process that will reduce barriers for innovators and cities to discover fitting solutions.
- It will help in the flow of ideas 'outside in and inside out', enhancing the skills and capacity required to deliver smart urban governance.
- Smart Cities Mission will partner with Startup India, Atal Innovation Mission, AGNIi and other initiatives in the Indian Innovation ecosystem.

9.10 Land Ports Authority of India

- The Land Ports Authority of India (LPAI) celebrated its 9th Foundation Day at its headquarters in New Delhi.
- LPAI is a statutory body established under Land Ports Authority of India Act, 2010.
- It develops, sanitizes and manages the facilities for **cross-border movement** of passengers and goods at designated points along the international borders of India.
- LPAI may put in place systems, which address security imperatives at the Integrated Check Posts (ICPs) on the border.
- It has power to manage various activities like infrastructure facilities, communication, security, etc., at an ICP.



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- It can regulate and control the movement of vehicles, people and goods at the ICP with due regard to the law, security and protocol of the Government of India.
- It can develop and provide consultancy, construction or management services, and undertake operations in India and abroad regarding ICP.

9.11 Delhi's Master Plan 2041

- The Delhi Development Authority gave its preliminary approval to the draft Master Plan for Delhi (MPD) 2041. The current Master Plan for Delhi 2021 expires this year.
- [A city's master plan is a vision document by the planners and the land-owning agency of the city that gives direction to the future development.
- It includes analysis, recommendations, and proposals keeping in mind the population, economy, housing, transportation, and land use.]
- The draft MPD 2041 seeks to foster a sustainable, liveable and vibrant Delhi by 2041. It presents a plan for the city for the next 20 years.
- **Housing Sector** - The plan aims to incentivise rented accommodation by inviting private players and government agencies to invest more.
- It addresses parking problems and suggests a 'user pays' principle, which means users of all personal motor vehicles, except for non-motorised ones, have to pay for authorised parking facilities, spaces and streets.
- It aims to minimise vehicular pollution through key strategies, like a switch to greener fuels for public transport and adoption of mixed-use of transit-oriented development (TOD).
- **Water** - It aims improving the quality of water, which is taken from the Yamuna River as well as various lakes, natural drains and baolis.
- It lays a clear boundary of the buffer zone near the Yamuna River and explores how to develop it.
- As per the plan, a green buffer of 300-metre width shall be maintained wherever feasible along the entire edge of the river.
- **Health** - MPD 2041 plans to reduce vulnerability to airborne epidemics through decentralised workspaces, creation of open areas, etc.,
- It aims to better habitat design and green-rated developments to reduce dependence on mechanical ventilation systems.
- It aims to develop common community spaces to provide refuge spots, common kitchens and quarantine space in an emergency.
- It plans to improve the night-time economy by focusing on cultural festivals, bus, metro, sports facilities, and retail stores included in Delhi Development Authority's (DDA) Night Life Circuit plan.

10. AGRICULTURE

10.1 Demand for Legal Guarantee MSP

- Farmer unions are demanding the legal guarantee of minimum support prices (MSP) announced for various crops which is not available now.
- **Making MSP legal -** There are two ways it can be done.
- One forcing the private buyers to buy crops not below the MSP which can also act as the floor price for bidding in mandi auctions.
- This practise is already prevalent in case of sugarcane crop where mills are required by law to pay growers within 14 days of supply.
- Second way can be buying the entire crop that farmers offer by the government at the MSP.

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- In 2019-20, government agencies —FCI,NAFED– procured 77.34 million tonnes (mt) of paddy and 38.99 mt of wheat, at Rs 140,834 crore and Rs 75,060 crore at their respective MSPs.
- MSP is now applicable for 23 farm commodities- 7 cereals, 5 pulses, 7 oilseeds & 4 commercial crops and MSP value for these crops amounts to Rs 10.78 lakh crore in 2019-20.
- However all this produce is not marketed as farmers retain part of it for self-consumption, seed for the next season's sowing and to for feed their animals.
- The average marketed surplus ratio for different crops is estimated to be 75% costing over Rs 8 lakh crore.
- This is the MSP value of production that is the marketable surplus — which farmers actually sell.
- The following statements clearly explain the reality.
    1. Firstly sugarcane must be excluded from the calculations as they are paid by the sugar mills and not the government.
    2. Secondly, the government is already procuring many crops –paddy, wheat, cotton, pulses and oilseeds & their combined MSP value exceeds Rs 2.7 lakh crore in 2019-20.
    3. Thirdly, government agencies need not buy every single grain that comes to the market & procuring even a quarter or third of the market arrivals is enough to lift prices.
    4. For instance, CCI procured 87.85 lakh bundles out of the current year's projections of 358.50 lakh bundles which has led to open market prices crossing the MSP in most of the mandis.
    5. Fourthly, crops (wheat & paddy) bought on government account are distributed at super-subsidised rates under the National Food Security Act.
    6. The revenues realised from sales would partly offset the expenditures from MSP procurement.
- Hence the government undertaking the maximum required procurement for guaranteeing MSP to farmers may not be more than Rs 1-1.5 lakh crore per year.
- The government undertaking to buy at MSP is definitely better than forcing private players because sugar mills are unable to pay farmers on time despite having Sugarcane (Control) Order, 1966.
- However, even assured government MSP-based procurement is fraught with problems.
- MSPs today does not extend to fruits, vegetables and livestock products that together constitute 45% in the gross value of output of India's agriculture, forestry and fishing sector.
- But extending MSP to all farm produce and guaranteeing it through law is fiscally challenging.
- That is why economists increasingly are in favour of guaranteeing minimum incomes rather than prices to farmers.
- This can be achieved via DBT either on a flat per-acre (as in the Telangana government's RythuBandhu scheme) or per-farm household (Pradhan Mantri Kisan Samman Nidhi) basis.

10.2 Farmer Producers Organisations

- One of the reasons for agrarian distress is the declining average size of farm holdings.
- In this context, here is how farmer producer organisations (FPOs) could help deal with it.
- Small farmers face several challenges in getting access to inputs and marketing facilities.
- A group or collective is one of the main institutional mechanisms to help such marginal and small farmers.
- In the last decade, the Centre has encouraged farmer producer organisations (FPOs) to help farmers.
- The membership of an FPO ranges from 100 to over 1,000 farmers.
- Most of these farmers have small holdings.
- Aggregation helps them overcome the constraint of small size.
- Small farmers gain greater bargaining power through FPOs in relation to the purchase of inputs, obtaining credit and selling the produce.

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- Since 2011, it has intensively promoted FPOs under the Small Farmers' Agri-Business Consortium (SFAC), NABARD, state governments and NGOs.
- The ongoing support for FPOs is mainly in the form of –
    1. a grant of matching equity (cash infusion of up to Rs 10 lakh) to registered FPOs
    2. a credit guarantee cover to lending institutions (maximum guarantee cover 85% of loans not exceeding Rs 100 lakh)
- India has 5,000 to 7,500 such entities as per different estimates.
- A majority of them are farmer producer companies.
- The budget for 2018-19 announced supporting measures for FPOs including a five-year tax exemption.
- The budget for 2019-20 talked of setting up 10,000 more FPOs in the next 5 years.

10.3 Food Corporation of India Directive

Food Corporation of India's (FCI) Punjab office recently wrote to the director of food, civil supplies and consumer affairs seeking land records of farmers.

- The FCI has requested to share the data of land records.
- It was also asked to convey to the FCI office where to find them so that FCI shall verify land records of farmers during Rabi marketing season (RMS) 2021-22 with regard to FCI's own purchase.
- The purpose is to make direct online payment of Minimum Support Price (MSP) to the land owners' bank accounts from the upcoming RMS.
- The issue of direct payment to farmers' accounts is something the Centre has been mulling for the past couple of years.
- The aim is to remove middlemen from the process.
- There is no hindrance in providing land records.
- The main problem is that all the 16 lakh farm land owners are not cultivating their respective lands.
- According to the Punjab Land Revenue Act, the owner of the land is mentioned as khud kashtkar (self-cultivator) whether the person is cultivating that land or not.
- In that case, providing the owners' bank accounts would not serve the purpose of making MSP payment.
- The MSP should technically go to the real cultivators of the land.
- Around 45-50% owners have given their lands on lease and are charging annual rent for that.
- The actual cultivators do not own that land while doing farming on it for decades.

10.4 Increase of subsidy on DAP

Recently, the government has announced a 140% increase in the subsidy on di-ammonium phosphate (DAP).

- DAP is the second most commonly used fertiliser in India after urea and farmers normally apply this fertiliser just before or at the beginning of sowing.
- It is high in phosphorus which stimulates root development.
- Though there are other phosphatic (P) fertiliser such as-single super phosphate that contains 16% P and 11% sulphur (S)-DAP is the preferred source of P for farmers.
- This is similar to urea, which is the farmers preferred nitrogenous fertiliser that contains 46% N.
- The maximum retail price (MRP) of urea is currently fixed at Rs 5,378 per tonne or Rs 242 for a 45-kg bag.
- Since companies are required to sell at this rate, the subsidy (the difference between the cost of manufacturing or import and the fixed MRP) is variable.

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- But the MRPs of all other fertilisers are decontrolled and companies sell these at the rates that they decide and the government only gives a fixed per-tonne subsidy.
- Non-Urea fertilisers are governed by nutrient-based subsidy or NBS i.e. depending on the nutrient content for different fertilisers, the per-tonne subsidy is fixed.
- Since one tonne of DAP contains 460 kg (46%) of P and 180 kg (18%) of N, the subsidy comes to Rs 10,231 or Rs 511.50 for a 50-kg bag.
- Likewise, the subsidy on muriate of potash (60% K) is Rs 6,070 per tonne, while it is Rs 2,643/tonne for SSP and Rs 8,380/tonne for the popular '10:26:26' NPK fertiliser.
- Most of the companies sell DAP to farmers at around Rs 24,000 per tonne or Rs 1,200/bag.
- They could do this when international prices were at reasonable levels.
- But the global prices of fertilisers and inputs have surged in the past 6-7 months which has made it unviable for companies to sell at the old rates.

10.5 GOBAR-DHAN Portal

- Unified GOBAR-DHAN portal was jointly launched by Ministry of Agriculture; Ministry of Petroleum; Ministry of Fisheries, Animal Husbandry and Dairying; and Ministry of Jal Shakti.
- Galvanizing Organic Bio-Agro Resources Dhan (GOBAR-DHAN) scheme converts cattle dung and solid waste to compost, biogas and bio-CNG.
- It will help in keeping the village clean while increasing the income of farmers and cattle herders.
- Under this scheme, one village in every district of the country would be selected for its implementation.
- Villagers will be mobilized to create self-help groups (SHGs) and creative societies that will help in clean energy and green jobs initiative.

10.6 Warehousing Development and Regulatory Authority

- It is a Statutory Authority under the Department of Food and Public Distribution, Government of India, which was constituted in 2010 under the Warehousing (Development and Regulation) Act, 2007.
- It regulates and ensures implementation of the 2007 Act for the development and regulation of warehouses.
- It implements and regulates the Negotiable Warehouse Receipt (NWR) /electronic-NWR (e-NWR) System in the country.It also promotes orderly growth of the warehousing business.
- It consists of a Chairperson and two Members appointed by the Central Government.

10.7 Agriculture Infrastructure Development Cess

- The Budget 2021-22 has proposed a new levy, Agriculture Infrastructure Development Cess (AIDC) on 29 items.
- The purpose of the new AIDC is to raise funds to finance spending on developing agriculture infrastructure.
- New cess will be levied on 29 products - Gold, silver, as well as imported alcohol (excluding beer), imported apple, palm oil, and petrol/diesel including branded ones.
- The new cess will not raise the tax incidence for consumers as it will only offset the reduction in Basic Custom Duty (BCD), Basic Excise Duty (BED) and Special Additional Excise Duty (SAED) on unbranded and branded petrol-diesel.

10.8 Agriculture Infrastructure Fund

- Agricultural Produce Marketing Committees (APMCs) will become eligible beneficiaries of Agriculture Infrastructure Fund (AIF), a medium - long term debt financing facility.

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- APMCs can use this fund for investment in viable projects for post-harvest management infrastructure and community farming assets at regulated markets (Mandis)through interest subvention and credit guarantee.
- The duration of the scheme is from FY2020 to FY2029.
- Beneficiaries - Farmers, FPOs, PACS, Cooperative Societies, SHGs, Joint Liability Groups, Agri-entrepreneurs, Start-ups, Central/State agency or Local Body sponsored Public-Private Partnership Projects, etc.
- The Scheme has provision of a National Level Monitoring Committee (NLMC), State Level Monitoring Committee (SLMC) and District Level Monitoring Committee (DLMC) to monitor the scheme progress.
- A **Central Project Monitoring Unit**would verify the applications for projects received on the AIF portal.
- But, the final authority to sanction loans after checking details and viability of the projectsis with the **banks**.
- Loans are sanctioned by the National Bank for Agriculture and Rural Development (NABARD) and Commercial Banks.
- Loans are sanctioned to the projects of Primary Agricultural Credit Societies (PACS) and entities other than PACS for construction of warehouse/cold storage.

Cess

- It is a special-purpose tax levied over and above basic tax rates.
- Drawing power from **Articles 270 and 271** of the Constitution, the Centre collects cess and deposits it in the Consolidated Fund of India.
- The money collected is then transferred to a segregated fund to be used for specific purpose.
- But, this cess and surcharge money is not part of the divisible pool, from which devolution of Central taxes takes place to the States.

10.9 Modifications to Agriculture Infrastructure Fund

- The Union Cabinet gave its approval to the following modifications in Central Sector Scheme of Financing Facility under 'Agriculture Infrastructure Fund (AIF)'.
- **Eligibility** has now been extended to State Agencies/APMCs, National & State Federations of Cooperatives, Federations of Farmers Producers Organizations (FPOs) and Federations of Self Help Groups (SHGs).
- **Interest subvention** - At present Interest subvention for a loan upto Rs. 2 crore in one location is eligible under the scheme.
- In case, one eligible entity puts up projects in different locations then all such projects will be now be eligible for interest subvention for loan upto Rs. 2 crore.
- **Limitation** - However, for a private sector entity there will be a limit of a maximum of 25 such projects.
- This limitation will not be applicable to state agencies, national and state federations of cooperatives, federations of FPOs and federation of SHGs.
- Location will mean physical boundary of a village or town having a distinct LGD (Local Government Directory) code. Each of such projects should be in a location having a separate LGD code.
- For APMCs, interest subvention for a loan upto Rs. 2 crore will be provided for each project of different infrastructure types.
- **Power** has been delegated to Union Agriculture Minister to make necessary changes with regard to addition or deletion of beneficiary.
- **Period** of financial facility has been extended from 4 to 6 years upto 2025-26 and overall period of the scheme has been extended from 10 to 13 upto 2032-33.

10.10 Micro Irrigation Fund

- Budget announcement has been made to double the initial corpus of Micro Irrigation Fund (MIF) of Rs. 5000.
- During 2018-2019, MIF with a corpus of Rs. 5000 Crore was created with National Bank for Agriculture and Rural Development (NABARD).

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- Objective -To facilitate the States to mobilize the resources to provide additional incentives to farmers for incentivising micro irrigation beyond the provisions available under PMKSY-PDMC.
- [PMKSY-PDMC is the 'Per Drop More Crop' component of Pradhan Mantri Krishi Sinchayee Yojana]
- States may also access MIF for innovative integrated projects including projects in Public-private partnership (PPP) mode depending on State specific requirements.
- Government of India provides 3% interest subvention on loans extended to State Government under MIF.

Per Drop More Crop

- It is a Centrally Sponsored Scheme that focuses on enhancing water use efficiency at farm level through Micro Irrigation.
- It is implemented in all States from 2015-16 by the Department of Agriculture, Cooperation & Farmers Welfare.
- It supports micro level water storage or water conservation/management activities to supplement source creation for Micro Irrigation.

10.11 CSIR Floriculture Mission

- Council of Scientific and Industrial Research (CSIR) Floriculture Mission will be implemented in 21 States and Union Territories of India.
- CSIR labs across the country to develop the land available at each lab to be set up as a model under the "CSIR Floriculture Mission".
- Efforts are being made to take the agro-technologies, new varieties and value addition technologies with the CSIR institutions to the farmers and entrepreneurs.
- It is being implemented in collaboration with Directorate of Floriculture (ICAR); KVIC; APEDA; TRIFED; Fragrance and Flavour Development Centre (FFDC), and Universities.
- The convergence of Floriculture with Apiculture has been envisaged.
- **Mission's focus** - Commercial floral crops, seasonal/annual crops, wild ornaments and cultivation of flower crops for honey bee rearing.
- The CSIR's Societal Portal and an android app have been developed by CSIR Team with the help of MyGov Team.
- It is to facilitate the public to submit the societal problems that can be resolved using S&T interventions.

10.12 Dindori Project

- International Fund for Agricultural Development (IFAD) has supported an initiative to revive kodo millet and kutki (little millet) cultivation in Dindori district of Madhya Pradesh.
- The IFAD project was started in 2013-14, with women-farmers from 40 villages - mostly from the Gonda and Baiga tribes - growing these two minor millets.
- The identified farmers were supplied good-quality seeds and trained by Jawaharlal Nehru Agricultural University in Jabalpur and the local Krishi Vigyan Kendra.
- They were trained on field preparation, line-sowing and application of compost, zinc, bavastin fungicide and other specific plant protection chemicals.
- Further, a federation of the farmers' self-help groups undertook procurement of the produce and also its mechanical de-hulling.
- [Mechanical de-hulling - Time-consuming manual pounding process to remove husk from the grain.]
- The IFAD project has helped in meeting nutritional goals and reviving millet cultivation.

Millets

- Millets score over rice and wheat, whether in terms of vitamins, minerals and crude fibre content or amino acid profile. They are gluten-free.
- In 2018, the Union Agriculture Ministry declared millets as "Nutri-Cereals", considering their "high nutritive value" and also "anti-diabetic properties". 2018 was observed as 'National Year of Millets".
- The UN General Assembly too adopted an India-sponsored resolution to mark 2023 as the "International Year of Millets".

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10.13 Agroforestry in Silk Sector

- Agriculture Ministry signed a MoU with the Central Silk Board (under the Textiles Ministry) to implement Agroforestry in the silk sector under the ongoing Sub-Mission on Agroforestry (SMAF) Scheme.
- The signing of this MoU aims to incentivize the farmers to take up sericulture based Agroforestry models thereby contributing to the Make in India and Make for the World vision of the Prime Minister.
- It will add another dimension to agroforestry for faster returns to the growers as well as support the production of the range of silks.
- The Central Silk Board (CSB) will act as a catalyst to promote Agroforestry in the silk sector.
- The initiative of formalizing the collaboration is especially targeted for augmentation of sericulture host plants to be cultivated both as block plantations and border or peripheral plantations on farmlands.
- Planting sericulture based tree species on farm and rearing silkworms has the potential of creating additional income opportunities for farmers besides their regular source of income from agriculture activities.

Sub-Mission on Agroforestry (SMAF) Scheme

- The Department of Agriculture, Cooperation and Farmers Welfare (DAC & FW) has been implementing the SMAF scheme since 2016-17 as part of the recommendation of the National Agroforestry Policy 2014.
- India was the first country to have such a comprehensive policy which was launched at the World Agroforestry Congress held in Delhi in 2014.
- At present, it is being implemented in 20 States and 2 UTs.
- It encourages farmers to plant trees with the agriculture crops for climate resilience and an additional source of income to the farmers, as well as enhanced feedstock to wood-based and herbal industry.
- Hence there is a concerted effort to include medicinal, fruits, fodder, tree-borne oilseeds, lac host etc. in addition to the longer rotation timber species.

10.14 PM-FME Scheme for SHG Entrepreneurs

- To implement Pradhan Mantri Formalization of Micro Food Processing Enterprises (PM-FME) Scheme to support Self Help Group (SHG) entrepreneurs in food processing, the following are working together,
  a) Ministry of Food Processing Industries (MoFPI) and
  b) Deendayal Antyodaya Yojana - National Rural Livelihood Mission (DAY-NRLM) under the Ministry of Rural Development (MoRD).
- This will provide financial, technical and business support for upgradation of existing micro food processing enterprises.
- Both the Ministries decided to work closely on the component of providing **seed capital support** to SHG members.
- This involves working capital and purchase of small tools with the maximum permissible amount of Rs. 40,000/- per SHG member based on their existing business turnover and requirement.
- The State Rural Livelihood Missions in the States/UTs and the State Nodal Agencies appointed by MoFPI are executing the program closely.
- This involves identification of targeted eligible beneficiaries, capturing their aspirations & growth plans in the form of applications, digitize, review, recommend and approve them.
- The States will release funds to respective SHGs and SHG members through the network of community organizations - Cluster Level Federations (CLFs) and Village Organizations (VOs).

National Centre for Sustainable Aquaculture

- It was established by the Marine Products Export Development Authority (MPEDA), Ministry of Commerce & Industry in 2007.
- It was established as an outreach organization for uplifting the livelihood of small-scale shrimp farmers.
- NaCSA started grouping these farmers into societies and educated them on better management practices (BMP) for safe and sustainable shrimp farming.
- It trained them to follow cluster approach in shrimp farming.
- It acts as a federation of all the Aquaculture Societies and facilitate formulation of common policies, strategies, etc.,
- It acts as a Central Agency for standardization of inputs in Aquaculture.

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10.15 e-SANTA

- Electronic Solution for Augmenting NaCSA farmers' Trade in Aquaculture (e-SANTA) web portal will act as an electronic marketplace that provides a platform to connect aqua farmers and the buyers.
- [NaCSA - National Centre for Sustainable Aquaculture]
- e-SANTA will enable the farmers to get a better price and the exporters to directly purchase quality products from the farmers.
- The farmers have the freedom to list their produce and quote their price while the exporters have the freedom to list their requirements and also to choose the products based on their requirements.
- It provides cashless, contactless and paperless electronic trade platform between farmers and exporters.
- The platform is backed by an end to end electronic payment system with NaCSA as an Escrow agent.
- **Benefits** - It will raise income, lifestyle, self-reliance, quality levels, traceability, and provide new options for aqua farmers.
- It will **RAISE** the lives of farmers by - **R**educing Risk; **A**wareness of Products & Markets; **I**ncrease in Income; **S**hielding Against Wrong Practice and **E**ase of Processes.
- It will act as an alternative marketing tool between farmers & buyers, within the country and abroad, by eliminating middlemen.

10.16 Shaphari

- 'Shaphari' is a certification scheme for aquaculture products developed by the Marine Products Exports Development Authority (MPEDA).
- [Shaphari is a Sanksrit word that means superior quality of fishery products suitable for human consumption.]
- The Shaphari scheme, which is based on the United Nations' Food and Agriculture Organization's technical guidelines on aquaculture certification, will have two components,
    1. Certifying hatcheries for the quality of their seeds and,
    2. Approving shrimp farms that adopt the requisite good aquaculture practices.
- Those who successfully clear multiple audits of their operations shall be granted a certificate for **two years**.
- The entire certification process will be **online** to minimise human errors and ensure higher credibility and transparency.
- It will bolster confidence in India's frozen shrimp produce, India's biggest seafood export item.

Shrimp Export

- Frozen shrimp is India's largest exported seafood item.
- It constituted 50.58% in quantity and 73.2% in terms of total U.S. dollar earnings from the sector during 2019-20.
- Major shrimp producing States - Andhra Pradesh, West Bengal, Odisha, Gujarat and Tamil Nadu. Around 95% of cultured shrimp is exported.
- **Factors that hurt export** - Container shortages and incidents of seafood consignments being rejected because of food safety concerns like the presence of antibiotic residue.

10.17 Mission for Integrated Development of Horticulture

- The Ministry of Agriculture and Farmers Welfare has provided an enhanced allocation of Rs. 2250 Crore for the year 2021-22 for 'Mission for Integrated Development of Horticulture' (MIDH).
- MIDH is a Centrally Sponsored Scheme implemented by the Agriculture Ministry from 2014-15 under Green Revolution - Krishonnati Yojana.
- **Objective** - MIDH aims for the holistic growth of the horticulture sector covering fruits, vegetables, root & tuber crops, mushrooms, spices, flowers, aromatic plants, coconut, cashew, cocoa and bamboo.
- **Funding pattern** - The Government of India (GOI) contributes 60% for developmental programmes in all the states except in North East and Himalayan states, 40% share is contributed by State Governments.

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- In the case of North Eastern States and Himalayan States, GOI contributes 90%.
- In case of National Horticulture Board (NHB), Coconut Development Board (CDB), Central Institute for Horticulture (CIH), Nagaland and the National Level Agencies (NLA), GOI contributes 100%.

S.No.	Sub-schemes of MIDH	Target group / Area of operation
1.	National Horticulture Mission (NHM)	Implemented by State Horticulture Missions in all states & UTs except states in NE and Himalayan Region.
2.	Horticulture Mission for North East & Himalayan States (HMNEH)	All states in NE and Himalayan Region - Arunachal, Assam, Manipur, Mizoram, Nagaland, Meghalaya, Sikkim, Tripura, Himachal Pradesh, Uttarakhand and J&K
3.	National Bamboo Mission (NBM)	All states & UTs
4.	National Horticulture Board (NHB)	All states & UTs focusing on commercial horticulture
5.	Coconut Development Board (CDB)	All States and UTs where coconut is grown
6.	Central Institute for Horticulture (CIH)	NE states, focusing on HRD and capacity building.

10.18 PLI Scheme for the Food Processing Industry

- Ministry of Food Processing Industries (MoFPI) has launched an online portal for 'Production Linked Incentive Scheme for Food Processing Industry' (PLISFPI).
- This **Central Sector Scheme** 'PLISFPI' will be implemented for the period from 2021-22 to 2026-27. It is a part of Prime Minister's announcement of Aatmanirbhar Bharat Abhiyan.
- It will support **creation of global food manufacturing champions** commensurate with India's natural resource endowment and support Indian brands of food products in the international markets.
- The scheme has two components,
    1. It will provide sales based incentives for manufacturing of four major food product segments - Ready to Cook/ Eat (RTC/ RTE) foods, Processed Fruits &Vegetables, Marine Products, Mozzarella.
    2. It will provide grants for undertaking Branding & Marketing activities abroad.
- The sales based incentive would be paid from 2021-22 to 2026-27 on incremental sales over the base year. For the first 4 years, 5th & 6th years, base year would be 2019-20, 2021-22 & 2022-23 respectively.
- Applicants will be extended grant @ 50% of expenditure on branding & marketing abroad subject to a maximum grant of 3% of Sales of food products or Rs 50 crore per year, whichever is less.

Beneficiaries

- Applicants may be Proprietary Firm or Partnership Firm or Limited Liability Partnership (LLP) or a Company registered in India (or) Co-operatives (or) SME. They will apply only through online portal.
- Category-I - Applicants are large entities who apply for Incentive based on Sales Exports, and Investment Criteria.
- Category-II - SMEs Applicants manufacturing innovative/ organic products who apply for PLI Incentive based on Sales, their product uniqueness, level of product development etc.
- Category-III - Applicants applying solely for grant for undertaking Branding & Marketing activities abroad, who will be selected based on the level of recognition of their Brand, sales, exports, etc.

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10.19 Minimum Support Prices for Kharif Crops

- The Cabinet Committee on Economic Affairs has approved the increase in the Minimum Support Prices (MSP) for all mandated Kharif crops for marketing season 2021-22.
- The Kharif crops for which MSPs were approved include paddy, jowar, bajra, ragi, maize, tur, moong, urad, groundnut, sunflower seed, soyabean (yellow), sesamum, nigerseed and cotton.
- Government has increased the MSP of Kharif crops for marketing season 2021-22, to ensure remunerative prices to the growers for their produce.
- It used differential remuneration to encourage crop diversification.

Minimum Support Prices

- Minimum Support Prices (MSP) is a minimum price that government agencies pay whenever they procure the particular crop.
- It is given for any crop that the government considers as remunerative for farmers and hence deserving of support.
- The Commission for Agricultural Costs & Prices (CACP) recommends,
    1. MSPs for 22 mandated crops and
    2. Fair and remunerative price (FRP) for sugarcane.
- CACP is an attached office of the Ministry of Agriculture and Farmers Welfare. It is an advisory body that came into existence in 1965 whose recommendations are not binding on the Government.
- **Crops** - The mandated crops include 14 crops of the kharif season, 6 rabi crops and 2 other commercial crops.
- In addition, the MSPs of toria and de-husked coconut are fixed on the basis of the MSPs of rapeseed/mustard and copra, respectively.
- The Union Budget for 2018-19 had announced that MSP would be kept at levels of 1.5 the cost of production.

10.20 Kharif Strategy 2021

- Kharif Strategy 2021 is a multi-pronged strategy adopted by the Agriculture Ministry to achieve self-sufficiency in oilseeds production.
- Under the strategy, the Government of India has approved an ambitious plan for the **free distribution of high yielding varieties (HYV)of seeds** to the farmers for the Kharif season 2021 in the form of mini-kits.
- Both area and productivity enhancement has been formulated for **soybean and groundnut** with a focus on HYV seeds to be provided free of cost under the National Mission (Oil Seeds and Oil Palm) Mission
- This strategy will bring an additional 6.37 lakh hectare area under oilseeds and is likely to produce 120.26 lakh quintals of oilseeds.
- To this end a multi-pronged strategy is being adopted which includes, among others, the following:
    1. Increasing seed replacement ratio with focus on varietal replacement
    2. Area expansion through diversification of low yielding food grains.
    3. Targeting rice fallow areas and high potential districts
    4. Supporting cluster demonstrations for the adoption of good agricultural practices
    5. Creation of 36 oilseed hubs with a focus on regional approach for larger availability of quality seeds
    6. Post-harvest management at farm and village level
    7. Formation of Farmer Producer Organisations

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10.21 Area under Summer Crops

- For the second successive year, as a result of efforts of the States and the Central government, along with the hard work of the farmers, the area under summer crops has shown an increasing trend in the country.
- The total summer crop area has increased to 73.76 lakh hectares from 60.67 lakh hectares a year ago during the corresponding period.
    1. **Pulses** area has increased nearly a 100%. It has been reported mainly in Tamil Nadu, Madhya Pradesh, West Bengal, UP, Gujarat, Bihar, Chhattisgarh, Maharashtra, Karnataka, etc.
    2. **Oilseeds** area increased around 16% in West Bengal, Karnataka, Gujarat, Maharashtra, Uttar Pradesh, Tamil Nadu, Andhra Pradesh, Chhattisgarh etc.
    3. **Rice** has increased around 16%. Summer rice has been reported from West Bengal, Telangana, Karnataka, Assam, Andhra Pradesh, Odisha, Chhattisgarh, Tamil Nadu, Bihar, etc.
- The Ministry of Agriculture and Farmers Welfare has taken new initiatives for the scientific cultivation of summer crops.

Summer Crops

- The Zaid or summer season is a short season between the rabi and kharif seasons. It takes some months of summer and some of rainy season.
- The crops grown during this season is known as zaid crops or summer crops. They grow in period mainly from March to June.
- They require warm dry weather as major growth period and longer day length for flowering. These crops also mature early.
- **Crops** - Watermelon, muskmelon, cucumber, vegetables and fodder crops.
- It also includes pulses, coarse cereals, Nutri-cereals and oilseeds.
- **Benefits** - Summer crops provide extra income, create employment opportunities, improve soil health (particularly through the pulses crop).

- Scientific practices include seed drill/zero till after treating the seeds, high yielding varieties, post-harvest value addition technologies for higher productivity and economic gains.
- For technical support, close coordination between State Agricluture Universities (SAUs) and Krishi Vigyan Kendras (KVKs) was ensured.

10.22 National Food Security Mission on Oilseeds and Oil Palm

- During the 12th Five Year Plan, a new National Mission on Oilseeds and Oil Palm (NMOOP) was launched.
- Under NMOOP, **Mini Mission - II** (MM - II) was dedicated to oil palm area expansion and productivity increases.
- MM - II was implemented in **12 States** - Andhra Pradesh, Telangana, Chhattisgarh, Tamil Nadu, Kerala, Gujarat, Karnataka, Odisha, Mizoram, Nagaland, Assam and Arunachal Pradesh w.e.f. 01.04.2014.
- Through NMOOP, the Government aims to augment the availability of edible oils and reduce the import of edible oils by increasing the production and productivity of oilseeds and oil palm.
- It also aims to improve the area under plantation of Tree Borne Oilseeds (TBOs) - Olive, Mahua, Kokum, Wild Apricot, Neem, Jojoba, Karanja, Simaroba, Tung, Cheura and Jatropha.

10.23 National Programme for Organic Production

- Agricultural and Processed Food Products Export Development Authority (APEDA) has sourced finger millet and barnyard millet from farmers in Himalayas (Uttarakhand) for exports to Denmark.
- These millets were exported to Denmark after meeting the organic certification standards of the European Union (EU).

Agricultural and Processed Food Products Export Development Authority

- APEDA was established under the APEDA Act, 1985.
- It functions under the control of Ministry of Commerce and Industry.
- It has been mandated with the responsibility of export promotion and development of the scheduled products viz. fruits, vegetables and their products, meat products and poultry products, dairy products, etc.,
- It has been entrusted with the responsibility to monitor import of sugar.

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- At present, organic products are exported provided they are produced, processed, packed and labelled as per the requirements of the National Programme for Organic Production (NPOP).
- The NPOP or the Participatory Guarantee System for India (PGS-India) is a top- down mechanism run by the APEDA under the Ministry of Commerce for certifying general exports.
- The NPOP came into inception in 2001 under the Foreign Trade (Development and Regulations) Act, 1992.
- **Significance** - The NPOP certification recognized by the EU and Switzerland enables India to export unprocessed plant products to these countries without the requirement of additional certification.
- It also facilitates export of Indian organic products to the United Kingdom even in the post Brexit phase.
- It has also been recognized by the Food Safety Standard Authority of India (FSSAI) for trade of organic products in the domestic market.
- Organic products covered under the bilateral agreement with NPOP need not to be recertified for import in India.

10.24 Increased Subsidy on DAP

- The government has announced a 137% increase in the subsidy on di-ammonium phosphate (DAP) - A Nutrient-Based Subsidy Scheme.
- DAP is the second most commonly used fertiliser in India, next only to urea. DAP contains 46% phosphorus (P) and 18% nitrogen (N).
- This is similar to urea and muriate of potash (MOP), which again have very high N and potassium (K) content of 46% and 60%, respectively.
- Farmers normally apply DAP just before or at the time of sowing, as it is high in phosphorus that stimulates root establishment and development.

10.25 Village Rice

- Two consignments of patented 'village rice' sourced from Kumbakonam, Thanjavur district, Tamil Nadu was exported to Ghana & Yemen.
- 'Village rice' sourced directly from farmers of Thanjavur (Rice Bowl of Tamil Nadu) is enriched with **protein, fibre, and minerals**.
- Previously, the first consignment of 'red rice' from Assam was exported to the USA.
- The Agricultural and Processed Food Products Export Development Authority (APEDA) is working with various stakeholders across the globe to harness India's non-basmati rice exports potential.
- The government had set up the Rice Export Promotion Forum (REPF), under the aegis of the APEDA to provide stimulus to the rice exports.

10.26 Rice Export Promotion Forum

- Rice Export Promotion Forum (REPF) was set up under the aegis of the Agricultural and Processed Foods Export Promotion Development Authority (APEDA).
- REPF was been set up by the Government of India to provide stimulus to the rice exports.
- It has representations from rice industry, exporters, officials from APEDA, Ministry of Commerce and directors of agriculture from major rice producing states.
- [Major Rice producing states - West Bengal, Uttar Pradesh, Punjab, Haryana, Telangana, Andhra Pradesh, Assam, Chhattisgarh and Odisha.]
- It will monitor, identify and anticipate the developments related to production and exports and put forward various policy measures.

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10.27 Record High Rice and Wheat Exports

- In 2020-21, India exported close to 20 million tonnes (mt) (Rs 69,331.45 crore) of grains and also distributed a record 92 mt of rice and wheat.
- A 92 was distributed from the central pool included,
    a) 60.32 mt under the National Food Security Act and other welfare schemes,
    b) 31.52 mt under the Pradhan Mantri Garib Kalyan Anna Yojana, Atmanirbhar Bharat Package (for returning migrant labourers) and assorted programmes launched in the wake of Covid-19 lockdown.
- The total grain channelled through the public distribution system (PDS) in 2020-21 was nearly 50% higher than in normal years.
- These twin recordsare a remarkable story of surplus production and stocks in public warehouses.
- Even after the unprecedented offtake, rice and wheat stocks in the central pool, at 77.23 mt on April 1, 2021, stood above the required minimum buffer of 21.04 mt.
- The competitiveness of Indian rice and wheat has been enabled by the following factors. They are,
    a) Indian grains being available at sub-MSP,
    b) Increase in international prices has made exports from India a viable proposition.
- The UN Food and Agricultural Organization's global cereal price index (2014-2016=100) is currently ruling at its highest since 2014.

10.28 FAO Food Price Index

- The FAO Monthly Cereal Price Index is part of the UN FAO Food Price Index (FFPI).
- The FFPI is a monthly measure of change in international prices of a basket of five major food commodities - Cereals, Sugar, Dairy, Vegetable oil and Meat products.
- It consists of the average of five commodity group price indices weighted by the average export shares of each of the groups over 2014-2016.
- **Sub-indices** - FAO Cereal Price Index, FAO Vegetable Oil Price Index, FAO Dairy Price Index, FAO Meat Price Index, FAO Sugar Price Index.

10.29 AgriStack

- The Union government has decided to give agriculture a shot of technology by creating a centralised farmer database under 'AgriStack'.
- Department of Agriculture, Cooperation and Farmers Welfare entered into a MoU with Microsoft Corporation to start a pilot project in 100 villages of six states - UP, MP, Gujarat, Haryana, Rajasthan and AP.
- The MoU requires Microsoft to create a 'Unified Farmer Service Interface' through its cloud services. This platform will help digitise agricultural services delivery by the public and private sectors.
- The MoUs stress on profiling land and crop estimation using remote sensing and geo-spatial technologies.
- **'AgriStack'** is a collection of digital databases and technology-based interventions in agriculture. It is proposed by the Central Government focusing on India's farmers and the agricultural sector.
- Under the programme, each farmer will have a unique digital identification (farmers' ID) that contains personal details, information about the land they farm, as well as production and financial details.
- Each ID will be linked to the individual's digital national ID Aadhaar.
- The MoUs talk about database creation from particularly three schemes: PM-KISAN (Pradhan Mantri Kisan Samman Nidhi), Soil Health Card and PM FasalBimaYojna (crop insurance scheme).
- This data will be compared with land records data. If there's a mismatch, it will be shared with the local authorities for validation and field survey.

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- The field data received from local authorities will be updated with the compiled data to create clean, standardised, verified data for AgriStack.

10.30 Horticulture Cluster Development Programme

- Horticulture Cluster Development Programme (CDP) was launched by the Ministry of Agriculture and Farmers' Welfare (MoA&FW) to ensure holistic growth of horticulture.
- It is central sector programme that aims at growing and developing identified horticulture clusters to make them globally competitive.
- It is implemented by the National Horticulture Board (NHB) of the Ministry of Agriculture and Farmers' Welfare (MoA&FW).
- **Benefits** - It will address all major issues related to the Indian horticulture sector including pre-production, production, post-harvest management, logistics, marketing and branding.
- It will leverage geographical specialisation and promote integrated and market-led development of horticulture clusters.
- It will help in 'Doubling farmers' income. It will benefit about 10 lakh farmers and related stakeholders of the value chain.
- It will improve exports of the targeted crops by 20% and create cluster-specific brands to enhance the competitiveness of cluster crops.
- The programme is expected to converge with other initiatives of the Government such as the Agriculture Infrastructure Fund.
- CDP has a huge potential to transform the entire horticulture ecosystem improving its global competitiveness by building last-mile connectivity.

10.31 Biotech-KISAN Programme

- The Department of Biotechnology (DBT) has issued a Special Call for North East Region (NER) as a part of its Mission Programme Biotech-Krishi Innovation Science Application Network (Biotech-KISAN).
- Biotech-KISAN programme is a scientist-farmer partnership scheme launched in 2017.
- This pan-India program was developed by and with farmers under the Department of Biotechnology, Ministry of Science and Technology.
- It was launched for agriculture innovation with an objective to connect science laboratories with the farmers to find out innovative solutions and technologies to be applied at farm level.
- It follows a hub-and-spoke model and stimulates entrepreneurship and innovation in farmers and empowers women farmers.
- Under this scheme, Biotech-KISAN Hubs have been established covering all 15 agroclimatic zones and 110 Aspirational Districts in the country.
- [Biotech-KISAN hubs would fulfil the technology required to generate agriculture and bio-resource related jobs and better livelihood ensuring biotechnological benefits to small and marginal farmers.]

10.32 Maharashtra's Beed Model of Crop Insurance

- Maharashtra Chief Minister asked Prime Minister for a state-wide implementation of the 'Beed model' of the crop insurance scheme Pradhan Mantri Fasal Bhima Yogna (PMFBY).

Pradhan Mantri Fasal Bhima Yojana

- Launched in 2016, the flagship PMFBY insures farm losses against inclement weather events.
- Farmers pay low rate of the premium 1.5-2% with the rest borne by the state and central governments.
- It is a central scheme implemented by state agriculture departments as per central guidelines.
- Prior to 2020, the scheme was optional for farmers who did not have loans pending, but mandatory for loanee farmers. Since 2020, it has been optional for all farmers.

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- **Beed model** - Located in the drought-prone Marathwada region, the district of Beed presents a challenge for any insurance company.
- Farmers here have repeatedly lost crops either to failure of rains or to heavy rains. Given the high payouts, insurance companies have sustained losses.
- The state government had a difficult time getting bids for tenders to implement the scheme in Beed in the 2020 kharif season.
- In a normal season where farmers report minimal losses, the state gets back money that can form a corpus to fund the scheme for coming year.
- However, the state government would have to bear the financial liability in case of losses due to extreme weather events.
- **Significance** - The reason why Maharashtra is pushing for this scheme is that in most years, the claims-to-premium ratio is low with the premium being paid to the company.
- In the Beed model, the profit of the company is expected to reduce and the state government would access another source of funds.
- Reimbursed amount can lead to lower provisioning by the state for the coming year, or help in financing the paying the bridge amount in case of a year of crop loss.
- For farmers, however, this model does not have any direct benefit.

10.33 National Livestock Mission

- National Livestock Mission (NLM) proposes to bring sharp focus on entrepreneurship development and breed improvement in rural poultry, sheep, goat and piggery including feed and fodder development.
- It was launched to ensure quantitative and qualitative improvement in livestock production systems and capacity building of all stakeholders in 2014-15.
- It is being implemented as a sub scheme of White Revolution - RashtriyaPashudhan Vikas Yojana from April 2019.
- The NLM is organised into the following four Sub - Missions:
    1. Sub -Mission on Livestock Development,
    2. Sub - Mission on Pig Development in North-Eastern Region,
    3. Sub - Mission on Feed and Fodder Development and
    4. Sub -Mission on Skill Development, Technology Transfer and Extension.
- Rural Poultry Entrepreneurship component will give direct employment to 1.5 lakh farmers for sheep goats and poultry development.
- Livestock Census and Integrated Sample Survey component will support states for undertaking Livestock Census and for bringing out production estimates of milk, meat, egg and wool.
- Livestock Health and Disease Control will be implemented to,
    1. Reduce risk to animal health by prophylactic vaccination against diseases of livestock and poultry,
    2. Capacity building of Veterinary services, disease surveillance and strengthening veterinary infrastructure.
- During the next 5 years, Mobile veterinary clinics will be set up to deliver animal health services at doorstep of farmers engaged in Animal Husbandry.

10.34 National Project on Organic Farming

- National Project on Organic Farming (NPOF) is a Central Sector Scheme approved by the 10th Five Year Plan. The objectives of the NPOF are,
    1. Promotion of organic farming in the country through technical capacity building of all the stakeholders.

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2. Statutory quality control of bio-fertilizers and organic fertilizers under the Fertilizer (Control) Order (FCO), 1985.
3. Capacity building for soil health assessment, organic input resource management, technology development through support to research and market development.
4. Capacity Building for low cost certification system known as "Participatory Guarantee System".

- **Implementation** - NPOF is being implemented by National Centre of Organic Farming at Ghaziabad and its six Regional Centres at Bangalore, Bhubaneshwar, Hisar, Imphal, Jabalpur and Nagpur.
- Besides working for realisation of targets under NPOF, NCOF and RCOFs also performs specific roles in promotion of organic farming.
- **CISS** - The Capital investment Subsidy Scheme (CISS) is a sub scheme under the National Project on Organic Farming (NPOF).
- Under CISS, 100% assistance is provided to State Government / Government agencies for setting up of mechanized fruit/vegetable market Agro waste compost production unit up to a maximum limit of Rs.190.00 lakh /unit (for 3000 Total Per Annum (TPA) capacity).
- For individuals/ private agencies, assistance up to 33% of cost limit to Rs 63 lakh/unit as capital investment is provided.

10.35 Honey Mission Programme

- This mission was launched in 2017-18 by Khadi & Village Industries Commission (KVIC), under the Ministry of MSME.
- This mission promote Bee Keeping activities and provide self-sustaining employment opportunities among farmers, Adivasies and unemployed youth in rural India, mainly in economically backward and remote areas.
- Launched in 2017 in line with the 'Sweet Revolution', the mission provided with Bee Boxes, live bee colonies, tool kits and training to the beneficiaries.
- [The 'Sweet Revolution' was launched in 2016 to promote beekeeping and associated activities.]

10.36 National Beekeeping & Honey Mission

- The National Beekeeping & Honey Mission (NBHM) was announced as part of the AtmaNirbhar Bharat scheme. The government allocated Rs. 500 crore for NBHM for three years (2020-21 to 2022-23).
- NBHM aims for the overall promotion & development of scientific beekeeping in the country to achieve the goal of '**Sweet Revolution**' which is being implemented through National Bee Board (NBB).
- The main objective of NBHM is,
    1. To promote holistic growth of beekeeping industry for income & employment generation for farm and non-farm households,
    2. To enhance agriculture/ horticulture production, developing infrastructural facilities, including setting up of Integrated Beekeeping Development Centre (IBDC)s, honey testing labs, etc.
    3. To empower women through beekeeping.
- Besides, the scheme also aims to,
    1. Create awareness about scientific bee keeping (Mini Mission-I),
    2. Post-harvest management of beekeeping, beehive products, including collection, processing, storage, marketing, value addition, etc. (Mini Mission-II) and
    3. Research & Technology generation in beekeeping (Mini Mission-III).
- It also aims to make farmers aware about the
    1. Distribution of specialized Beekeeping equipments for producing high value products, viz. Royal Jelly, Bee Venom, Comb Honey, etc,

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2. Studies on exploring potential of High Altitude Honey, production of special honey in Kannauj&Hathras Districts of UP and
3. Use of mustard honey to cure colon cancer.

10.37 Sub-Mission on Agricultural Mechanization

- The Ministry of Agriculture and Farmers Welfare launched the Centrally Sponsored Scheme 'Sub-Mission on Agricultural Mechanization' (SMAM) in 2014-15.
- **Purpose** - The aim is to increase the reach of farm mechanization to small and marginal farmers and to the regions and difficult areas where farm power availability is low.
- Under it, subsidy is provided for purchase of various types of agricultural equipment and machinery,
    1. For States other than North Eastern Region (NER) States, the subsidy is to the extent of 40-50% and
    2. For NER States, it is 100% limited to Rs.1.25 lakhs per beneficiary.
- **Implementation** - The SMAM is being implemented by the Department of Agriculture and Farmers Welfare with effect from 2014-15. The scheme is implemented by the respective State Governments.
- The Department has also developed a Farm Machinery Direct Benefit Transfer (FMDBT) portal for implementing SMAM. Farmers can register on this portal through online registration.
- **Objectives** - Using the central grants provided under the SMAM, the States distribute machines to farmers.
- To establish Custom Hiring Centres, Hi-tech hubs and Farm Machinery Banks to make machines and equipments available to farmers on rental basis.
- To create awareness among stakeholders through demonstration and capacity building activities.
- To ensure performance testing and certification of agricultural machines at designated testing centres located all over the country.

10.38 Boosting Production of Pulses

- The seed minikits of pulses are distributed to the farmers of major pulse growing States under the National Food Security Mission (NFSM).
- [National Food Security Mission (NFSM) aims to increase production of rice, wheat, pulses, coarse cereals and commercial crops, oil seeds and oil palm through area expansion and productivity enhancement.]
- The district wise allocation and distribution of seed minikits is managed by the respective State Governments.
- Under NFSM, the States transfer the benefit to the targeted beneficiaries through Direct Benefit Transfer (DBT) by using Aadhar enabled system.
- Production and productivity of pulses under seed minikits programme is primarily monitored by State Government field functionaries and State Food Security Mission Executive Committee (SFSM-EC).
- [SFSM-EC is headed by Chief Secretary/Agriculture Production Commissioner.]
- Field visits of seed minikits fields are undertaken by National Level Monitoring Teams (NALMOTS) constituted by Agriculture Department.

10.39 Blue Economy

- In the years to come, India aims to target over 100 billion "Blue Economy" through its Deep Ocean Mission (DOM) and ocean resources.
- The Center for the Blue Economy says that the term 'blue economy' has related but distinct meanings-
    1. The overall contribution of the oceans to economies,
    2. The need to address the environmental and ecological sustainability of the oceans, and
    3. The ocean economy as a growth opportunity for both developed and developing countries.

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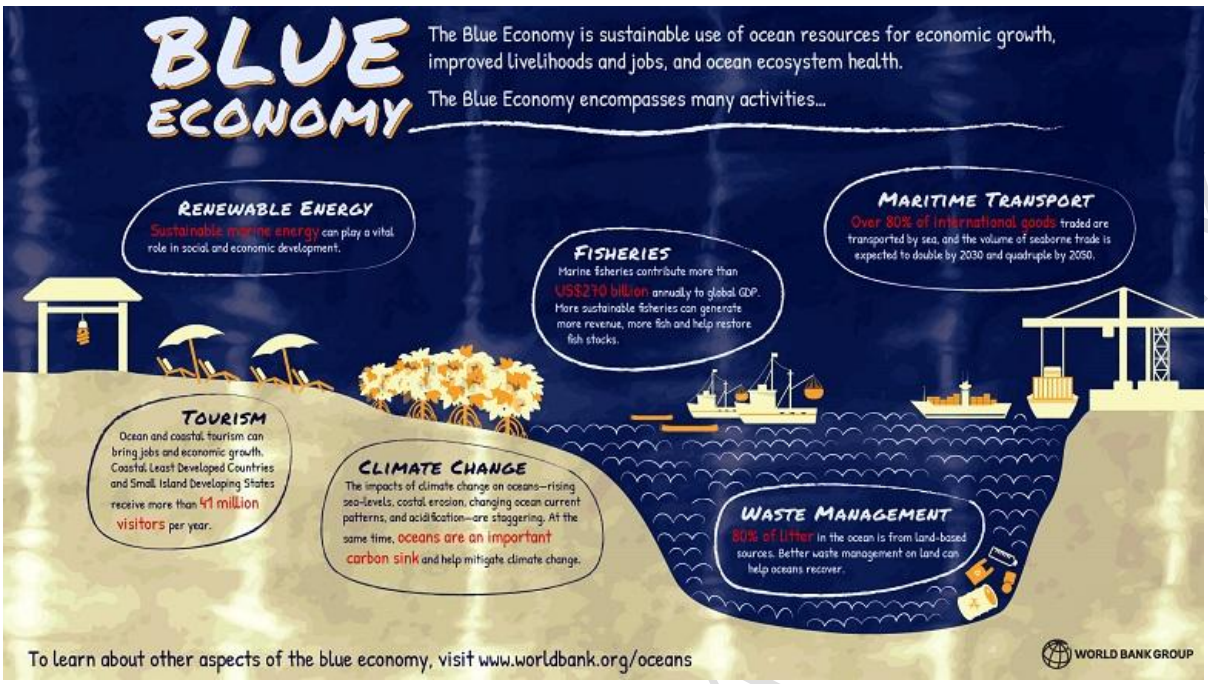
- According to the World Bank, the blue economy is the "sustainable use of ocean resources for economic growth, improved livelihoods, and jobs while preserving the health of ocean ecosystem."



Deep Ocean Mission

- This Mission planned by the Ministry of Earth Sciences will be carried out in collaboration with Indian Space Research Organisation (ISRO).
- It will integrate and bring together the efforts of the different streams of science operating under different Ministries in the government.
- In addition, the Mission will have benefits for the common man - Providing clean drinking water and explore the avenues of desalination of water as well as extracting minerals from the ocean belt.

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