INSIGHTSIAS

SIMPLIFYING IAS EXAM PREPARATION

INSTA PT 2022 EXCLUSIVE

ECONOMY

FEBRUARY 2021 – February 2022

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Schemes / Government Initiatives

1. Emergency Credit Line Guarantee Scheme (ECLGS)

According to the SBI Research report on ECLGS:

- The scheme has saved 13.5 lakh firms from going bankrupt and consequently 1.5 crore jobs.
- In absolute terms, MSME loan accounts worth Rs 1.8 lakh crore were saved.

About the scheme:

The scheme was launched as part of **the Aatmanirbhar Bharat Abhiyan package** announced in May 2020 to mitigate the distress caused by coronavirus-induced lockdown, by providing credit to different sectors, especially Micro, Small and Medium Enterprises (MSMEs).

- **100% guarantee coverage** is being provided by **the National Credit Guarantee Trustee Company,** whereas Banks and Non-Banking Financial Companies (NBFCs) provide loans.
- The credit will be provided in the form of a Guaranteed Emergency Credit Line (GECL) facility.
- No Guarantee Fee shall be charged by NCGTC from the Member Lending Institutions (MLIs) under the Scheme.
- Interest rates under the Scheme shall be capped at 9.25% for banks and FIs, and at 14% for NBFCs.

Eligibility:

- In August 2020, the scheme was extended to **Mudra borrowers and Individual loans for business purposes.**
- On Nov 20, the scheme was extended through ECLGS 2.0 for 26 sectors identified by **the Kamath Committee** and for the Health Care sector.

2. Consumer Protection Rules, 2021

In exercise of its powers under provisions of **the Consumer Protection Act, 2019,** the Central Government has notified **the Consumer Protection (Jurisdiction of the District Commission, the State Commission and the National Commission) Rules, 2021.**

- The new rules revised pecuniary jurisdiction for entertaining consumer complaints.

Overview of the new rules:

- **Food and Public Distribution, district commissions** will have jurisdiction to entertain complaints where the value of the goods or services paid does not exceed ₹50 lakh.
- **The State commissions** can look onto complaints in the range of ₹50 lakh- ₹two crores.
- **The District Commissions** will have jurisdiction to entertain complaints where value of the goods or services paid as consideration does not exceed 50 lakh rupees.
- **State Commissions** shall have jurisdiction to entertain complaints where value of the goods or services paid as consideration exceeds 50 lakh rupees but does not exceed two crore rupees, it notified.
- **National Commission** will have jurisdiction to entertain complaints where value of the goods or services paid as consideration exceeds two crore rupees.

Mechanism for the protection of consumer rights:

Currently, **the Consumer Protection Act, 2019 promulgates a three-tier quasi-judicial mechanism** for redressal of consumer disputes namely district commissions, state commissions and national commission.

- The Act also stipulates **the pecuniary jurisdiction of each tier of consumer commission.**
- The Consumer Protection Act, 2019 provides **consumers the option of filing complaint electronically.** To facilitate consumers in filing their complaint online, the Central Government has set up **the E-Daakhil Portal**.

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- To provide a faster and amicable mode of settling consumer disputes, **the Act also includes reference of consumer disputes to Mediation,** with the consent of both parties.

Time period for disposal of complaints:

- **The Consumer Protection Act, 2019** stipulates that "every complaint shall be disposed of as expeditiously as possible and endeavour shall be made to decide the complaint within a period of three months from the date of receipt of notice by opposite party where the complaint does not require analysis or testing of commodities and within 5 months if it requires analysis or testing of commodities."

3. Jan Dhan Yojana

Performance of the scheme (as of 2021):

- The number of total PMJDY accounts stand at more than 44 crore.
- 29.54 crore Jan Dhan accounts were held in rural and semi-urban bank branches.
- Nearly 24.61 crore account holders were women as of December 29, 2021.

Benefits like **scholarships, subsidies, pensions, and COVID relief funds** are credited to the bank accounts, including Jan Dhan Accounts, through Direct Benefit Transfer (DBT).

About PMJDY:

- Announced on 15th August 2014, PMJDY is **National Mission for Financial Inclusion** to ensure access to financial services, namely, Banking/ Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner.
- Under the scheme, a basic savings bank deposit (BSBD) account can be opened in any bank branch or Business Correspondent (Bank Mitra) outlet, by persons not having any other account.

Objectives:

- To ensure access of financial products & services at an affordable cost.
- Use of technology to lower cost & widen reach.

Basic tenets of the scheme:

1. **Banking the unbanked –** Opening of basic savings bank deposit (BSBD) account with minimal paperwork, relaxed KYC, e-KYC, account opening in camp mode, zero balance & zero charges.
2. **Securing the unsecured –** Issuance of Indigenous Debit cards for cash withdrawals & payments at merchant locations, with free accident insurance coverage of Rs. 2 lakhs.
3. **Funding the unfunded –** Other financial products like micro-insurance, overdraft for consumption, micro-pension & micro-credit.

PMJDY accounts are eligible for Direct Benefit Transfer (DBT), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Atal Pension Yojana (APY), Micro Units

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Development & Refinance Agency Bank (MUDRA) scheme.

The scheme is Based upon the following 6 pillars:

1. **Universal access to banking services** – Branch and Banking Correspondents.
2. Basic savings bank accounts with **overdraft facility (OD)**.
3. **Financial Literacy Program**– Promoting savings, use of ATMs, getting ready for credit, availing insurance and pensions, using basic mobile phones for banking.
4. **Creation of Credit Guarantee Fund** – To provide banks some guarantee against defaults.
5. **Insurance** – Accident cover up to Rs. 1,00,000 and life cover of Rs. 30,000 on account opened between 15 Aug 2014 to 31 January 2015.
6. **Pension scheme** for Unorganized sector.

Extension of PMJDY with New features:

1. Focus shift from **Every Household to Every Unbanked Adult.**
2. **RuPay Card Insurance –** Free accidental insurance cover on RuPay cards increased from Rs. 1 lakh to Rs. 2 lakhs for PMJDY accounts opened after 28.8.2018.
3. **Enhancement in overdraft facilities –** OD limit doubled from Rs 5,000 to Rs 10,000; OD upto Rs 2,000 (without conditions). Increase in upper age limit for OD from 60 to 65 years.

4. Cabinet nod for mobile services in 7,287 villages

The Union Cabinet has given its approval for provisioning of **mobile services in uncovered villages of Aspirational Districts** across five States.

- The project envisages to provide 4G mobile services in the 7,287 uncovered villages of 44 **Aspirational Districts** in the five States, including operational expenses for five years.

Implementation:

The project will be funded by **Universal Service Obligation Fund (USOF)** and is targeted to be completed within 18 months after the signing of the agreement.

What is USOF?

Universal Service Obligation Fund was established in 2002, with the main aim to provide universal telecom services and ensure that even the unconnected areas in the country reap the benefits of inclusive development.

- The **Indian Telegraph (Amendment) Act, 2003** gave statutory status to the Universal Service Obligation Fund (USOF).
- The USOF is headed by the USOF Administrator who reports to the Secretary, **Department of Telecommunications (DoT).**

Funding:

The funds for the USOF comes from **Universal Service Levy (USL).** The USL is charged from all the telecom operators on their **Adjusted Gross Revenue (AGR).** These are then deposited into the Consolidated Fund of India, and prior parliamentary approval is required for dispatching.

5. Pradhan Mantri Gram Sadak Yojana (PMGSY):

The **Cabinet Committee on Economic Affairs** has approved continuation of **Pradhan Mantri Gram Sadak Yojana (PMGSY)**-I and II up to September, 2022, and **Road Connectivity Project for Left Wing Extremism Affected Areas** up to March, 2023.

About PMGSY:

Launched on: 25th December, 2000.

Objective: To provide connectivity, by way of an all-weather road to unconnected habitations.

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Eligibility: Unconnected habitations of designated population size (500+ in plain areas and 250+ in North-Eastern States, Himalayan States, Deserts and Tribal Areas as per 2001 census) in the core network for uplifting the socio-economic condition of the rural population.
Funding: The Union Government bears 90% of the project cost in respect of projects sanctioned under the scheme in North-Eastern and Himalayan States, whereas for other states the Union Government bears 60% of the cost.

PMGSY - Phase I:

- PMGSY - Phase I was launched in December, 2000 as a 100 % centrally sponsored scheme.
- Under the scheme, 1,35,436 habitations were targeted for providing road connectivity and 3.68 lakh km. for upgradation of existing rural roads in order to ensure full farm to market connectivity.

PMGSY - Phase II:

- The Government of India subsequently launched PMGSY-II in 2013 for upgradation of 50,000 Kms of existing rural road network to improve its overall efficiency.
- While the ongoing PMGSY - I continued, under PMGSY phase II, the roads already built for village connectivity was to be upgraded to enhance rural infrastructure.

About the Road Connectivity Project for Left Wing Extremism Affected Areas:
Started in 2016, it is envisaged in LWE States including the 44 LWE affected districts in 9 States.
● The roads taken up under the scheme would include Other District Roads (ODRs), Village Roads (VRs) and upgradation of the existing Major District Roads (MDRs) that are critical from the security point of view.
● Bridges up to a span of 100 meters, critical from security angle would also be funded on these roads.

6. Strategic petroleum reserves (SPR) programme

Strategic petroleum reserves are **huge stockpiles of crude oil** to deal with any crude oil-related crisis like the risk of supply disruption from natural disasters, war or other calamities.

- The petroleum reserves are **strategic in nature and the crude oil stored in these reserves will be used during an oil shortage event, as and when declared so by the Government of India.**
- The construction of the Strategic Crude Oil Storage facilities is being managed by **Indian Strategic Petroleum Reserves Limited (ISPRL),** a Special Purpose Vehicle, which is a wholly owned subsidiary of Oil Industry Development Board (OIDB) under the Ministry of Petroleum & Natural Gas.

Phase 1 and phase 2:

- Under **Phase I of strategic petroleum reserves (SPR) programme,** Government of India, through its Special Purpose Vehicle, Indian Strategic Petroleum Reserve Limited (ISPRL), has established petroleum storage facilities with total capacity of 5.33 Million Metric Tonnes (MMT) at 3 locations, namely (i) Vishakhapatnam (ii) Mangaluru and (iii) Padur.
- Under **Phase II of the petroleum reserve program,** the Government has approved two additional commercial-cum-strategic facilities at Chandikhol (Odisha) and Padur (TN) on Public-Private Partnership (PPP) model.

7. Bharat Gaurav scheme

Under this Scheme, **theme-based tourist circuit trains, on the lines of the Ramayana Express,** can be run either by private or State-owned operators.

Key features of the scheme:
● Service providers, who can be an individual, company, society, trust, joint venture or consortium will be free to decide themes/circuits.

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● They will offer an all-inclusive package to tourists including rail travel, hotel accommodation and sightseeing arrangement, visit to historical/heritage sites, tour guides etc.
● They have full flexibility to decide the package cost.
● The service providers will also be able to design/furnish the interior of the coaches based on the theme and put branding or advertising inside and outside of the train.

8. PM Mega Integrated Textile Region and Apparel (PM MITRA) parks scheme

The scheme aims to realize the vision of building an Aatmanirbhar Bharat by positioning India strongly on the Global textiles map.

- Sites for the scheme will be selected by a Challenge Method, based on objective criteria for Greenfield / Brownfield sites.

The government has released **operational guidelines for PM Mega Integrated Textile Region and Apparel (PM MITRA) parks scheme.**
As per the guidelines released by the textiles ministry, the sites for the parks will be selected basis **five metrics**-

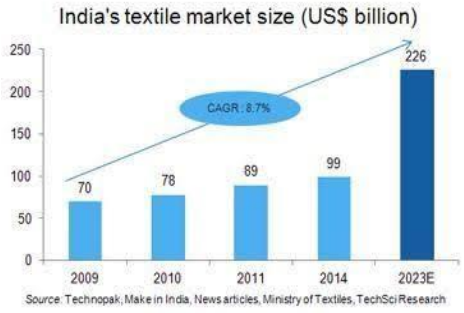
- connectivity to site,
- existing ecosystem for textiles,
- availability of utilities services at site,
- state industrial /textile policy, and
- environmental and social impact.

Implementation:

- PM MITRA park will be developed by a **Special Purpose Vehicle** which will be owned by the Central and State Government (51% equity shareholding of the state and 49% of the centre) and in a Public Private Partnership (PPP) Mode.
- Each MITRA Park will have an incubation centre, common processing house and a common effluent treatment plant and other textile related facilities such as design centres and testing centres.
- The Master Developer will not only develop the Industrial Park but also maintain it during the concession period.

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

- Greenfield describes a completely new project that has to be executed from scratch, while a brownfield project is one that has been worked on by others.



What are the advantages of the PM-MITRA Scheme?

- The scheme intended to generate approximately 1 lakh direct and 2 lakh indirect employment per park.
- The Scheme will offer an opportunity to create an integrated textiles value chain right from spinning, weaving, processing/dyeing and printing to garment manufacturing at one location that would ease business and will reduce logistics costs of the Industry.

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9. Government borrowing

The government raises money from the market to fund its fiscal deficit through dated securities and treasury bills.

What is government borrowing?

- Borrowing is a loan taken by the government and falls under **capital receipts** in the Budget document.
- Usually, the Government borrows through the issue of government securities called **G-secs and Treasury Bills.**

How does increased government borrowing affect government finances?

Bulk of the government's fiscal deficit comes from its interest obligation on past debt.

- If the government resorts to larger borrowings, more than what it has projected, then its interest costs also go up risking higher fiscal deficit.
- Larger borrowing programme means that the public debt will go up and especially at a time when the GDP growth is subdued, **it will lead to a higher debt-to-GDP ratio**

What are off-budget borrowings?

Most governments want to restrict their fiscal deficit to a respectable number. One of the ways to do this is by resorting to **"off-budget borrowings".**

- Such borrowings are a way for the Centre to finance its expenditures while keeping the debt off the books — so that it is not counted in the calculation of fiscal deficit.

What is the fiscal deficit?

It is essentially the gap between what the central government spends and what it earns. In other words, it is the level of borrowings by the Union government. This fiscal deficit is the most important metric to understand the financial health of any government's finances.

Off-budget borrowings are **loans that are taken not by the Centre directly, but by another public institution which borrows on the directions of the central government.**

- Such borrowings are used to fulfil the government's expenditure needs.
- But since the liability of the loan is not formally on the Centre, **the loan is not included in the national fiscal deficit.**

This helps keep the country's fiscal deficit within acceptable limits.

10. Insolvency and Bankruptcy Code (IBC)

The Supreme Court has said **"judicial delay" was the main reason for the failure of the insolvency regime in India prior to the 2016 Insolvency and Bankruptcy Code (IBC),** as it urged company law tribunals to "strictly adhere" to the timelines under the new law and clear pending resolution plans.

What's the issue?

The IBC mandates **a 330-day outer limit for conclusion of the corporate insolvency resolution process (CIRP).**

- However, a parliamentary panel report stated that more than 71% cases have been pending before the tribunals for over 180 days.

Reasons for delays:

1. The national company law appellate tribunal taking considerable time in admitting CIRPs.
2. Multiplicity of litigation.
3. Appeals to the NCLAT and the Supreme Court.

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About the IBC:

- The IBC was enacted in 2016, replacing a host of laws, with the aim to streamline and speed up the resolution process of failed businesses.
- The Code also consolidates provisions of the current legislative framework to form a common forum for debtors and creditors of all classes to resolve insolvency.

The Code creates various institutions to facilitate resolution of insolvency. These are as follows:

1. Insolvency Professionals.
2. Insolvency Professional Agencies.
3. Information Utilities.
4. Adjudicating authorities: The National Companies Law Tribunal (NCLT); and the Debt Recovery Tribunal (DRT).
5. Insolvency and Bankruptcy Board.

What is Section 32A of IBC?

- Section 32A provides that Corporate Debtor shall not be prosecuted for an offence committed prior to commencement of Corporate Insolvency Resolution Process (CIRP) once Resolution Plan has been approved by Adjudicating Authority (AA).
- The section further provides that no action shall be taken against property of Corporate Debtor covered under such a Resolution Plan.

11. Sovereign Gold Bond Scheme

- The sovereign gold bond was introduced by the Government in 2015.
- Government introduced these bonds to help reduce India's over dependence on gold imports.
- It also aims at changing the habits of Indians from saving in physical form of gold to a paper form with Sovereign backing.

Key facts:

- **Eligibility:** The bonds will be restricted for sale to resident Indian entities, including individuals, HUFs, trusts, universities and charitable institutions.
- **Denomination and tenor:** The bonds will be denominated in multiples of gram(s) of gold with a basic unit of 1 gram. The tenor will be for a period of 8 years with exit option from the 5th year to be exercised on the interest payment dates.
- **Minimum and Maximum limit:** The minimum permissible investment limit will be 1 gram of gold, while the maximum limit will be 4 kg for individual, 4 kg for Hindu Undivided Family and 20 kg for trusts and similar entities per fiscal (April-March) notified by the government from time to time.
- **Joint Holder:** In case of joint holding, the investment limit of 4 kg will be applied to the first applicant only.
- **Collateral:** Bonds can be used as collateral for loans. The loan-to-value (LTV) ratio is to be set equal to ordinary gold loan mandated by the Reserve Bank from time to time.

12. e-RUPI

- e-RUPI is a person and purpose-specific cashless digital payment solution.
- It is **a contactless instrument for digital payment.**
- It is based on **a QR code or SMS string-based e-voucher,** which is delivered to the mobile of the beneficiaries.
- The system will eliminate the need for any physical interface, mobile banking, debit, or credit cards by simply and directly allowing the beneficiary to avail the benefits by redeeming the codes at specific centers.
- **It has been developed by the National Payments Corporation of India (NPCI),** the Department of Financial Services, the Ministry of Health and Family Welfare, and the National Health Authority.

How it works?

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1. It is basically a prepaid voucher that can be issued directly to citizens after verifying mobile number and identity.
2. The e-RUPI voucher will be delivered in the form of a QR code or SMS string-based e-voucher to the beneficiary's mobile number.
3. The beneficiary can redeem the voucher without a card, digital payments app, or internet banking access, at the service provider.

13. Remission of Duties and Taxes on Exported Products (RoDTEP) scheme

The Centre has notified the rates and norms for the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme.

About the scheme:

The scheme was announced in 2020 as a replacement for **the Merchandise Export from India Scheme (MEIS),** which was not compliant with the rules of the World Trade Organisation.
The scheme would **refund to exporters the embedded central, state and local duties or taxes** that were so far not being rebated or refunded and were, therefore, placing India's exports at a disadvantage.

Key features:

1. To enable **zero rating of exports** by ensuring domestic taxes are not exported, all taxes, including those levied by States and even Gram Panchayats, will be refunded under the scheme.
2. The **rebates under RoDTEP is WTO-compliant** as per legal advice, range from 0.5% to 4.3% of the Free On Board value of outbound consignments.
3. The lowest rate is offered on items like chocolates, toffees and sugar confectionary, while yarns and fibres have been granted the highest rate.
4. Steel, pharma and chemicals have not been included under the scheme because their exports have done well without incentives.

Significance:

- Indian exporters will be able to meet the international standards for exports as affordable testing and certification will be made available to exporters within the country instead of relying on international organizations.
- Also under it, tax assessment is set to become fully automatic for exporters. Businesses will get access to their refunds for GST via an automatic refund-route.
- This would increase the economy for the country and working capital for the enterprise.

14. India Industrial Land Bank (IILB):

- It is **a GIS-based portal** with all industrial infrastructure-related information such as connectivity, infra, natural resources and terrain, plot-level information on vacant plots, line of activity, and contact details.
- It acts as **a one-stop repository of all industrial infrastructure-related information.**
- It serves as **a decision support system for investors scouting for land remotely.**
- It has around 4,000 industrial parks mapped across an area of 5.5 lakh hectare of land and is expected to achieve pan-India integration by December 2021.
- It is under **the Department for Promotion of Industry and Internal Trade (DPIIT).**

15. Faceless tax scheme

In the Union Budget 2019, the Finance Minister proposed the introduction of a scheme of faceless e-assessment.

- It is an attempt to **remove individual tax officials' discretion and potential harassment for income tax payers.**

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- The scheme allows for appropriate cases where a certain hearing is necessary, so then after following protocols, a hearing is given.
- The main objective is to **remove physical interaction as much as possible**.

16. New Industrial Development Scheme for Jammu & Kashmir (J&K IDS, 2021)

Government of India has formulated New Industrial Development Scheme for Jammu & Kashmir (J&K IDS, 2021) for the development of Industries in the UT of Jammu & Kashmir.

About the scheme:

J&K IDS, 2021 is a **Central Sector Scheme**. The scheme aims to take industrial development to the block level in UT of J&K, **which is first time in any Industrial Incentive Scheme of the Government of India.**

- The financial outlay of the proposed scheme is Rs.28400 crore for the **scheme period 2020-21 to 2036-37.**
- Scheme while encouraging new investment, also **nurtures the existing industries in J&K** by providing them working capital support at the rate of 5% for 5 years.

Objective:

Main purpose of the scheme is to generate employment which directly leads to the socio-economic development of the region.

- It **aims at** development of Manufacturing as well as Service Sector Units in J&K.

Key Features of the Scheme:

- Scheme is made **attractive for both smaller and larger units**.
- It attempts for a **more sustained and balanced industrial growth in the entire UT.**
- Scheme has been simplified **on the lines of ease of doing business** by bringing one major incentive- GST Linked Incentive- that will ensure less compliance burden without compromising on transparency.
- **It is not a reimbursement or refund of GST** but gross GST is used to measure eligibility for industrial incentive to offset the disadvantages that the UT of J&K face.

Major Impact and potential:

Scheme is to bring **about radical transformation in the existing industrial ecosystem of J&K** with emphasis on job creation, skill development and sustainable development.

It will **attract new investment and nurturing the existing ones**, thereby enabling J&K to compete nationally with other leading industrially developed States/UTs of the country.

17. Open Network for Digital Commerce

- Open Network for Digital Commerce (ONDC) is the initiative of **Department for Promotion of Industry and Internal Trade (DPIIT).**
- The ONDC was incorporated as a private sector non-profit company on December 31, 2021.

What is ONDC?

- Open Network for Digital Commerce is globally first-of-its-kind initiative that **aims to democratise Digital Commerce, moving it from a platform-centric model to an open-network.**
- As UPI is to the digital payment domain, ONDC is to e-commerce in India.
- ONDC will enable, buyers and sellers to be digitally visible and transact through an open network, no matter what platform/application they use.
- ONDC will empower merchants and consumers by breaking silos to form a single network to drive innovation and scale, transforming all businesses from retail goods, food to mobility.

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Aims and objectives:

- ONDC aims at promoting open networks developed on open-sourced methodology, using open specifications and open network protocols independent of any specific platform.
- ONDC is expected to **digitize the entire value chain, standardize operations, promote inclusion of suppliers, derive efficiencies in logistics and enhance value for consumers.**

18. Green tax

The Union Minister for Road Transport and Highways has approved the following proposals:

1. To levy a **"Green Tax" on old vehicles** which are polluting the environment.
2. The policy of deregistration and scrapping of vehicles owned by Government department and PSU, which are above 15 years in age.
3. Revenue collected from the Green Tax to be kept in a separate account and used for tackling pollution, and for States to set up state of-art facilities for emission monitoring.

Applicability of green tax:

1. Transport vehicles older than 8 years could be charged Green Tax at the time of renewal of fitness certificate, at the rate of 10 to 25 % of road tax;
2. Personal vehicles to be charged Green Tax at the time of renewal of Registration Certification after 15 years.
3. Public transport vehicles, such as city buses, to be charged lower Green tax.
4. Higher Green tax (50% of Road Tax) for vehicles being registered in highly polluted cities.
5. Differential tax, depending on fuel (petrol/diesel) and type of vehicle.

Exemptions:

- Vehicles like strong hybrids, electric vehicles and alternate fuels like CNG, ethanol, LPG etc.
- Vehicles used in farming, such as tractor, harvester, tiller etc.

19. Special Credit Linked Capital Subsidy Scheme (SCLCSS)

- Special Credit Linked Capital Subsidy Scheme (SCLCSS) was launched for the **services sector.**
- The scheme will help in meeting the **technology related requirements of enterprises** in the services sector.
- It has a provision of **25% capital subsidy for procurement of Plant & Machinery and service equipments through institutional credit to the SC-ST MSEs** without any sector specific restrictions on technology upgradation.

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Indian Economy and Issues relating to planning, mobilization of resources, growth, development and employment

1. Micro, Small and Medium Enterprises

According to the data furnished by the Office of the Development Commissioner in the Union Ministry of MSME:

- **Maharashtra tops India's list** in the number of micro, small and medium enterprises (MSME) owned by entrepreneurs from the Scheduled Castes with as many as 96,805 enterprises.
- Tamil Nadu with 42,997 enterprises and Rajasthan with 38,517 units occupy the second and third slots.
- **Total:** As on January 23, 2022, the number of SC-owned enterprises at the all-India level was 4,53,972, of which micro enterprises accounted for 4,50,835, small – 3,004 and medium - 133.
- **At National level:** Generally, the proportion of enterprises owned by Scheduled Caste entrepreneurs in the overall national tally of MSMEs is 6%.

Registration of MSMEs in India:

The **Udyam system of registration,** which came into force on July 1, 2020, is a pre-requisite for any MSME (regardless of the social category of ownership) to avail itself of concessions or benefits from the Central and State governments.

1. The **Registration can be filed online based on self-declaration.** Uploading of documents, papers or certificate as proof would not be necessary henceforth.
2. **The basic criteria for MSME classification** would be on investment in plant, machinery and equipment and turnover.
3. **Export of goods or services or both would be excluded while calculating the turnover of any enterprise** and investment calculation linked to the IT return of the previous year.
4. **Champions Control Room** across the country have been made legally responsible for facilitating entrepreneurs in registration and thereafter.

The definition of micro, small and medium enterprises is as under:

(i) A **micro enterprise** is an enterprise where the investment in plant and machinery or equipment does not exceed ₹1 crore and turnover does not exceed ₹5 crore;
(ii) A **small enterprise** is an enterprise where the investment in plant and machinery or equipment does not exceed ₹10 crore and turnover does not exceed ₹50 crore; and
(iii) A **medium enterprise** is an enterprise where the investment in plant and machinery or equipment does not exceed ₹50 crore and turnover does not exceed ₹250 crore.

- **Bank's lending** to the Micro, Small and Medium enterprises as under is eligible to be reckoned for **priority sector advances**.
- A **sub-target of 7.5% of Adjusted Net Bank Credit (ANBC)** or Credit Equivalent of Off-Balance Sheet Exposure (CEOBE), whichever is higher, towards lending to the Micro-enterprises under overall Priority Sector Lending has been prescribed for **Domestic commercial banks, Foreign banks with 20 branches and above, Regional Rural Banks and Small Finance Banks**.
- The Ministry of MSME, Government of India and SIDBI set up the **Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)** with a view to facilitate flow of credit to the MSE sector without the need for collaterals / third party guarantees.
    - The **main objective** of the scheme is that the lender should give importance to project viability and **secure the credit facility** purely on the primary security of the assets financed.
    - The Credit Guarantee scheme (CGS) seeks to reassure the lender that, in the event of a MSE unit, which availed collateral - free credit facilities, failing to discharge its liabilities to the lender, the Guarantee Trust would make good the loss incurred by the lender, as per the scheme.

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2. Inflation targeting

What is inflation targeting?

- It is a central banking policy that revolves around adjusting monetary policy to achieve a specified annual rate of inflation.
- The principle of inflation targeting is based on the belief that long-term economic growth is best achieved by maintaining price stability, and price stability is achieved by controlling inflation.

Inflation Targeting Framework:
Now there is a flexible inflation targeting framework in India (after **the 2016 amendment to the Reserve Bank of India (RBI) Act, 1934).**

The RBI, which is India's central bank charged with the mandate to maintain stable prices in the country, also chooses to **"target" retail inflation** instead of wholesale inflation.

Who sets the inflation target in India?
The amended RBI Act provides for the inflation target to be set by the Government of India, in consultation with the Reserve Bank, **once every five years.**

Current Inflation Target:
The Central Government in consultation with RBI has retained **4 per cent Consumer Price Index (CPI) inflation** as the target for the 5-year period April 1, 2021 to March 31, 2026, with the upper tolerance limit of 6 per cent and the lower tolerance limit of 2 per cent.

3. Sovereign right to taxation

The Indian government withdrew **the retrospective taxation amendment** in the I-T Act introduced in March 2012.

A **retrospective tax** is a tax imposed on a transaction or deal that was conducted in the past. It was **introduced in a 2012 amendment to the Finance Act**, which enabled imposition of retrospective tax on deals executed after 1962 involving transfer of shares in a foreign entity which had assets in India.

What does 'sovereignty' mean?
An act of sovereign power is one which cannot be prevented or annulled by any other power recognised by the constitution of the state.

What is the 'sovereign right to taxation' in India?
The Indian Constitution gives **the government the right to levy taxes on individuals and organisations, but makes it clear that no one has the right to levy or charge taxes except by the authority of law.** Any tax being charged has to be backed by a law passed by the legislature or Parliament.

4. First Advance Estimates (FAE) of GDP

- **The Ministry of Statistics and Programme Implementation (MoSPI) released the First Advance Estimates (FAE) for the financial year 2021-22 or FY22.**
- The FAE, which were first introduced in 2016-17, are typically published at the end of the first week of January. They are the **"first" official estimates of how GDP is expected to grow in that financial year.** But they are also the "advance" estimates because they are published long before the financial year (April to March) is over.
- Even though the FAE are published soon after the end of the third quarter (October, November, December), they do not include the formal Q3 GDP data, which is published at the end of February as part of the Second Advance Estimates (SAE).
- The main significance of FAE is that they are the GDP estimates that the **Union Finance Ministry uses to decide the next financial year's budget allocations.**

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5. GDP and GVA

- **The National Statistical Office (NSO) releases the quarter gross value added (GVA) and gross domestic product (GDP) numbers.**
- India's Gross Domestic Product (GDP) —measures economic activity from the demand side by looking at the expenditures made by different sections of the society.

The GDP is essentially the sum total of
* All the money that Indians spend as private individuals spend,
* All the money that the government spends
* All the money that businesses spend (or invest)
* The net effect of exports (what foreigners spend on our goods) and imports (what Indians spend on foreign goods).

- **India's Gross Value Added (GVA) measures economic activity from the supply side by looking at the value added by different sectors of the economy.**

While GDP is the preferred variable for measuring growth, the fact is that GDP is "derived" by taking the GVA data and adding the taxes earned by the government on different products and then subtracting all the subsidies given by the government on products.
GDP = (GVA) + (Taxes earned by the government) — (Subsidies provided by the government)

- GVA tells us about the overall health of the economy, it also tells us which sectors are struggling and which are leading the recovery.
- Lower GVA levels would imply lower incomes for those employed in these sectors as well as lower employment opportunities in them.

- **Gross fixed capital formation (GFCF)** is a component of the expenditure on gross domestic product (GDP), and thus **shows something about how much of the new value added in the economy is invested rather than consumed.**

6. Capital account convertibility

- The balance of payments (BOP) transactions are broadly divided into two heads – current account and capital account.
- The current account covers exports and imports of goods and services, factor income and unilateral transfers.
- The **capital account records the net change in foreign assets and liabilities held by a country**.
- **Convertibility refers to the ability to convert domestic currency into foreign currencies and vice versa** to make payments for balance of payments transactions.
- Current account convertibility is the ability or freedom to convert domestic currency for current account transactions while **capital account convertibility is the ability or freedom to convert domestic currency for capital account transactions.**
- The **Tarapore Committee** (2006) defined capital account convertibility as the "freedom to convert local financial assets into foreign financial assets and vice versa."
- The degree of BOP convertibility of a country usually **depends on the level of its economic development and degree of maturity of its financial markets**. Therefore, advanced economies (AEs) are almost fully convertible while emerging market economies (EMEs) are convertible to different degrees.
- **India has come a long way in liberating the capital account transactions** in the last three decades and **currently has partial capital account convertibility**.
- Some of the **recent moves** include:
    - **increasing the foreign portfolio investment limits** in the Indian debt markets,

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- introducing the **Fully Accessible Route (FAR)** — through which non-residents can invest in specified government securities without any restrictions and the
- **easing of the external commercial borrowing framework** by relaxing end-user restrictions.
- **Inward FDI** is allowed in most sectors, and **outbound FDI** by Indian incorporated entities is allowed as a multiple of their net worth

Why is capital account convertibility important?

- **Free capital mobility, or internationalization of capital markets**, is commonly recognized as an engine of global growth.
- Broadening the investor base for recipient country financial assets, improved liquidity in financial markets and positive pressures for market infrastructure and market practices.
- International capital markets, by enabling access to a global savings pool and to different currencies, can potentially **reduce borrowing costs, facilitate better risk allocation and enhance global liquidity**

7. India's public debt

As per Moody's Investors Service, **India's public debt level is among the highest in emerging economies**, while its **debt affordability is among the weakest.**

What is Public Debt?

Public debt is **the total amount borrowed by the government of a country.**
In the Indian context, public debt **includes the total liabilities of the Union government that have to be paid from the Consolidated Fund of India. It excludes liabilities contracted against Public Account.**

Sources of Public Debt:

1. Dated government securities or G-secs
2. Treasury Bills or T-bills
3. External Assistance
4. Short term borrowings

Public Debt definition by Union Government

The Union government describes those of its liabilities as public debt, which are contracted against the Consolidated Fund of India. This is as per **Article 292 of the Constitution.**

Types:

It is further classified into **internal & external debt.**
Internal debt is categorised into **marketable and non-marketable securities.**

- Marketable government securities include G-secs and T-Bills issued through auction.
- Non-marketable securities include intermediate treasury bills issued to state governments, special securities issued to national Small Savings Fund among others.

What is Debt-to-GDP ratio?

The **debt-to-GDP ratio indicates how likely the country can pay off its debt**. Investors often look at the debt-to-GDP metric to assess the government's ability of finance its debt. Higher debt-to-GDP ratios have fuelled economic crises worldwide.

Is there an acceptable level of debt-to-GDP?

The **NK Singh Committee on FRBM** had envisaged a debt-to-GDP ratio of 40 per cent for the central government and 20 per cent for states aiming for a total of 60 per cent general government debt-to-GDP.

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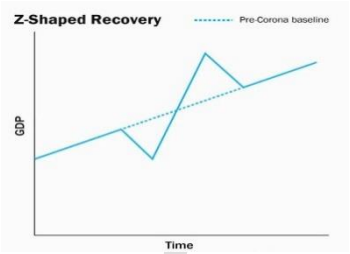
8. K-shaped economic recovery

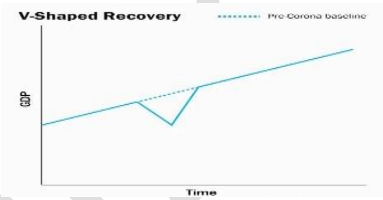
A K-shaped recovery happens when **different sections of an economy recover at starkly different rates.**

What are the other shapes of economic recovery?

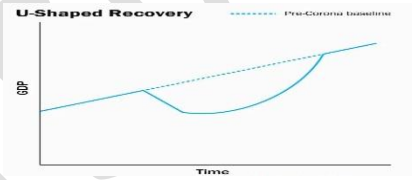
1. **The Z-shaped recovery** is the most-optimistic scenario in which the economy quickly rises like a phoenix after a crash. It more than makes up for lost ground (think revenge-buying after the lockdowns are lifted) before settling back to the normal trend-line, thus forming a Z-shaped chart.



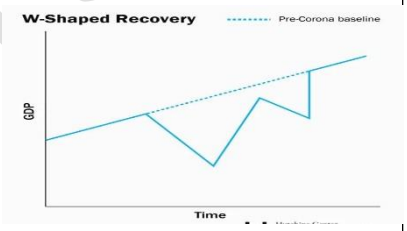
2. **In V-shaped recovery** the economy quickly recoups lost ground and gets back to the normal growth trend-line.



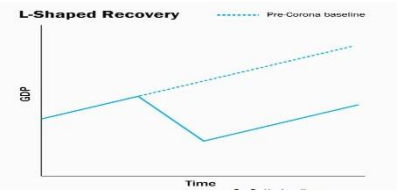
3. **A U-shaped recovery** is a scenario in which the economy, after falling, struggles and muddles around a low growth rate for some time, before rising gradually to usual levels.



4. **A W-shaped recovery** is a dangerous creature — growth falls and rises, but falls again before recovering yet again, thus forming a W-like chart.



5. **The L-shaped recovery** is the worst-case scenario, in which growth after falling, stagnates at low levels and does not recover for a long, long time.



6. **The J-shaped recovery** is a somewhat unrealistic scenario, in which growth rises sharply from the lows much higher than the trend-line and stays there.

9. Limited Liability Partnership (LLP)

A **Limited Liability Partnership (LLP)** is a partnership in which some or all partners have limited liability. It therefore exhibits elements of partnerships and corporations.

- In an LLP, **one partner is not responsible or liable for another partner's misconduct or negligence.**

Salient features of an LLP:

- A LLP is a body corporate and legal entity separate from its partners. It has perpetual succession.

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- Being the separate legislation (i.e. LLP Act, 2008), the provisions of Indian Partnership Act, 1932 are not applicable to an LLP and it is regulated by the contractual agreement between the partners.
- Every Limited Liability Partnership shall use the words "Limited Liability Partnership" or its acronym "LLP" as the last words of its name.

Composition:
Every LLP shall have at least two designated partners being individuals, at least one of them being resident in India and all the partners shall be the agent of the Limited Liability Partnership but not of other partners.

Need for and significance LLP:
- **LLP format is an alternative corporate business vehicle** that provides the benefits of limited liability of a company but allows its members the flexibility of organizing their internal management on the basis of a mutually arrived agreement, as is the case in a partnership firm.
- This format would be quite useful for small and medium enterprises in general and for the enterprises in services sector in particular.
- **Internationally, LLPs are the preferred vehicle of business particularly for service industry** or for activities involving professionals.

10. Unemployment Rate and Labour Force

- Unemployment refers to a situation when a person who is **actively searching** for employment is **unable to find work**.
- **The Unemployment Rate (or UER) is the percentage of people in the labour force who demanded work but did not get it.**
- Under normal circumstances, the UER is a perfectly fine metric to track unemployment but in India's case, and especially over the past decade, **UER is becoming ineffective in accurately assessing the true level of unemployment distress**. That's because the labour force itself has been shrinking rapidly.
- **The labour force includes those who are employed and those who are looking for work but unable to get it** (i.e. unemployed).
- So, what has been happening over the past decade is that the **Labour Force Participation Rate in India has been falling.** As such, **often when it appears that UER has fallen, it is not because more jobs have been created but because fewer people have demanded jobs** (in other words, the LFPR has fallen).
- Since millions do not formally "demand" work, there is an undercounting of unemployed people in India. This is why UER fails to adequately capture the unemployment distress in India.

- India's unemployment rate went up to **7.91 per cent in December 2021** from **6.3 per cent in 2018-2019** and 4.7 per cent in **2017-18**.
- Unemployment is **more in the urban areas** as compared to the rural areas.
- Unemployment among **women is higher** than men, both in urban as well as rural areas.

Periodic Labour Force Survey (PLFS):
National Statistical Office (NSO) launched Periodic Labour Force Survey (PLFS) on April 2017.

On the basis of PLFS, Quarterly Bulletins are brought out, corresponding to different quarters of the survey period, giving estimates of labour force indicators, viz., **Labour Force Participation Rate (LFPR), Worker Population Ratio (WPR), Unemployment Rate (UR), distribution of workers by broad status in employment and industry of work in the Current Weekly Status (CWS) for the urban areas**

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11. Special Economic Zones (SEZs)

The government has proposed to free up unused built-up area worth about ₹30,000 crore and idle land inside **Special Economic Zones (SEZs)** for other economic activity.

What are SEZs?

- Special Economic Zones (SEZs) are **geographically delineated 'enclaves'** in which regulations and practices related to business and trade differ from the rest of the country and therefore all the units therein enjoy special privileges.
- The basic idea of SEZs is that, while it might be very difficult to dramatically improve infrastructure and business environment of the overall economy 'overnight', **SEZs can be built in a much shorter time, and they can work as efficient enclaves to solve these problems.**

Objectives of the SEZ Act:

1. To create additional economic activity.
2. To boost the export of goods and services.
3. To generate employment.
4. To boost domestic and foreign investments.
5. To develop infrastructure facilities.

Facilities and incentives for SEZs:

1. Duty-free import/domestic procurement of goods for development, operation and maintenance of SEZ units.
2. 100% Income tax exemption on export income for SEZ units under the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years. (Sunset Clause for Units are effective from 01.04.2020)
3. Exemption from Minimum Alternate Tax (MAT). (withdrawn w.e.f. 1.4.2012)
4. Exemption from Central Sales Tax, Exemption from Service Tax and Exemption from State sales tax. These have now subsumed into GST and supplies to SEZs are zero rated under IGST Act, 2017.
5. Other levies as imposed by the respective State Governments.
6. Single window clearance for Central and State level approvals.

12. Purified drinking water supply via tankers taxable

Authority for Advance Ruling (AAR) has ruled that **supply of drinking water to the public through mobile tankers or dispensers by a charitable organisation** is taxable at 18% under the GST.

About Advance Ruling and AAR:

- Advance ruling means **the determination of a question of law or fact specified in the application in relation to tax liability of an applicant** arising out of transactions which have been undertaken or proposed to be undertaken.
- **Composition:** The Authority for Advance Rulings consists of a Chairman who is a retired Judge of the Supreme court and two members of the rank of Additional Secretary to the Government of India, one each from the Indian Revenue Service and the Indian Legal Service.

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Banking Sector / Financial Sector

1. Domestic Systemically Important Banks (D-SIBs)

Reserve Bank of India has released its list of **Domestic Systemically Important Banks (D-SIBs)** in 2021.

- It has identified the state-owned lender **State Bank Of India** and the private lenders **ICICI Bank** and **HDFC Bank** as systemically important banks, which are perceived as banks, 'too big to fail'.

What are D-SIBs?

The system of D-SIBs was adopted in the aftermath of the 2008 financial crisis.

- D-SIBs are important for the country's economy. In events of distress, the government supports such banks and if such a bank fails, it would lead to disruption of the country's overall economy.
- **RBI finalizes such banks after considering factors like size, complexity, lack of substitutability and interconnectedness of the banks.**

How are D-SIBs determined?

Since 2015, the RBI has been releasing the list of all D-SIBs. They are classified into five buckets, according to their importance to the national economy.

- In order to be listed as a D-SIB, a bank needs to have assets that exceed 2 percent of the national GDP. The banks are then further classified on the level of their importance across the five buckets.

What regulations do these banks need to follow?

Due to their economic and national importance, the banks need to maintain a higher share of risk-weighted assets as tier-I equity. SBI, since it is placed in bucket three of D-SIBs, has to maintain **Additional Common Equity Tier 1 (CET1)** at 0.60 percent of its **Risk-Weighted Assets (RWAs)**.

2. Domestic Systemically Important Insurers (D-SIIs)

- The **Life Insurance Corporation of India (LIC), General Insurance Corporation of India and The New India Assurance Co** have been identified as Domestic Systemically Important Insurers (D-SIIs) for 2020-21 by insurance regulator IRDAI.
- The D-SIIs will also be subjected to **enhanced regulatory supervision**.
- D-SIIs refer to insurers of such size, market importance and domestic and global inter connectedness whose distress or failure would cause a significant dislocation in the domestic financial system.
- D-SIIs are perceived as insurers that are **'too big or too important to fail'.**

3. Airtel payments bank is now a scheduled bank

The Reserve Bank of India (RBI) has announced the inclusion of **Airtel Payments Bank Ltd. in the Second Schedule to the Reserve Bank of India Act, 1934.**

Implications:

- With this, the bank can now pitch for government-issued Requests for Proposals (RFP) and primary auctions and undertake both Central and State Government business.

What is a Schedule Bank?

- Scheduled Banks in India refer to those banks which have been included in **the Second Schedule of Reserve Bank of India Act, 1934.**

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- **Every Scheduled bank enjoys two types of principal facilities:** It becomes eligible for debts/loans at the bank rate from the RBI; and, it automatically acquires the membership of clearing house.

What are Payments bank?
Payment banks were established to promote financial inclusion by offering; 'modest **savings accounts** and **payments/remittance services** to migratory labour workforce, low-income households, small enterprises, other unorganised sector entities, and other users.'

- They were created on recommendations of RBI's **Committee on Comprehensive Financial Services for Small Businesses and Low Income Households** headed by **Nachiket Mor** in **2013**.
- It is registered under **Companies Act, 2013** and licensed under **Banking Regulation Act, 1949.**
- These banks can accept a restricted deposit, which is now capped at Rs 200,000 per person but could be raised in the future.
- These banks are **unable to provide loans or credit cards**. Banks of this type can handle both **current and savings accounts.**
- Payments banks **can provide ATM and debit cards, as well as online and mobile banking.**
- It has to maintain **Cash Reserve Ratio (CRR)** with RBI and invest in eligible government securities/ treasury bills under **Statutory Liquid Ratio (SLR).**

4. Bad bank

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

What is NARCL?

- Setting up of NARCL, **the bad bank for taking over stressed assets of lenders,** was announced in the Budget for 2021-22.
- The plan is to create a bad bank to house bad loans of ₹500 crore and above, in a structure that will contain **an asset reconstruction company (ARC) and an asset management company (AMC)** to manage and recover dud assets.
- The new entity is being created in collaboration with both public and private sector banks.
    - **Majority-owned by state-owned banks,** the NARCL will be assisted by the India Debt Resolution Company Ltd (IDRCL), in turn majority-owned by private banks, in resolution process in the form of a Principal-Agent basis.

How is NARCL different from existing ARCs? How can it operate differently?

1. **The bad bank will have a public sector character** since the idea is mooted by the government and majority ownership is likely to rest with state-owned banks.
2. At present, **ARCs typically seek a steep discount on loans.** With the bad bank being set up, the valuation issue is unlikely to come up since this is a government initiative.
3. The government-backed ARC will have deep pockets to buy out big accounts and thus free up banks from carrying these accounts on their books.

What is an Asset Reconstruction Company (ARC)?
It is a specialized financial institution that buys the Non-Performing Assets (NPAs) from banks and financial institutions so that they can clean up their balance sheets. This helps banks to concentrate on normal banking activities.

- The asset reconstruction companies or ARCs are **registered under the RBI.**

Legal Basis:
The **Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002** provides the legal basis for the setting up of ARCs in India.

Capital Needs for ARCs:

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- As per amendment made in the SARFAESI Act in 2016, **an ARC should have a minimum net owned fund of Rs. 2 crores.** The RBI raised this amount to Rs. 100 crores in 2017.
- The ARCs also have to maintain a capital adequacy ratio of 15% of its risk weighted assets.

5. RBI approves small, offline e-payments

The Reserve Bank of India (RBI) has come out with **the framework for facilitating small-value digital payments in offline mode,** a move that would promote digital payments in semi-urban and rural areas.

What are Offline E-payments?

- Offline digital payment **does not require Internet or telecom connectivity**.
- Such payments can be carried out face-to-face (proximity mode) using any channel or instrument like cards, wallets and mobile devices.
- Such transactions would not require an Additional Factor of Authentication.
- Since the transactions are offline, alerts (by way of SMS and/or e-mail) will be received by the customer after a time lag.
- There is **a limit of ₹200 per transaction and an overall limit of ₹2,000 until the balance in the account is replenished.**
- Authorised payment system operators (PSOs) and payment system participants (PSPs) — banks as well as non-banks —which wish to offer payments in the offline mode will have to comply with the requirements under the framework.

6. EXIM Bank

- Established under **Export-Import Bank of India Act (1981).**
- It is a **wholly owned Govt. of India entity.**
- It **extends line of credit (LOC) to overseas financial institutions**, regional development banks, sovereign governments and overseas entities, to enable buyers in those countries to import developmental and infrastructure projects, equipment, goods and services from India, on deferred credit terms.

7. Central bank digital currency (CBDC)

- Government has received a proposal from Reserve Bank of India (RBI) in October, 2021 for amendment to the **Reserve Bank of India Act, 1934** to enhance the scope of the definition of 'bank note' to include currency in digital form.
- **CBDC is a legal tender issued by a central bank in a digital form** which can be transacted using wallets backed by blockchain and is regulated by the central bank.
- It is **similar to a fiat currency issued in paper and is interchangeable with any other fiat currency**.
- The RBI is expected to launch the CBDC from the upcoming financial year. This follows the government's plans to launch the CBDC that will be backed by **blockchain technology.**
- CBDCs enable the user to conduct **both domestic and cross border transactions** which do not require a third party or a bank.
- Introduction of CBDC has the potential to provide **significant benefits**, such as reduced dependency on cash, higher seigniorage due to lower transaction costs, reduced settlement risk.

8. Negative yield bonds

These are **debt instruments that offer to pay the investor a maturity amount lower than the purchase price of the bond.**

- Can be issued by central banks or governments.
- Here, **investors pay interest to the borrower to keep their money with them.**

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Then, why do Investors buy such bonds?

- Such instruments are usually in demand during times of stress and uncertainty. This is to protect their capital from significant erosion.
- From currency fluctuations to deflation, there are scenarios in which purchasers of negative-yield bonds can come out ahead.

Relationship between Bond Price and Yield:

A bond's **price moves inversely with its yield or interest rate;** the higher the price of a bond, the lower the yield.

The reason for the inverse relationship between price and yield is due, in part, to **bonds being fixed-rate investments.**

1. Investors might sell their bonds if it's expected that interest rates will rise in the coming months and opt for the higher-rate bonds later on.
2. Conversely, bond investors might buy bonds, driving the prices higher, if they believe interest rates will fall in the future because existing fixed-rate bonds will have a higher rate or yield.

9. Merchant discount rate (MDR)

The Government will reimburse transaction charges levied on digital payments made by persons through the RuPay Debit Card and BHIM UPI to the merchant as part of the **merchant discount rate (MDR).**

What is MDR?

- MDR (Merchant Discount Rate) is basically a fee that a merchant is charged by their issuing bank for accepting payments from their customers via credit and debit cards.
- In Budget 2020-21, the government prescribed **zero Merchant Discount Rate (MDR),** the rate merchants pay to scheme providers, for RuPay and UPI, both NPCI products, to popularise digital payments benefiting both customers and merchants.

10. Co-Lending Model- Bank-NBFC co-lending

In September 2018, the RBI had permitted the banks to co-lend with all registered NBFCs (including HFCs) to increase lending to the priority sector based on a prior agreement.

- Following this, several banks have entered into co-lending 'master agreements' with NBFCs, and more are in the pipeline.
- Under the CLM, **NBFCs are required to retain at least a 20 per cent share of individual loans on their books.** This means 80 per cent of the risk will be with the banks — who will take the big hit in case of a default.

What is the Co-Lending Model?

Co-Lending Model allows for a joint contribution of credit at the facility level by both the lenders, as also sharing of risks and rewards.

- AIM: to improve the flow of credit to the unserved and underserved sector of the economy.

Significance of the model:

- The lower cost of funds from banks and greater reach of the NBFCs will make available funds to the beneficiary at an affordable cost.
- It will help banks to expand customer base and enables them to provide last mile banking services.

11. RBI issues revised PCA framework for banks

- The revised PCA framework is effective from January 1, 2022.
- **Capital, asset quality and leverage will be the key areas for monitoring.**
- Indicators to be tracked for capital, asset quality and leverage would be CRAR/Common Equity Tier I Ratio, Net NPA Ratio and Tier I Leverage Ratio, respectively.

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What is Prompt Corrective Action (PCA)?

- PCA is a framework under which banks with weak financial metrics are put under watch by the RBI.
- **The RBI introduced the PCA framework in 2002** as a structured early-intervention mechanism for banks that become undercapitalised due to poor asset quality, or vulnerable due to loss of profitability.
- It aims to **check the problem of Non-Performing Assets (NPAs)** in the Indian banking sector.
- The framework was reviewed in 2017 based on the recommendations of the working group of the Financial Stability and Development Council on Resolution Regimes for Financial Institutions in India and the Financial Sector Legislative Reforms Commission.

What are the types of restrictions?

- **There are two types of restrictions,** mandatory and discretionary.
- Restrictions on dividend, branch expansion, directors compensation, are mandatory while discretionary restrictions could include curbs on lending and deposit.

Non-Performing Asset:

- It is a loan or advance for which the **principal or interest payment remains overdue for a period of 90 days.**
- Banks are required to **classify NPAs further into Substandard, Doubtful and Loss assets.**
- **Substandard assets:** Assets which have remained NPA for a period less than or equal to 12 months.
- **Doubtful assets**: Assets which have remained in the substandard category for a period of 12 months
- **Loss assets**: It is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted, although there may be some salvage or recovery value.

Leverage ratio: It shows how much a lender has stretched itself in borrowing funds to generate income. The more the leverage,
the riskier the turf on which the lender stands.

What will a bank do if PCA is triggered?

- Banks are not allowed to renew or access costly deposits or take steps to increase their fee-based income.
- Banks will also have to launch a special drive to reduce the stock of NPAs and contain generation of fresh NPAs.
- They will also not be allowed to enter into new lines of business. RBI will also impose restrictions on the bank on borrowings from the interbank market.

12. RBI introduces prompt corrective action framework for NBFCs

The **Reserve Bank of India (RBI)** has introduced **the prompt corrective action (PCA) framework for non-banking financial companies (NBFCs).**

- The PCA framework for NBFCs will come into effect on October 1,2022 on the basis of their financial position on or after March 31.

What is PCA framework?

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The objective of the framework is to enable **supervisory intervention** at the appropriate time and require the supervised entity to initiate and implement remedial measures in a timely manner, to restore its financial health

Applicability:

- The framework will be applicable to **all deposit-taking non-banking financial companies (NBFCs), all non-deposit taking NBFCs** in the middle, upper and top layers including investment and credit companies, **core investment companies, infrastructure debt funds, infrastructure finance companies and microfinance institutions.**
- However, it has excluded NBFCs not accepting/not intending to accept public funds, primary dealers and housing finance companies along with government-owned ones.

Indicators based on which PCA will be invoked for NBFC:

The central bank will track three indicators — **capital to risk-weighted assets ratio (CRAR),** Tier I ratio and net non-performing assets (NNPAs) including non-performing investments (NPIs).

- In the case of **core investment companies (CICs),** the RBI will track adjusted net worth/aggregate risk-weighted assets, leverage ratio and NNPAs, including NPIs.
- A breach in any of the three risk thresholds under the above-mentioned indicators could result in invocation of PCA.

What will happen once the PCA is invoked for an NBFC?

- Based on the risk threshold, the RBI may prescribe **mandatory corrective** actions such as restriction on dividend distribution/remittance of profits, requiring promoters /shareholders to infuse equity and reducing leverage.
- The RBI can also **restrict the issuance of guarantees** or take other contingent liabilities on behalf of group companies (only for CICs).
- Further, the central bank may also r**estrict branch expansion, impose curbs on capital expenditure** other than for technological up-gradation within board-approved limits and restrict/ directly reduce variable operating costs.

13. Board for Financial Supervision

- Indian Overseas Bank (IOB) was taken out of Prompt Corrective Action (PCA) restriction. **The performance of the Indian Overseas Bank was reviewed by the Board for Financial Supervision.**
- The **Reserve Bank of India performs the supervisory function under the guidance of the Board for Financial Supervision (BFS).**
- The Board was constituted in November 1994 as a committee of the Central Board of Directors of the Reserve Bank of India under the Reserve Bank of India (Board for Financial Supervision) Regulations, 1994.
- The primary objective of BFS is to undertake consolidated **supervision of the financial sector** comprising **Scheduled Commercial and Co-operative Banks**, All India Financial Institutions, Local Area Banks, **Small Finance Banks, Payments Banks**, Credit Information Companies, Non-Banking Finance Companies and Primary Dealers.
- The Board is constituted by co-opting four Directors from the Central Board as Members and is **chaired by the Governor**. The Deputy Governors of the Reserve Bank are ex-officio members. One Deputy Governor, traditionally, the Deputy Governor in charge of supervision, is nominated as the Vice-Chairman of the Board.

14. What is tokenisation and why has RBI issued new guidelines?

The Reserve Bank of India has extended the implementation date of **card-on-file (CoF) tokenisation norms** by six months to June 30, 2022.

- As per new guidelines, online players will have to delete any credit and debit card data stored on their platforms and replace them with token to secure card details of consumers.

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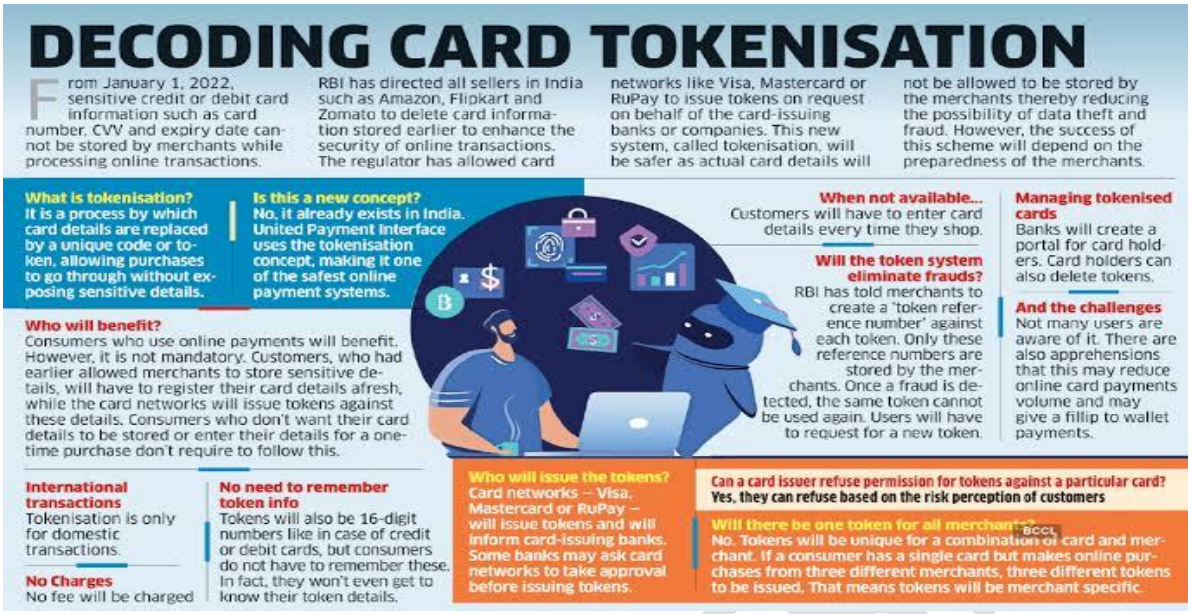
What is tokenisation?

Tokenisation refers to **replacement of actual credit and debit card details with an alternate code called the "token",** which will be unique for a combination of card, token requestor and device.

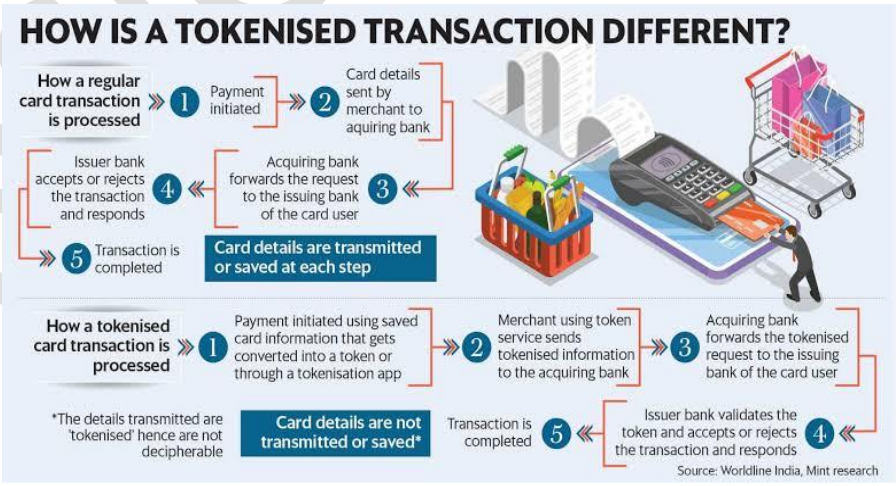


Opting out of tokenisation would mean a customer would need to manually key in their card details each time they completed an online purchase.

Significance:

- A tokenised card transaction is considered safer as the actual card details are not shared with the merchant during transaction processing.
- Customers who do not have the tokenisation facility will have to key in their name, 16-digit card number, expiry date and CVV each time they order something online. This could be cumbersome exercise.

Three steps have to be completed for smooth implementation of tokenization:



1. **Token provisioning:** the consumer's card number should be convertible into a token, which means the card networks have to be ready with the relevant infrastructure.
2. **Token processing:** Consumers should be able to complete their transaction successfully through the tokens.
3. **Scale-up for multiple use cases:** Consumer should be able to use the token for things like refunds, EMIs, recurring payments, offers, promotions, guest checkouts etc.

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15. New RBI initiatives

Prime Minister Narendra Modi has launched two customer-centric initiatives of the Reserve Bank of India (RBI):

1. The RBI Retail Direct Scheme.
2. The Reserve Bank-Integrated Ombudsman Scheme.

The two schemes will expand the scope of investment in the country and make access to capital markets easier and more secure for investors.

What is the RBI Retail Direct Scheme?

The Scheme is aimed at **enhancing access to the government securities market for retail investors.**

- It offers them **a new avenue for directly investing in the securities** issued by the Centre and the state governments.
- Investors will be able to easily open and maintain their government securities account online with the RBI, **free of cost.**
- **Non-Resident retail investors** eligible to invest in Government Securities under Foreign Exchange Management Act, 1999 are **also eligible** under the scheme.
- The scheme offers a portal avenue to **invest in central government securities, treasury bills, state development loans and Sovereign Gold Bonds (SGBs).**
- The scheme places India in **a list of select few countries offering such a facility.**

Can't retail investors already invest in g-secs? (Background)

- Small investors can invest indirectly in g-secs by **buying mutual funds** or through certain policies issued by life insurance firms.
- Retail investors are allowed to **place non-competitive bids** in auctions of government bonds through their demat accounts.
- The **g-sec market is dominated by institutional investors** such as banks, mutual funds, and insurance companies.
- So, there is no liquidity in the secondary market for small investors who would want to trade in smaller lot sizes.
- **Thus, currently, direct g-secs trading is not popular among retail investors.**

What is the Reserve Bank-Integrated Ombudsman Scheme?

- It is aimed at further improving the grievance redress mechanism for resolving customer complaints against entities regulated by the central bank.
- The central theme of the scheme is based on **'One Nation-One Ombudsman'** with one portal, one email and one address for the customers to lodge their complaints.
- The RBI has decided **to integrate the three ombudsman schemes into one** and also simplified the scheme by covering all complaints.
- **RB-IOS will do away with the jurisdictional limitations as well as limited grounds for complaints.** RBI will provide a single reference point for the customers to submit documents, track status of complaints filed and provide feedback.

Retail Investors: is a non-professional investor who buys and sells securities or funds that contain a basket of securities such as mutual funds and exchange traded funds (ETFs).

Primary Dealers: A primary dealer is a bank or other financial institution that has been approved to trade securities with a national government.

Gilt Account: An account opened and maintained for holding Government securities, by an entity or a person including 'a person resident outside India'.

Government securities: These are debt instruments issued by the government to borrow money.
The two key categories are **treasury bills** – short-term instruments which mature in 91 days, 182 days, or 364 days, and **dated securities** – long-term instruments, which mature anywhere between 5 years and 40 years.

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Please note that:
The central bank's alternate grievance redress mechanism currently comprises three ombudsman schemes— the Banking Ombudsman Scheme (BOS), launched in 1995, the Ombudsman Scheme for Non-Banking Financial Companies (OS-NBFC), 2018 and the Ombudsman Scheme for Digital Transactions (OSDT), 2019.

16. Deposit Insurance

- Deposit insurance is **providing insurance protection to the depositor's money** by receiving a premium.
- The government has set up **Deposit Insurance and Credit Guarantee Corporation (DICGC)** under RBI to protect depositors if a bank fails.
- **DICGC is wholly-owned subsidiary of RBI.**
- **DICGC last revised the deposit insurance cover to ₹5 lakh** in Feb, 2020, raising it from ₹ 1 lakh since 1993.

Deposit Insurance- Coverage:

- Deposit insurance **covers all deposits such as savings, fixed, current, recurring deposits, etc. in all commercial banks, functioning in India.**
- Deposits in State, Central and Primary cooperative banks, functioning in States/Union Territories are also covered.

What is the procedure for depositors to claim the money from a failed bank?

- The DICGC does not deal directly with depositors.
- The RBI (or the Registrar), on directing that a bank be liquidated, appoints an official liquidator to oversee the winding up process.
- Under the DICGC Act, the liquidator is supposed to hand over a list of all the insured depositors (with their dues) to the DICGC within three months of taking charge.
- The DICGC is supposed to pay these dues within two months of receiving this list.

The DICGC does not include the following types of deposits:

1. Deposits of foreign governments.
2. Deposits of central/state governments.
3. Inter-bank deposits.
4. Deposits of the state land development banks with the state co-operative bank.
5. Any amount due on account of any deposit received outside India.
6. Any amount specifically exempted by the DICGC with previous approval of RBI.

17. Neo-banks

- **Neo-banks are online-only financial technology (fint ech) compan ies** that **operate solely digitally or via mobile apps**. Simply put, neo-banks are digital banks without any physical branches.
- They leveraging technology and artificial intelligence (AI) to offer a range of personalised services to customers.
- Right from customer acquisition to traditional banking services such as remittances, money

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transfers, utility payments and personal finance, neo-banks offer a wide range of offerings to customers across retail and small-to-medium enterprise (SME) categories.

- They tailor their products and services in a manner that makes banking simpler and convenient to the end consumers.
- The term 'Neo-bank' started gaining prominence globally in 2017 as they emerged as a new challenger to the traditional banks in terms of customer engagement, connectivity and reach, and most importantly, the user experience. That is why neobanks are also called **'challenger banks'.**
- There are around a dozen neo-banks in India including Razorpay X, EpiFi, Open, NiYo, Jupiter among others.

18. G-SAP: Securities acquisition plan for market boost

The **Reserve Bank of India (RBI)** halted its bond buying under the G-Sec Acquisition Programme (GSAP).
The G-Sec Acquisition Programme (G-SAP) is basically an unconditional and a structured **Open Market Operation (OMO),** of a much larger scale and size.

- RBI has called the G-SAP as an OMO with a 'distinct character'.
- The word **'unconditional'** here connotes that RBI has committed upfront that it will buy G-Secs irrespective of the market sentiment.

Why was G-SAP required

Estimates of Bank of America Merrill Lynch

Centre's fiscal deficit	**7.5%** of GDP
1. Borrowing (a+b) (in ₹ crore)	17,60,900
a. Center	11,34,400
b. States	6,26,500
2. Total demand (c+d) (in ₹ billion)	12,58,900
c. Bank demand (net)	6,45,700
d. Others	6,13,200
3. RBI liquidity needed to balance G-Sec mkt (1-2) (in ₹ billion)	5,02,000
RBI OMO (@₹73.25/USD for FY22)	2,52,000
G-SAP	2,50,000

Source: RBI, FinMin, Bloomberg, CEIC

Objective:
To achieve a stable and orderly evolution of the yield curve along with management of liquidity in the economy.

Significance:

- The GSAP would provide more comfort to the bond market. As the borrowing of the Government increased, RBI has to ensure there is no disruption in the Indian market.
- The programme will help to reduce the spread between repo rate and the ten-year government **bond yield**.
- The G-SAP will almost serve the purpose of an OMO calendar, which had been on the bond market's wish list for a long time.

What is OMO?
Open market operations is the sale and purchase of government securities and treasury bills by RBI or the central bank of the country.
The objective of OMO is to regulate the money supply in the economy.

- It is one of **the quantitative monetary policy tools.**

How is it done?
RBI carries out the OMO through commercial banks and **does not directly deal with the public.**

OMOs vs liquidity:

- When the central bank wants to infuse liquidity into the monetary system, it will buy government securities in the open market. This way it provides commercial banks with liquidity.
- In contrast, when it sells securities, it curbs liquidity. Thus, the central bank indirectly controls the money supply and influences short-term interest rates.

RBI employs two kinds of OMOs:

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Outright Purchase (PEMO) – this is permanent and involves the outright selling or buying of government securities.
Repurchase Agreement (REPO) – this is short-term and are subject to repurchase.

19. Overseas settlement of G-sec deals on anvil

- **The Reserve Bank of India (RBI) is planning to enable international settlement of transactions in government securities (G-secs) through International Central Securities Depositories (ICSDs).**
- This proposal would expand the investor base for the G-secs market
- Once operationalised, this will enhance access of non-residents to the G-secs market, as will the inclusion of Indian G-secs in global bond indices

What is a G-sec?
Government security applies to a range of investment products offered by a governmental body. Government securities come with a promise of the full repayment of invested principal at maturity of the security. Some government securities may also pay periodic coupon or interest payments. These securities are considered conservative investments with a low-risk since they have the backing of the government that issued them.

G- Sec prices fluctuate sharply in the secondary markets. Factors affecting their prices:
1. Demand and supply of the securities.
2. Changes in interest rates in the economy and other macro-economic factors, such as, liquidity and inflation.
3. Developments in other markets like money, foreign exchange, credit and capital markets.
4. Developments in international bond markets, specifically the US Treasuries.
5. Policy actions by RBI like change in repo rates, cash-reserve ratio and open-market operations.

20. State-level securities

- **State-level securities are issued by various State governments and are referred to as State Development Loans (SDLs).**
- **All SDLs are serviced by the RBI** through two funds called the Consolidated Sinking Fund (CSF) and Guarantee Redemption Fund (GRF) that States maintain with the RBI.
- **SDLs usually give higher rates than G-Secs.**

21. Goods and Services Tax (GST)

- **Goods and Services Tax (GST) is an indirect tax (or consumption tax)** used in India on the supply of goods and services. It is a **comprehensive, multistage, destination-based tax**: comprehensive because it has subsumed almost all the indirect taxes except a few state taxes.
- It came into effect from 1 July 2017 through the implementation of the **One Hundred and First Amendment of the Constitution of India** by the Indian government.
- Multi-staged as it is, the GST is imposed at every step in the production process, but is meant to be refunded to all parties in the various stages of production other than the final consumer.
- **As a destination-based tax, it is collected from point of consumption and not point of origin.**
- Goods and services are divided into five different tax slabs for collection of tax: **0%, 5%, 12%, 18% and 28%.**
- However, **petroleum products, alcoholic drinks, and electricity are not taxed under GST** and instead are taxed separately by the individual state governments, as per the previous tax system.
- There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold.

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- In addition, a cess of 22% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products.

- India's GST architecture is built on the firm foundations of a GST Council and the GST Network (GSTN). The first is the **key decision-making body, chaired by the Union Finance Minister with a Minister of State in charge of Finance and the Finance Ministers of States as members.**
- GSTN generates high frequency data and subjects them to analytics for informed policy making.
- **Designed on the principle of destination-based consumption taxation, with seamless provision for input tax credit.**
- GST is applicable to all goods and services **except alcohol for human consumption and five specified petroleum products (crude oil, natural gas, ATF, petrol and diesel) with a common threshold exemption applicable to both CGST and SGST.**
- CGST levied by the Centre, SGST by the States, UTGST by the Union Territories, and IGST levied on inter-State supply including imports.

Input Tax Credit (ITC)
- It is the tax that a business pays on a purchase and that it can use to reduce its tax liability when it makes a sale.
- In simple terms, input credit means at the time of paying tax on output, you can reduce the tax you have already paid on inputs and pay the balance amount.

Exceptions: A business under composition scheme cannot avail of input tax credit. ITC cannot be claimed for personal use or for goods that are exempt.

22. HC upholds arrest provision in CGST Act for tax evasion

Section 69 in **the Central Goods and Service Tax (CGST) Act** gives power to authorities to arrest any person if there is "reason to believe" that he has committed tax evasion.
- This provision was upheld by Delhi HC recently.

What's the issue?
A petition filed in the court claimed that:
Section 69 being of criminal nature, it could not have been enacted under **Article 246A of the Constitution.**
- A person under the CGST Act can only be arrested, if the amount of tax evasion is more than ₹2 crore.
- All offences in which tax evasion is less than ₹5 crore are bailable and only grave offences involving tax evasion of ₹5 crore and above are non-bailable and cognisable.

What has the Court said?
- The pith and substance of the CGST Act is on a topic, upon which **Parliament has power to legislate** as **the power to arrest and prosecute are ancillary and/or incidental to the power to levy and collect Goods and Services Tax.**
- Both Sections 69 and 132 of the CGST Act are "constitutional and fall within the legislative competence of Parliament".
- The court remarked that the scope of **Article 246A is "significantly wide" as it not only empowers both Parliament and State Legislatures to levy or enact GST Act,** but also grants the power to make all laws 'with respect to' GST.

23. The suspension of futures trading in agri products

The **Securities & Exchange Board of India (SEBI)** has issued directions to stock exchanges in commodity derivatives segment for suspending **trading in derivative contracts in key farm commodities** namely paddy (non-basmati), wheat, chana, mustard seeds and its derivatives, soya bean and its derivatives, crude palm oil & moong for a year.
- It is being suspended to reign in the rising prices of these essential commodities which is fuelling inflation.

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What are derivative contracts?

- Derivative contracts are contracts between two or more parties where **the derivative value is based upon an underlying asset,** in this case agri commodities.
- The price of the derivatives are established by the price fluctuations of the underlying assets.
- Derivatives can be **traded on an exchange or over the counter (OTC).**

How does the system work and what are derivatives trading?

Derivatives trading takes place when **traders speculate on the future price of an asset through buying or selling of derivative contracts** to maximise profit as compared to buying the underlying asset outright.

- Traders also use derivatives for hedging to minimise risk against an existing position.
- With derivatives, traders can go short and make profit from falling asset prices.
- They also use derivatives to hedge against any existing long positions.
- The ultimate objective is to profit. This is viewed as a deterrent to bring in price discipline in the market.

24. IPO Grey Market

Generally, when companies wish to raise funds to fuel their growth, they sell a part of their stock on the stock market. This process is called **an initial public offering, or IPO.**

- But, an IPO grey market is **an unofficial market** where IPO shares or applications are bought and sold **before they become available for trading on the stock market.**
- It is also termed **a parallel market or an over-the-counter market.**

Is it legal? How is it governed?

Since it's **unofficial,** inevitably, there are no regulations that govern it. **The Securities and Exchange Board of India (SEBI),** stock exchanges, and brokers have no part to play in it. These **transactions are undertaken in cash on a one-on-one basis.**

What is the Kostak rate?

It relates to an IPO application. So, **the rate at which an investor buys an IPO application before the listing is termed** the Kostak rate.

Why do investors trade in the Grey Market?

1. It's an excellent opportunity for investors to purchase a company's shares even before they are listed, especially **if they feel that the company's stock will increase in value.**
2. **If an investor has missed the deadline for the IPO application** or wishes to buy more shares then they can approach the IPO grey market.

- For LIC, the listing of the shares means higher visibility and profile. **Investors will be able to actively trade in its shares on the stock exchanges**.
- It also means **more transparency from the LIC side which was hitherto answerable only to the government**.
- **LIC will have to inform the investors and exchanges details about all price sensitive information after listing**.
- In short, LIC will be accountable to the investors and meet their expectations.
- Investors are expected to demand high level of corporate governance from the corporation.

What is in it for the companies?

- For companies, the grey market is a great way to know how the demand for their shares is and how the company's shares might perform once it is listed.
- Apart from that, an IPO grey market could be used to gauge how the company's stock will perform once it is listed.

Concerns:

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The IPO grey market is an unofficial market that performs outside SEBI's purview. Thus, there are no guarantees. All transactions are undertaken on the basis of trust and carry counterparty risk. Therefore, **there's little legal recourse available to parties if the stock tanks.**

25. Red Herring Prospectus

- A Red Herring Prospectus, or offer document, is **filed by a company to SEBI (Securities and Exchange Board of India) when it intends to raise money from the public by selling shares of the company to investors.**
- The document is very useful to investors because it provides detailed information about the company's business operations, financials, promoters and the company's objective for **raising funds by filing an IPOs**.
- It also elaborates on how the company intends to use the money that will be raised, the possible risks for investors.

26. RBI's surplus transfer to Government

The RBI, established in 1935, operates according to **the Reserve Bank of India Act of 1934.** The act mandates that **profits made by the central bank from its operations be sent to the Centre.**

- As the manager of its finances, **every year the RBI also pays a dividend to the government** to help with the finances from its surplus or profit.

A technical Committee of the RBI Board headed by **Y H Malegam (2013),** which reviewed the adequacy of reserves and surplus distribution policy, recommended a higher transfer to the government.

RBI's Earning:

- **Returns earned on its foreign currency assets,** which could be in the form of bonds and treasury bills of other central banks or top-rated securities, and deposits with other central banks.
- **Interest on its holdings of local rupee-denominated government bonds or securities,** and while lending to banks for very short tenures, such as overnight.
- **Management commission** on handling the borrowings of state governments and the central government.

Movements in the Foreign Currency Assets occur mainly on account of

- purchases and sales of foreign exchange by the RBI,
- income arising out of the deployment of the foreign exchange reserves,
- external aid receipts of the Central Government and
- the effects of revaluation of the assets

RBI's Expenditure:

Printing of currency notes and on staff, besides the commission it gives to banks for undertaking transactions on behalf of the government across the country, and to primary dealers, including banks, for underwriting some of these borrowings.

27. Ways and Means credit

- They are **temporary loan facilities provided by RBI to the government** to enable it to meet temporary mismatches between revenue and expenditure.
- The government makes an interest payment to the central bank when it borrows money.
- **The rate of interest is the same as the repo rate,** while the tenure is three months.
- The limits for WMA are mutually decided by the RBI and the Government of India.
- States are allowed an overdraft facility (to borrow in excess of WMA limit) of 21 days.

Significance:

The availability of these funds will give government some room to undertake short term expenditure over and above its long term market borrowings.

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Background:
The WMA scheme for the Central Government was introduced on April 1, 1997, after putting an end to the four-decade old system of adhoc (temporary) Treasury Bills to finance the Central Government deficit.

28.'On tap' Licences

What is On tap licensing?
It means the RBI window for granting banking licences will be open throughout the year.

Who can apply?
According to the guidelines released by the central bank in August 2016:
Eligible entities seeking universal bank licences must be:

1. Individuals/entities with at least 10 years of experience in banking and finance at a senior level or private companies or groups with at least 10 years of successful track record.
2. Groups or companies applying for such licences must have assets of Rs 5,000 crore or above and the non-financial businesses don't account for 40% or more of these assets.

What is Universal banking?
It is a system of banking where **banks undertake a blanket of financial services** like investment banking, commercial banking, development banking, insurance and other financial services including functions of merchant banking, mutual funds, factoring, housing finance, insurance etc.

To be eligible to apply for a small finance bank licence:

1. Individuals must have at least 10 years of experience in the banking and finance sector at senior levels.
2. Groups, companies, existing payments banks, non-banking finance companies, microfinance companies, local area banks and cooperative banks applying for these licenses must have at least five years of successful track record.

29.M Narasimham Committee

Narasimham was known for being **the chair of two high-powered committees on banking and financial sector reforms.** For instance, **the idea of bank mergers and creating strong megabanks** was first mooted by the Narasimham Committee.

First Narasimham Committee Report:
Presented in 1991.

- It recommended the creation of a four-tier banking structure with three large banks on top.
- It also introduced the concept of rural-focused banks such as **local area banks.**
- It proposed a phased reduction in banks' mandatory bond investment and cash reserve limits so that banks lend money for other productive needs of the economy.
- It **introduced the concept of capital adequacy ratio** and proposed the abolition of the branch licensing policy.
- The concepts of non-performing assets classification and full disclosure of accounts were also recommended by the first committee.
- By proposing to deregulate interest rates, it brought in greater competition among banks.
- The committee introduced the concept of an **asset reconstruction fund** to take over bad debts.

Narasimham Committee Report II – 1998:
In 1998 the government appointed yet another committee under the chairmanship of Mr Narsimham. It is better known as the **Banking Sector Committee**. It was told to review the banking reform progress and design a programme for further strengthening the financial system

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of India. The committee focused on various areas such as **capital adequacy, bank mergers, bank legislation, etc.**

30. Banks Board Bureau (BBB)

It was **set up in February 2016** as **an autonomous body–** based on the recommendations of **the RBI-appointed Nayak Committee.**

- It was part of **the Indradhanush Plan.**
- It had **replaced Appointments Board** of Government.
- It will make recommendations for appointment of whole-time directors as well as non-executive chairpersons of Public Sector Banks (PSBs) and state-owned financial institutions.
- **The Ministry of Finance takes the final decision on the appointments** in consultation with the Prime Minister's Office.
- It also assists banks with capital-raising plans as well as strategies to deal with bad loans.
- It **guides banks on mergers and consolidations** and governance issues.

Composition:

Banks Board Bureau comprises the Chairman, three ex-officio members i.e Secretary, Department of Public Enterprises, Secretary of the Department of Financial Services and Deputy Governor of the Reserve Bank of India, and five expert members, two of which are from the private sector.

31. Central Banks and Supervisors Network for Greening the Financial System (NGFS)

- **The Reserve Bank of India (RBI) has joined the Central Banks and Supervisors Network for Greening the Financial System (NGFS)** as a Member on April 23, 2021.
- Launched at the Paris One Planet Summit on December 12, 2017, the NGFS is **a group of central banks and supervisors willing to share best practices and contribute to the development of environment and climate risk management in the financial sector**, while mobilising mainstream finance to support the transition towards a sustainable economy.
- The Reserve Bank expects to benefit from the membership of NGFS by learning from and contributing to global efforts on Green Finance which has assumed significance in the context of climate change.

32. National Automated Clearing House (NACH)

- **National Automated Clearing House (NACH) is the centralized web-based inter-bank payment/transaction processing system by the National Payments Corporation of India (NPCI).**
- In simple words, **NACH allows regular direct debit from a borrower's bank account towards his loan repayments.** This is directly credited to the lender's bank account.
- Offering credit and debit service to corporates, banks, and financial institutions, the service, aimed at integrating all regional ECS into one National Payment System, is claimed to be better than its predecessor, Electronic Clearing Service.

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- NACH System can be used for making bulk transactions towards distribution of subsidies, dividends, interest, salary, pension etc. and also for bulk transactions towards collection of payments pertaining to telephone, electricity, water, loans, investments in mutual funds, insurance premium etc.

33. Currency chest

- **Currency chest is a place where the Reserve Bank of India (RBI) stocks the money meant for banks and ATMs.** These chests are usually situated on the premises of different banks but administrated by the RBI.
- **The money present in the currency chest belongs to the RBI** and the money, kept in the strong room outside the currency chest belongs to the bank.

How is the loss recovered in case of a crime resulting in loss of cash?

- As per the set guidelines, the bank, in which the currency chest is situated is liable to fulfill the loss of the currency chest.
- **The security of currency chests is the subject of the bank in which chests are situated.** The Reserve Bank of India (RBI) reimburses the security expenses to the bank as per the set norms.

34. Cess and surcharge

The share of **cess and surcharge** in the gross tax revenue (GTR) of the Centre has almost doubled to 19.9% in 2020-21 from 10.4% in 2011-12, leading to the 15th Finance Commission (FC) recommending a higher grant-in-aid and lower tax devolution to the States, as per a report.

What is cess?

- It is a form of tax levied or collected by the government for the development or welfare of a particular service or sector.
- It is charged over and above direct and indirect taxes.
- Cess collected for a particular purpose cannot be used for or diverted to other purposes.
- It is not a permanent source of revenue for the government, and it is discontinued when the purpose levying it is fulfilled.
- Currently, the cess and surcharge **collected by the Centre are not part of the tax devolution.**

Examples:

Education Cess, Swachh Bharat Cess, Krishi Kalyan Cess etc.

What is Surcharge?

- 'Surcharge' is an additional charge or tax levied on an existing tax.
- Unlike a cess, which is meant to raise revenue for a temporary need, surcharge is usually permanent in nature.
- It is levied as a percentage on the income tax payable as per normal rates. In case no tax is due for a financial year, then no surcharge is levied.
- The revenue earned via surcharge is solely retained by the Centre and, unlike other tax revenues, is not shared with States.
- Collections from surcharge flow into the Consolidated Fund of India.

35. Accredited investor

SEBI moots concept of 'accredited investor'. It said the accreditation once granted shall be valid for a year.

- Also called as qualified investors or professional investors.
- They are those who have an **understanding of various financial products and the risks and returns associated with them.**

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- They can take informed decisions regarding their investments and are recognised by many securities and financial market regulators globally.
- This category of investors usually features **high-net worth individuals or entities** that have access to complex and high-risk investments.
- Accredited investors may be individuals, HUFs, family trusts, sole proprietorships, partnership firms, trusts and body corporates.
- Eligible subsidiaries of depositories and specified stock exchanges, and other specified institutions will be recognised as **accreditation agencies**. These agencies will grant accreditation status and issue Accreditation Certificate to accredited investors.

36. Inverted duty structure

- **Inverted duty structure is a situation where import duty on finished goods is low compared to the import duty on raw materials** that are used in the production of such finished goods.
- For example, suppose the tariff (import tax) on the import of tyres is 10% and the tariff on the imports of natural rubber which is used in the production of tyres is 20%; this is a case of inverted duty structure.
- When the import duty on raw materials is high, it will be more difficult to produce the concerned good domestically at a competitive price. Several industries depend on imported raw materials and components. High tax on the raw materials compels them to raise price.
- The disadvantage of the inverted duty structure increases with the increased use of imported raw materials. **An inverted duty structure discourages domestic value addition.**
- On the other hand, foreign finished goods will be coming at a reduced price because of low tax advantage. In conclusion, **manufactured goods by the domestic industry becomes uncompetitive against imported finished goods.**
- In such a case, even foreign investors would not be interested in setting up a firm for production in the country.

37. Algorithmic trading

- Market regulator Securities and Exchange Board of India (Sebi) proposed that all orders emanating from application programming interface (API) of stockbrokers should be treated as algorithmic trading, or algo trading.
- In a consultation paper, Sebi said there is a need to create a regulatory framework for algo trading.
- **Algorithmic trading refers to orders generated at superfast speed by the use of advanced mathematical models that involve automated execution of trade.**
- The **algo runs on the broker's systems and not on the investors system**.
- Whenever the algo generates a signal, an order automatically gets fired on the investor's account with no human involvement from either the broker or the investor.
- The algo trading system automatically monitors the live stock prices and initiates an order when the given criteria are met.

38. Social stock exchanges (SSEs)

- The proposal to set up SSEs was first floated during the Union Budget in 2019.

What is social stock exchange (SSE)?

- It is a novel concept in India and such a bourse is meant to **serve private and non-profit sector providers by channelling greater capital to them.**
- As per the proposal, SSE can be housed within the existing stock exchange such as the BSE and/or National Stock Exchange (NSE).

Significance:

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- With this, Social welfare enterprises and non-profits could soon get to raise so-called social capital on a transparent electronic platform, aiding the process of rebuilding livelihoods ravaged by the coronavirus pandemic.
- These recommendations, if implemented as a package, can result in a vibrant and supportive ecosystem, enabling the non-profit sector to realise its full potential for creating social impact.

What is a social enterprise?

- A social enterprise is a revenue-generating business. Its primary objective is to achieve a social objective, for example, providing healthcare or clean energy.

39. Credit-deposit ratio

- **Credit-deposit ratio shows how much a bank lends out of its deposits or how much of its core funds are used for lending**.
- A high credit-deposit ratio suggests an overstretched balance sheet, and may also hint at capital adequacy issues.
- **RBI does not stipulate a minimum or maximum level for the ratio.**

What is Credit-Deposit ratio for banks?

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The CD ratio refers to the credit-deposit ratio in banking parlance. It tells us how much of the money banks have raised in the form of deposits has been deployed as loans. So if the CD ratio for a single bank or the whole banking system stands at 75%, it means that three-fourths of the deposits with that bank or with the system has been given out as loans. A low CD ratio suggests relatively poor credit growth compared with deposit growth. A high CD ratio would mean strong demand for credit in an environment of relatively slower deposit growth. The CD ratio had slipped to historic lows of under 70% in late 2016, when demonetisation kept bankers busy exchanging banknotes and few new loans were given.

40. Microfinance

- **Microfinance is a form of financial service which provides small loans and other financial services to poor and low-income households.**
- Microcredit is delivered through a variety of institutional channels viz., (i) **scheduled commercial banks (SCBs) (including small finance banks (SFBs)** and regional rural banks (RRBs)) lending both directly as well as through business correspondents (BCs) and self-help groups (SHGs), (ii) **cooperative banks**, (iii) **non-banking financial companies (NBFCs),** and (iv) **microfinance institutions (MFIs) registered as NBFCs** as well as in other forms.

41. Floating rate funds

- Floating rate funds buy bonds whose interest **rates change according to the changing rates in the economy.**
- Floating rate funds are debt funds that must invest a minimum of 65% of their portfolio in floating rate instruments.
- It **insulates them from losses because of rate hikes and can even increase their returns as rates rise.**
- A floating rate fund provides diversification to an investor's fixed-income portfolio because the fund invests in different types of debt instruments with variable interest rates, thereby reducing overall portfolio risk.

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External Sector

1. International arbitration centre

To speed up dispute resolution, Finance Minister Nirmala Sitharaman announced the setting up of **an international arbitration centre at GIFT City.**

- The Centre could be on the lines of **the Singapore International Arbitration Centre, or the London Commercial Arbitration Centre.**

What is an IFSC?

An IFSC caters to **customers outside the jurisdiction of the domestic economy.**

- Such centres deal with flows of finance, financial products and services across borders.

Currently, **GIFT-IFSC is the maiden international financial services centre in India.**

Regulation:

- The International Financial Services Centres Authority (IFSCA), headquartered at GIFT City, Gandhinagar Gujarat, has been established under **the International Financial Services Centres Authority Act, 2019.**
- It works as a unified authority for the development and regulation of financial products, financial services and financial institutions in the International Financial Services Centre (IFSC) in India.

Services an IFSC can provide:

- Fund-raising services for individuals, corporations and governments.
- Asset management and global portfolio diversification undertaken by pension funds, insurance companies and mutual funds.
- Wealth management.
- Global tax management and cross-border tax liability optimization, which provides a business opportunity for financial intermediaries, accountants and law firms.
- Global and regional corporate treasury management operations that involve fund-raising, liquidity investment and management and asset-liability matching.
- Risk management operations such as insurance and reinsurance.
- Merger and acquisition activities among trans-national corporations.

Arbitration in India:

- Arbitration as a method of alternative dispute resolution has been around for a long time
- The Arbitration and Conciliation Act 1996 has been modelled on lines of the **UNCITRAL (United Nations Commission on International Trade Law)** framework of laws with the idea to modernize Indian arbitration law and bring it in line with the best global practices.
- **Arbitration Council of India** established under Arbitration and Conciliation (Amendment) Act, 2019 as an independent body for promotion of arbitration.
- **Arbitration Council of India has the duty to** "take measures to promote and encourage arbitration, mediation, conciliation or other alternative dispute resolution mechanism and frame policy and guidelines for the establishment, operation and maintenance of uniform professional standards in respect of all matters relating to arbitration".

InFinity Forum:

Prime Minister inaugurated InFinity Forum- a leadership Forum on **Financial Technology (FinTech).**

InFinity Forum is the International Financial Services Centres Authority (IFSCA)'s flagship financial technology event, uniting the world's leading minds in policy, business, and technology to explore and advance the biggest ideas in FinTech, and to develop those ideas into global solutions and opportunities.

Can an IFSC be set up in a special economic zone (SEZ)?

The **SEZ Act 2005** allows setting up **an IFSC in an SEZ or as an SEZ** after approval from the central government.

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About Singapore International Arbitration Centre (SIAC):
It is a not-for-profit international arbitration organisation based in Singapore, which administers arbitrations under its own rules of arbitration and **the United Nations Commission on International Trade Law (UNCITRAL) Arbitration Rules.**

2. Key terminologies in International Trade

(1) **Free trade agreement**

- A free trade agreement is a pact **between two or more nations to reduce barriers to imports and exports among them**.
- Under a free trade policy, goods and services can be bought and sold across international borders with **little or no government tariffs, quotas, subsidies, or prohibitions to inhibit their exchange.**
- The benefits of free trade were outlined for the first time in **On the Principles of Political Economy and Taxation**, published by economist David Ricardo in 1817.
- **According to the Asian Development Bank Institute, India has around 42 trade agreements** (including preferential agreements) either in effect or signed or under negotiation or proposed.

(2) **Early harvest deal:**

- An early harvest deal is a **precursor to free trade agreement (FTA),** a in which trading partners reduce tariff barriers on limited goods to promote trade.

(3) **Tariff and non-tariff barriers**

- Tariff barriers are the tax or duty imposed on the goods which are traded to/from abroad. On the contrary, non-tariff barriers are the obstacles to international trade, other than tariffs.
- These are administrative measures implemented by the country's government to discourage goods brought in from foreign countries and promote domestically produced items.
- Tariff barriers is imposed through **Taxes and Duties**
- Non-tariff barriers are imposed through **Regulations, Conditions, Requirements, Formalities, etc.**

3. WTO's dispute settlement mechanism

Resolving trade disputes is one of the core activities of the WTO.

- A dispute arises when a member government believes another member government is violating an agreement or a commitment that it has made in the WTO.
- The WTO has one of the most active international dispute settlement mechanisms in the world. Since 1995, 609 disputes have been brought to the WTO and over 350 rulings have been issued.

There are two main ways to settle a dispute once a complaint has been filed in the WTO:
(i) the parties find a mutually agreed solution, particularly during the phase of bilateral consultations.
(ii) through adjudication, including the subsequent implementation of the panel and Appellate Body reports, which are binding upon the parties once adopted by the Dispute Settlement Body.

There are three main stages to the WTO dispute settlement process:
(i) consultations between the parties.
(ii) adjudication by panels and, if applicable, by the Appellate Body.
(iii) the implementation of the ruling, which includes the possibility of countermeasures in the event of failure by the losing party to implement the ruling.

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WTO's Appellate Body:

- The Appellate Body, set up in 1995, is a standing committee of seven members that presides over appeals against judgments passed in trade-related disputes brought by WTO members.
- Countries involved in a dispute over measures purported to break a WTO agreement or obligation can approach the Appellate Body if they feel the report of the panel set up to examine the issue needs to be reviewed on points of law.
- However, existing evidence is not re-examined but legal interpretations are reviewed.
- The Appellate Body can uphold, modify, or reverse the legal findings of the panel that heard the dispute. Countries on either or both sides of the dispute can appeal.

4. Developing country tag at the World Trade Organization (WTO)

The WTO has not defined 'developed' and 'developing' countries and therefore member countries are free to announce whether they are 'developed' or 'developing'.

- **It is WTO's duty to review and propagate the national trade policies** and to ensure the coherence and transparency of trade policies through surveillance in global economic policy-making.
- Another priority of the WTO is the assistance of developing, least-developed and low-income countries in transition to adjust to WTO rules and disciplines through technical cooperation and training.

- Certain WTO agreements give developing countries special rights through 'special and differential treatment' (S&DT) provisions, which can **grant developing countries longer timeframes to implement the agreements** and even commitments to raise trading opportunities for such countries.
- WTO pacts are often aimed at reduction in government support to certain industries over time and set more lenient target for developing nations and grant them more time to achieve these targets compared to developed ones.
- **The classification also allows other countries to offer preferential treatment.**
- LDCs are often exempted from certain provisions of WTO pacts. Bangladesh, currently classified as an LDC, receives zero duty, zero quota access for almost all exports to the EU.

5. Global minimum tax

- The **Organization for Economic Co-operation and Development (OECD)** finalized an agreement to subject multinational enterprises (MNEs) to a minimum 15% tax from 2023.
- A total of 136 countries, including **India,** have agreed to join the agreement.
- This will help **reallocate profits** of over $125 billion from over 100 large MNEs to help ensure companies pay a fair share of tax in the countries they operate in.
- Global Minimum Tax is **part of the inclusive framework on Base Erosion and Profit Shifting (BEPS)** agreed upon by G20 countries and OECD.
- **Two Pillar solution of the OECD:**
    - Under Pillar 1, taxing rights on more than $125 billion of profit are anticipated to be reallocated to market jurisdictions each year.
    - A global minimum corporate tax rate of 15% is sought to be introduced under Pillar 2.
- The deal doesn't seek to eliminate tax competition. Rather, it would ensure a fairer allocation of profit and taxing rights among countries, especially with reference to large and profitable MNEs.
- **Implications:**
    - The tax deal will mean **removal of existing digital service taxes** and other unilateral measures by 2023.

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- India will need to **withdraw the equalization levy** that was introduced in 2016. (This levy was aimed at taxing foreign firms that have a substantial client base in the country, but were billing via their offshore units.)

6. Anti-dumping duty

- India has imposed anti-dumping duty on five Chinese products, including certain aluminium goods and some chemicals, for five years to guard local manufacturers from cheap imports from the neighbouring country.
- According to separate notifications of the **Central Board of Indirect Taxes and Customs (CBIC), the duties have been imposed on certain products.**
- These duties were imposed following **recommendations of the Commerce Ministry's investigation arm, the Directorate General of Trade Remedies (DGTR).**
- The DGTR, in separate probes, has concluded that these **products have been exported at a price below normal value in Indian markets**, which has resulted in dumping.

7. Reserve assets

- **Reserve assets are currencies or other assets, such as gold, that can be readily transferable and are used to balance international transactions and payments.**
- **A reserve asset must be readily available, physical, controlled by policymakers, and easily transferable.**
- The U.S. dollar is a reserve currency, meaning it is widely held as a reserve asset around the world.
- **Reserve assets accounted for 68.5% of India's international financial assets in September 2021.**

8. LPG prices in India

- **LPG prices are determined using an import parity price (IPP) formula based on international product prices.** The contract prices of Saudi Aramco, a public petroleum and natural gas company in Saudi Arabia, are used as a guideline for this calculation.
- **Saudi Aramco's LPG prices, free-on-board prices, ocean freight charges, customs duties, and port dues are all factored into the IPP formula.** The rise in global prices is a major reason for the increase in the Indian rate.

9. Currency Swap Agreement

- **A currency swap is a transaction in which two parties exchange an equivalent amount of money with each other but in different currencies**.
- The parties are essentially loaning each other money and will repay the amounts at a specified date and exchange rate.
- The purpose could be to hedge exposure to exchange-rate risk, to speculate on the direction of a currency, or to reduce the cost of borrowing in a foreign currency.
- China signed a currency swap agreement with Sri Lanka as the South Asian nation looks to **reduce reliance on the International Monetary Fund.**

10. Import cover

- Import cover of reserves is a traditional trade-based indicator of reserve adequacy. **It is defined in terms of the number of months of import equivalent to reserves.**
- **Import cover is an important indicator of the stability of the currency.**
- According to currency experts, eight to ten months of import cover is essential for the stability of the currency.
- India's foreign exchange reserve cover has fallen to 15.8 months at the end of June 2021, from 17.4 months at end-March 2021, according to the Reserve Bank of India.

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11. Bilateral investment treaty (BIT)

- A **bilateral investment treaty (BIT) is an agreement establishing the terms and conditions for private investment by nationals and companies of one state in another state.** This type of investment is called foreign direct investment (FDI). BITs are established through trade pacts.
- The distinctive feature of many BITs is that they **allow for an alternative dispute resolution mechanism,** whereby an investor whose rights under the BIT have been violated could have recourse to international arbitration, **often under the auspices of the International Centre for Settlement of Investment Disputes (ICSID),** rather than suing the host State in its own courts. This process is called investor-state dispute settlement (ISDS).
- The world's first BIT was signed on November 25, 1959 between Pakistan and Germany. There are currently more than 2500 BITs in force, involving most countries in the world.
- NGOs have spoken against the use of BITs, stating that they are essentially designed to protect foreign investors and **do not take into account obligations and standards to protect the environment, labour rights, social provisions or natural resources.**

12. Harmonised System of Nomenclature (HSN) code

- It is mandatory for both B2B and B2C tax invoices on the supplies of Goods and Services.
- This was introduced in 1988 by the **World Customs Organization (WCO).**
- This was introduced for a **systematic classification of goods both national and international.**
- This is a **6-digit code that classifies various products**.
- India has been using HSN codes since 1986 to classify commodities for Customs and Central Excise.
- HSN codes apply to Customs and GST.
- The codes prescribed in the Customs tariff are used for the GST purposes too.
- HSN is used all over the world.
- There are different HSN codes for various commodities.
- HSN codes remove the need to upload details about the goods which makes filing of GST returns easier.
- HSN code is required for anything from animal products, mineral products, plastic articles to footwear, arms and ammunition and machinery.

13. After Singapore, Bhutan adopts India's BHIM-UPI

Bhutan has become **the first country to adopt India's Unified Payment Interface (UPI) standards for its quick response (QR) code.** It is also **the second country after Singapore to have BHIM-UPI acceptance at merchant locations.**

NOTES

Infrastructure: Energy, Ports, Roads, Airports, Railways etc.

1. Gati Shakti infrastructure plan

- Gati Shakti will be **a National Infrastructure Master Plan** for our country which will lay the foundation of holistic Infrastructure.
- The plan will help raise the global profile of local manufacturers and help them compete with their counterparts worldwide.
- It also raises possibilities of new future economic zones.

Note: A similar plan, called the National Infrastructure Pipeline was previously announced.

About the National Infrastructure Pipeline:
In the budget speech of 2019-2020, Finance Minister announced an outlay of Rs 100 lakh Crore for infrastructure projects over the next 5 years.

What is it?

- NIP is a first-of-its-kind initiative to provide world-class infrastructure across the country and improve the quality of life for all citizens.
- It will improve project preparation, attract investments (both domestic & foreign) into infrastructure, and will be crucial for attaining the target of becoming a $5 trillion economy by FY 2025.
- Covers both economic and social infrastructure projects.

National Bank for Financing Infrastructure and Development (NaBFID), a development finance institution (DFI) which was set up as per the proposals of the FY22 Budget. The DFI was set up to support the development of long-term infrastructure financing.

2. Operating ratio

- **Operating ratio, simply put, is amount of money the Railways has to spend to earn ₹100. Lower operating ratio implies better financial health.**
- THE COMPTROLLER and Auditor General of India in its report on Railways' finances noted that the **Indian Railways' operating ratio of 98.36% in 2019-2020** does not reflect its true financial performance and if the actual expenditure on pension payments is taken into account, the ratio will be 114.35 %.

3. National Rail Plan

- Indian Railways have prepared a **National Rail Plan (NRP) for India – 2030**.
- The Plan is to **create a 'future ready' Railway system by 2030.** The NRP is aimed to formulate strategies based on both operational capacities and commercial policy initiatives to increase modal share of the Railways in freight.
- The objective of the Plan is to create capacity ahead of demand, which in turn would also cater to future growth in demand right up to 2050 and **also increase the modal share of Railways to 45% in freight traffic and to continue to sustain it.**
- **Key features of the National Rail Plan are:**
    - As part of the National Rail Plan, **Vision 2024** has been launched for accelerated implementation of certain critical projects by 2024 such as 100% electrification, multi-tracking of congested routes, upgradation of speed to 160 kmph on Delhi-Howrah and Delhi-Mumbai routes, upgradation of speed to 130kmph on all other Golden Quadrilateral-Golden Diagonal (GQ/GD) routes and elimination of all Level Crossings on all GQ/GD route.
    - Identify new Dedicated Freight Corridors.
    - Identify new High-Speed Rail Corridors.

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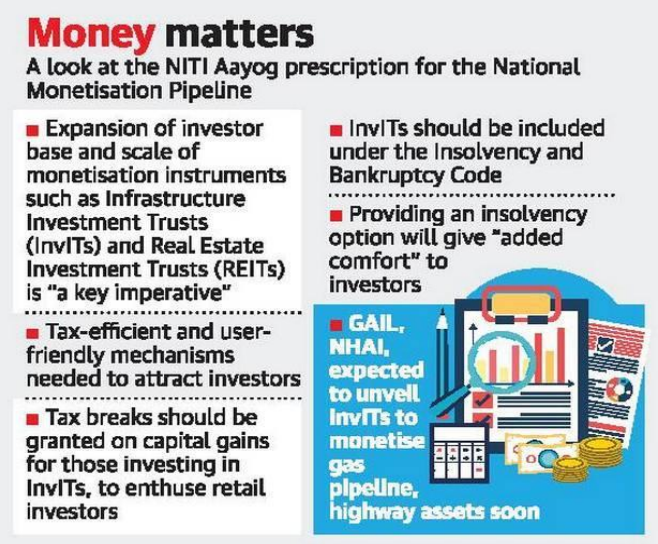
4. National Bank for Financing Infrastructure and Development Act, 2021

- An Act to establish the **National Bank for Financing Infrastructure and Development** to support the development of long-term non-recourse **infrastructure financing in India** including **development of the bonds and derivatives markets** necessary for infrastructure financing and to carry on the business of financing infrastructure and for matters connected therewith.
- The developmental objective of the Institution shall be to co-ordinate with the Central and State Governments, regulators, financial institutions, institutional investors and such other relevant stakeholders, in India or outside India, to facilitate building and improving the relevant institutions to support the **development of long term non-recourse infrastructure financing in India including the domestic bonds and derivatives markets.**
- The financial objective of the Institution shall be to **lend or invest, directly or indirectly**, and seek to **attract investment from private sector investors** and institutional investors, in **infrastructure projects located in India, or partly in India and partly outside India**, with a view to foster sustainable economic development in India.

5. National Monetisation pipeline (NMP)

Recommendation made by NITI AYOG pertaining to the monetization plan:

- NITI AYOG has opined that to make the **National Monetization Pipeline (NMP)** a success, the government should give Income tax breaks to attract retail investors into instruments like **Infrastructure Investment Trusts (InvITs).**
- The AYOG has also recommended bringing such Trusts **(InvITs)** under the ambit of the **Insolvency and Bankruptcy Code (IBC)** to provide greater comfort to investors. (Presently, such trusts are not considered 'legal persons' in India, this inhibits investment from potential investors into this. However, investments made is protected under the SARFAESI act and the Recovery of Debts and Bankruptcy Act, 1993)



About NMP:

The Centre launched **the National Monetisation pipeline (NMP)** in an effort to list out the government's infrastructure assets to be sold over four-years from FY 2022 to FY 2025.

Key features:

1. The four-year National Monetisation Pipeline (NMP) will **unlock value in brownfield projects by engaging the private sector**, transferring to them the rights **but not the ownership in projects**.
2. **Components: Roads, railways and power sector assets will comprise over 66 per cent** of the total estimated value of the assets to be monetised, with the balance coming from sectors including **telecom, mining, aviation, ports, natural gas and petroleum product pipelines, warehouses and stadiums.**

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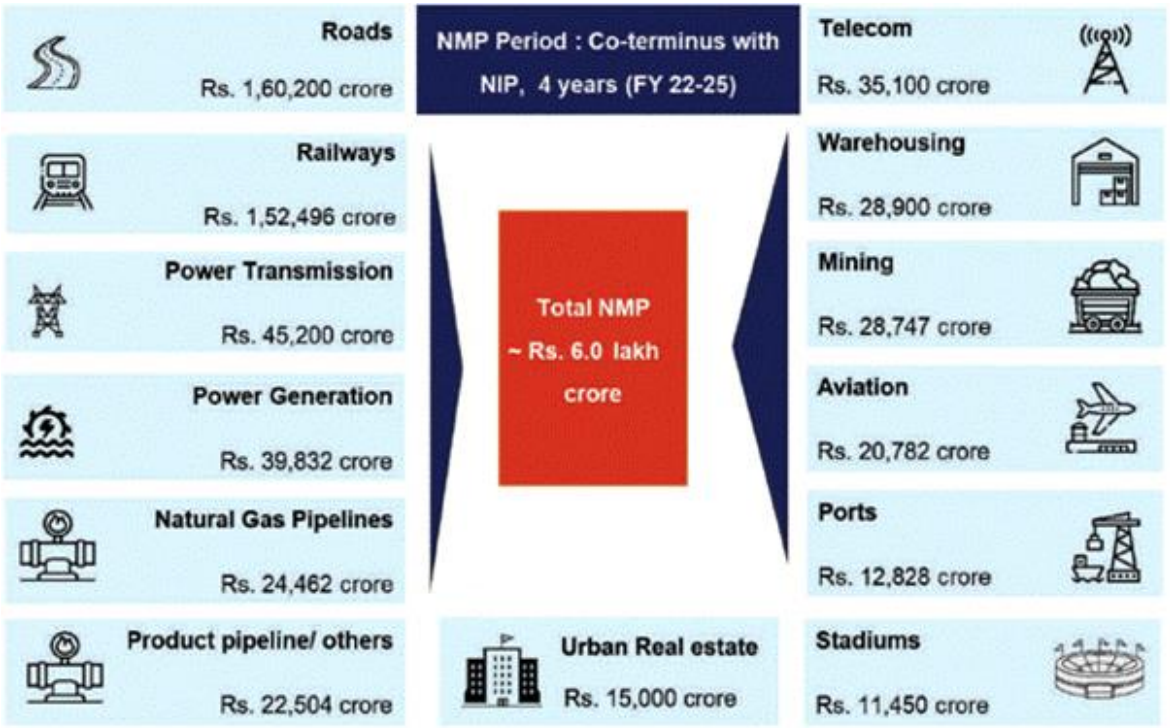
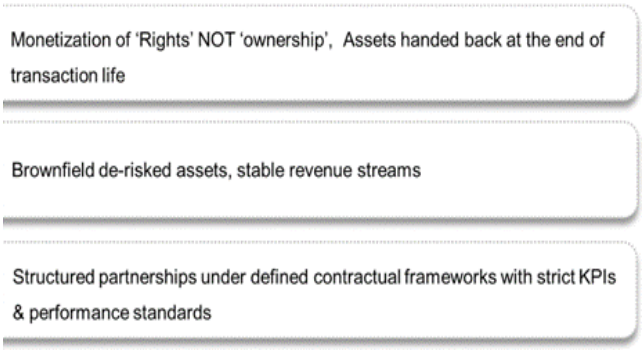


Objective of the programme:

1. To unlock the value of investments in brownfield public sector assets by tapping institutional and long-term capital, which can thereafter be leveraged for public investments.
2. To enable 'Infrastructure Creation through Monetisation' wherein the public and private sector collaborate, each excelling in their core areas of competence, so as to deliver socio-economic growth.

Core and Non-Core Assets: Assets which are central to the business objectives of an entity and are used for delivering infrastructure services to the public/ users are considered as Core Assets.
Other assets, which generally include land parcels and buildings, can be categorised as non-core assets.

The framework for monetisation of core asset monetisation has three key imperatives:



InvITs are pooled investment vehicles similar to mutual funds which enable direct investment of capital from investors in primarily operational infrastructure projects.

The InvITs are **regulated by the SEBI (Infrastructure Investment Trusts) Regulations, 2014.**

In 2021, the Insurance Regulatory and Development Authority of India (IRDAI) allowed domestic insurers to invest in debt securities and subscribe to units of listed InvITs.

The Reserve Bank of India in November 2021 amended foreign exchange regulations allowing **foreign portfolio investors (FPIs) to invest in InvIT debt securities.** Further EPFO, which manages the biggest pension corpus in the country, recently approved investing up to 5 per cent of the annual deposits in alternative investment funds (AIFs) including InvITs. This is in addition to the already established rules by the **Pension Fund Regulatory and Development Authority (PFRDA) which allow private sector (tier 1) NPS subscribers to invest in units issued by InvITs.**

NOTES

Considering that infrastructure creation is inextricably linked to monetisation, the period for NMP is co-terminus with the balance period under **National Infrastructure Pipeline (NIP)** i.e for FY 2022-2025.

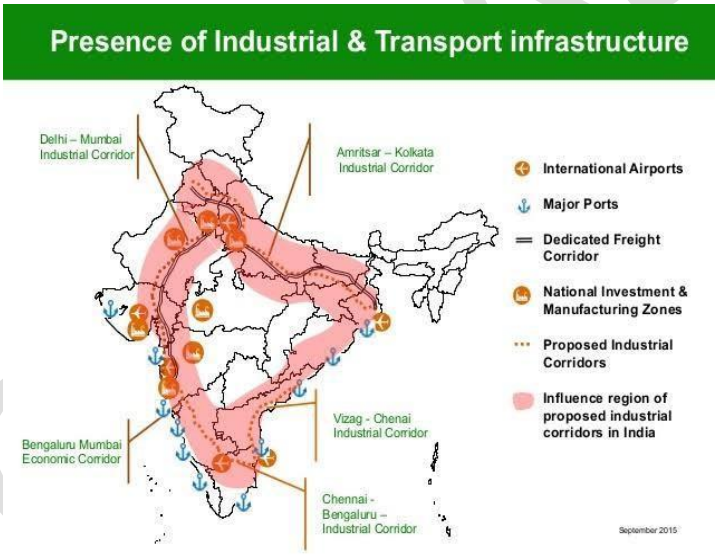
6. Chennai–Kanyakumari Industrial Corridor (CKIC)

The Asian Development Bank (ADB) and the Government of India have signed a $484 million loan to 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.

What is an industrial corridor?

- An industrial corridor is basically a **corridor consisting of multi-modal transport services that would pass through the states** as main arteries.
- Industrial corridors offer effective integration between industry and infrastructure, leading to overall economic and social development.



Industrial corridors constitute world-class infrastructure, such as:

1. High-speed transportation network – rail and road.
2. Ports with state-of-the-art cargo handling equipment.
3. Modern airports.
4. Special economic regions/industrial areas.
5. Logistic parks/transhipment hubs.
6. Knowledge parks focused on catering to industrial needs.
7. Complementary infrastructure such as townships/real estate.

Following eleven industrial corridor projects have been identified and approved for development by the Government of India:

1. Delhi Mumbai Industrial Corridor (DMIC)
2. Chennai Bengaluru Industrial Corridor (CBIC)
3. Extension of CBIC to Kochi via Coimbatore
4. Amritsar Kolkata Industrial Corridor (AKIC)
5. Hyderabad Nagpur Industrial Corridor (HNIC)
6. Hyderabad Warangal Industrial Corridor (HWIC)
7. Hyderabad Bengaluru Industrial Corridor (HBIC)
8. Bengaluru Mumbai Industrial Corridor (BMIC)
9. East Coast Economic Corridor (ECEC) with Vizag Chennai Industrial Corridor (VCIC) as Phase-1
10. Odisha Economic Corridor (OEC)
11. Delhi Nagpur Industrial Corridor (DNIC)

The development of these eleven industrial corridor projects will be implemented through **the National Industrial Corridor Development and Implementation Trust (NICDIT).**

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7. Global Housing Technology Challenge

Prime Minister Narendra Modi laid the foundation stone of **Light House Projects (LHPs)** under **Global Housing Technology Challenge-India (GHTC-India)** at six sites across six states.

Key features of the Global Housing Technology Challenge (GHTC) are:
Launched in 2019, the challenge is undertaken under **the Pradhan Mantri Awas Yojana Urban (PMAY-U).**

- GHTC aims to fast-track the construction of affordable housing and meet the target of constructing **1.2 crore houses by 2022.**
- GHTC focuses on identifying and mainstreaming proven demonstrable technologies for lighthouse projects and spotting potential future technologies for incubation and acceleration support through **ASHA (Affordable Sustainable Housing Accelerators) — India.**

8. Spectrum auctions

A spectrum auction is a process whereby a government uses an auction system to sell the rights to transmit signals over specific bands of the electromagnetic spectrum and to assign scarce spectrum resources.

Spectrum auctions in India:
Devices such as cellphones and wireline telephones require signals to connect from one end to another. These **signals are carried on airwaves**, which must be sent at designated frequencies to avoid any kind of interference.

- The Union government owns **all the publicly available assets within the geographical boundaries of the country, which also include airwaves**.
- With the expansion in the number of cellphone, wireline telephone and internet users, the need **to provide more space for the signals** arises from time to time.
- **To sell these assets to companies** willing to set up the required infrastructure to transport these waves from one end to another, **the central government through the DoT auctions** these airwaves from time to time.
- **These airwaves are called spectrum**, which is subdivided into bands which have varying frequencies.
- All these airwaves are sold for a certain period of time, after which their validity lapses, which is generally set at 20 years.

NOTES

Reports / Ranking / Committees / Awards / Events

1. National Multidimensional Poverty Index

- **NITI Aayog** released the National Multidimensional Poverty Index (NMPI) baseline report that defines poverty as the deprivation in crucial and basic parameters of health, education and living standards.
- The report was **based on the National Family Health Survey 4 (NFHS-4),** which was conducted between 2015 and 2016, and developed by the NITI Aayog in consultation with 12 ministries and in partnership with state governments and the index publishing agencies, namely, **Oxford University's Oxford Poverty and Human Development Initiative (OPHI) and United Nations Development Programme (UNDP).**
- The multidimensional poverty index is calculated using **12 indicators** -- nutrition, child and adolescent mortality, antenatal care, years of schooling, school attendance, cooking fuel, sanitation, drinking water, electricity, housing, assets and bank account -- that have been grouped under **three dimensions namely, health, education and standard of living.**

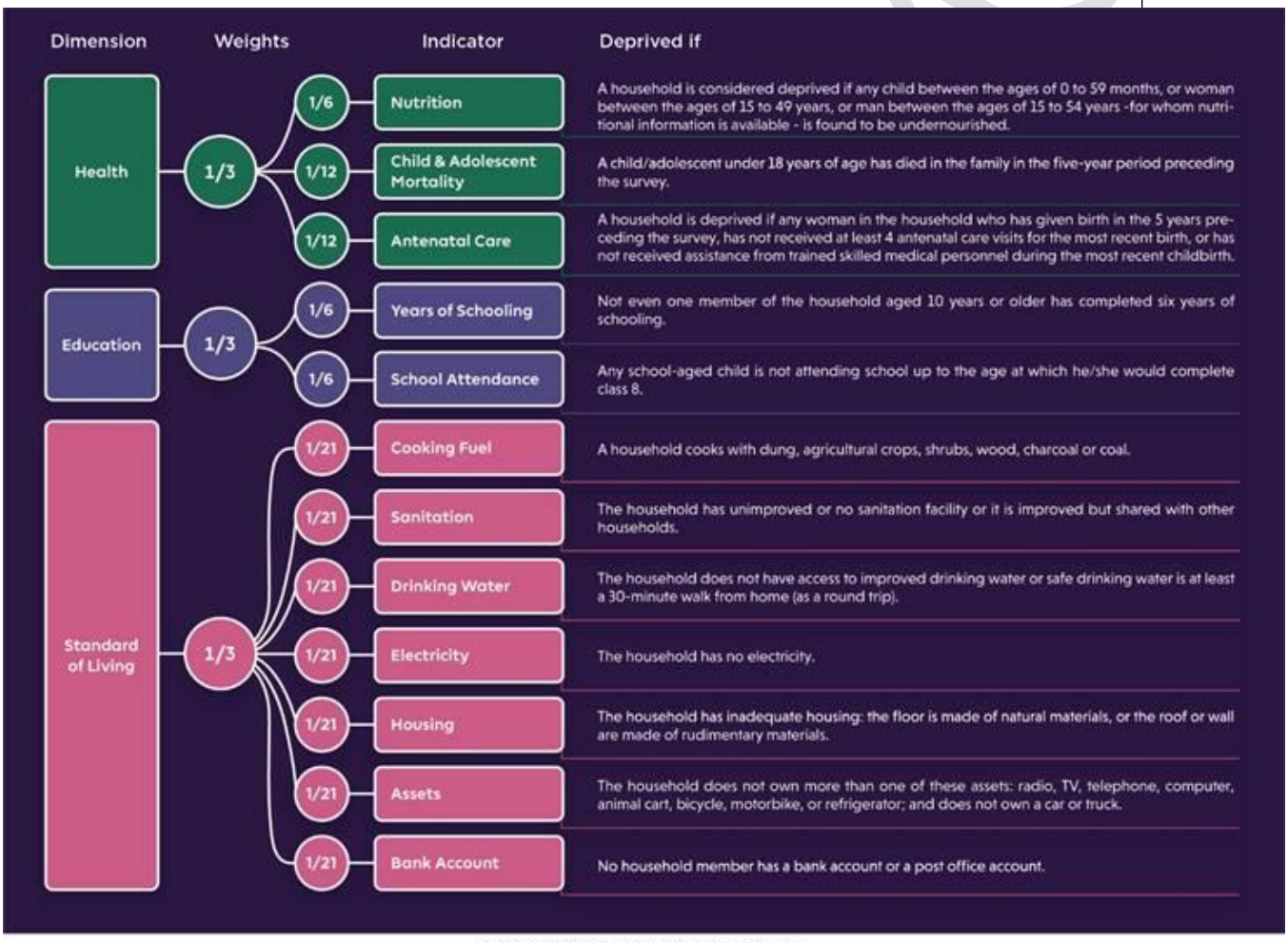


FIGURE 1: INDICATORS IN INDIA'S NATIONAL MPI

2. Global Multidimensional Poverty Index (MPI) 2021

- Global MPI 2021: Unmasking disparities by ethnicity, caste and gender was released jointly by **Oxford Poverty and Human Development Initiative (OPHI) and United Nations Development Programme (UNDP).**
- Global Multidimensional Poverty Index (MPI) was developed in 2010 by OPHI and UNDP.
- It is released annually.

NOTES

- **It measures poverty by considering various deprivations experienced by people in their daily lives, including poor health, insufficient education and a low standard of living.**
- According to Global MPI 2021, India's rank is 66 out of 109 countries.

3. Doing Business rankings

The World Bank Group discontinued publication of its **'Doing Business' rankings** of country business climates after a review of data irregularities in the 2018 and 2020 reports.

About Doing Business project:

- It provides objective measures of business regulations and their enforcement across 190 economies and selected cities at the subnational and regional level.
- Launched in 2003, looks at domestic small and medium-size companies and measures the regulations applying to them through their life cycle.
- It ranks countries on the basis of Distance to Frontier (DTF) score that highlights the gap of an economy with respect to the global best practice.

4. Index of Industrial Production (IIP)

The **Eight Core Industries comprise 40.27 per cent of the weight of items included in the Index of Industrial Production (IIP).** The eight core industries are: Coal, Crude oil, Natural Gas, Refinery products, fertilizers, steel, cement and electricity.

IIP:

- The Index of Industrial Production (IIP) is an index which details out the growth of various sectors in an economy such as mining, electricity and manufacturing.
- The all India IIP is a composite indicator that measures the short-term changes in the volume of production of a basket of industrial products during a given period with respect to that in a chosen base period.
- It is compiled and published monthly by the **National Statistics Office (NSO) on a monthly basis.**
- The current base year is 2011-2012.
- **Manufacturing output accounts for 77.6 per cent of the weight of the IIP.**

5. Financial inclusion index

The **Reserve Bank of India (RBI)** has formed of a composite **Financial Inclusion Index (FI-Index)** to capture the extent of financial inclusion across the country as **recommended by RBI under its National Strategy for Financial Inclusion 2019-2024**.

- The FI-Index for the period ended March 2021 stood at 53.9 compared with 43.4 for the period ended March 2017.

About the index:

1. The annual FI-Index will be published in July every year.
2. The index incorporates details of banking, investments, insurance, postal as well as the pension sector in consultation with the government and respective sectoral regulators.
3. **The index captures information on various aspects of financial inclusion in a single value ranging between 0 and 100, where 0 represents complete financial exclusion and 100 indicates full financial inclusion.**
4. The FI-Index comprises three broad parameters, including access, usage and quality with each of these consisting of various dimensions computed on the basis of on several indicators.
5. It has been constructed **without any 'base year'.**

6. India Innovation Index

Second edition of the NITI Aayog's India Innovation Index was released in Jan 2021.

NOTES

About the index:
The index attempts to create an extensive framework for the continual evaluation of the innovation environment of states and union territories in India and intends to perform the following three functions:

- Ranking of states and UTs based on their index scores.
- Recognizing opportunities and challenges.
- Assisting in tailoring governmental policies to foster innovation.

Rank	Major States	Score
1	Karnataka	42.5
2	Maharashtra	38.03
3	Tamil Nadu	37.91
4	Telangana	33.23
5	Kerala	30.58
6	Haryana	25.81
7	Andhra Pradesh	24.19
8	Gujarat	23.63
9	Uttar Pradesh	22.85
10	Punjab	22.54

The Index is calculated as the average of the scores of its two dimensions – Enablers and Performance.

1. The Enablers are the factors that underpin innovative capacities, grouped in five pillars: (1) Human Capital, (2) Investment, (3) Knowledge Workers, (4) Business Environment, and (5) Safety and Legal Environment.
2. The Performance dimension captures benefits that a nation derives from the inputs, divided in two pillars: (6) Knowledge Output and (7) Knowledge Diffusion.

7. Financial Stability Report (FSR)

- **Reserve Bank of India (RBI) released** the 24th issue of Financial Stability Report (FSR).
- It details the state of financial stability in the country, and it is prepared after taking into account the contributions from all financial sector regulators.
- It also maps the **state of credit growth and the rate at which borrowers are defaulting on paying back loans.**
- As part of the FSR, which is **published twice each year**, the RBI also conducts a **Systemic Risk Survey (SRS),** wherein it asks experts and market participants to assess the financial system on five different types of risks — **global, financial, macroeconomic, institutional and general.**
- If the FSR reveals that the percentage of non-performing assets (NPAs or bad loans) in the banking system is high and also shows that the government fiscal deficit is also high then it means that not only will the banks struggle to function effectively (and fund future growth) but also that if banks were to falter then the government may find it tough to bail them out.

NOTES

Departments / Agencies

1. Competition Commission of India

The Competition Commission of India (CCI) was established under **the Competition Act, 2002** for the administration, implementation and enforcement of the Act, and was duly constituted in March 2009. Chairman and members are appointed by the central government.

Functions of the commission:

1. It is the duty of the Commission to **eliminate practices having adverse effects on competition**, promote and sustain competition, protect the interests of consumers and ensure freedom of trade in the markets of India.
2. The Commission is also required to **give opinion on competition issues** on a reference received from a statutory authority established under any law and to undertake competition advocacy, create public awareness and impart training on competition issues.

The Competition Act:

The **Monopolies and Restrictive Trade Practices Act, 1969 (MRTP Act)** was repealed and replaced by **the Competition Act, 2002,** on the recommendations of the **Raghavan committee.**

- The Competition Act, 2002, as amended by the Competition (Amendment) Act, 2007, prohibits anti-competitive agreements, abuse of dominant position by enterprises and regulates combinations (acquisition, acquiring of control and M&A), which causes or likely to cause an appreciable adverse effect on competition within India.

2. Financial Stability and Development Council (FSDC)

24th meeting of Financial Stability and Development Council (FSDC) **deliberated on various mandates of the FSDC** such as financial stability, financial sector development, inter-regulatory coordination, financial literacy, financial inclusion, and macro prudential supervision of the economy including the functioning of large financial conglomerates.

Note: *Have an overview on the areas the FSDC can deal with*

The council also discussed issues relating to

- Management of stressed assets,
- strengthening institutional mechanism for financial stability analysis,
- framework for resolution of financial institutions and issues related to IBC,
- data sharing mechanisms of government authorities,
- internationalisation of the Indian rupee and
- pension sector related issues.

About Financial Stability and Development Council (FSDC):

- Financial Stability and Development Council (FSDC) was set up by the Government as the apex level forum in December 2010.
- The **Chairman of the Council is the Union Finance Minister** and its members include
    - The heads of financial sector Regulators (RBI, SEBI, PFRDA, IRDA & FMC)
    - Finance Secretary and/or Secretary, Department of Economic Affairs,
    - Secretary, Department of Financial Services, and
    - Chief Economic Adviser.
- The Council can invite experts to its meeting if required.

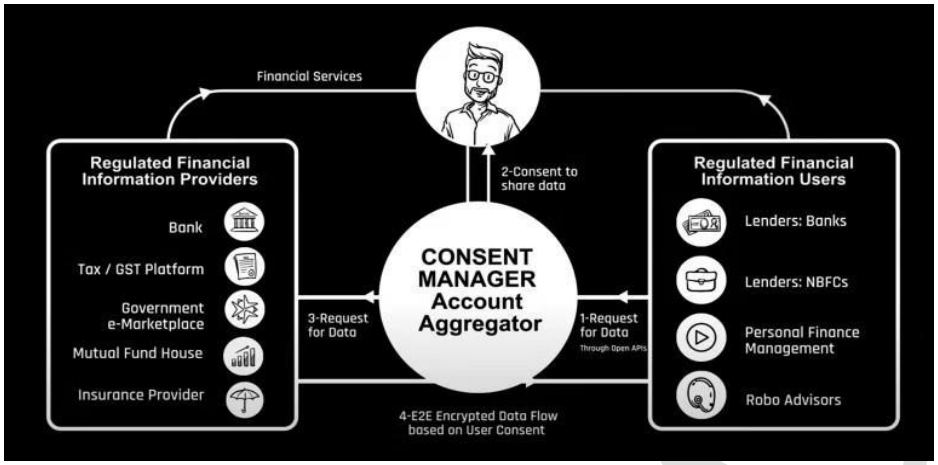
3. Account Aggregators

The **account aggregator system** in banking has kicked off with eight of India's largest banks, including HDFC Bank, ICICI Bank and Axis Bank.

NOTES

- When fully functional, the system can make lending and wealth management a lot faster and cheaper.

What are account aggregators?
An Account Aggregator is a non-banking financial company engaged in the business of providing, **under a contract,** the service of **retrieving or collecting financial information pertaining to its customer.**



- It is also engaged in **consolidating, organising and presenting such information to the customer** or any other financial information user as may be specified by the bank.

How does an AA work?
It has **a three-tier structure:** Account Aggregator, FIP (Financial Information Provider) and FIU (Financial Information User).

1. An FIP is the data fiduciary, which holds customers' data. It can be a bank, NBFC, mutual fund, insurance repository or pension fund repository.
2. An FIU consumes the data from an FIP to provide various services to the consumer. An FIU is a lending bank that wants access to the borrower's data to determine if the borrower qualifies for a loan.

Banks play a dual role – as an FIP and as an FIU.

Benefits:

- The new system makes it possible for **banks, tax authorities, insurers and other finance firms to aggregate data of customers** — who have provided their consent — to get a better understanding about their potential customers, make informed decisions and ensure smoother transactions.
- This will also **enable customers to easily access and share their financial data**. It allows customers to avail various financial services from a host of providers on a single portal based on a consent method.
- It reduces the need for individuals to wait in long bank queues, use Internet banking portals, share their passwords, or seek out physical notarisation to access and share their financial documents.
- This will **help banks reduce transaction costs**, which will enable us to offer lower ticket size loans and more tailored products and services to our customers.

The AA framework:
The AA framework was created through an inter-regulatory decision by RBI and other regulators including Securities and Exchange Board of India, Insurance Regulatory and Development Authority, and Pension Fund Regulatory and Development Authority (PFRDA) through an initiative of **the Financial Stability and Development Council (FSDC).**

- The **licence for AAs is issued by the RBI,** and the financial sector will have many AAs.

NOTES

4. Confederation of Indian Industry (CII)

- The **Confederation of Indian Industry (CII)** works to create and sustain an environment conducive to the development of India, partnering industry, Government, and civil society, through advisory and consultative processes.
- **CII is a non-government, not-for-profit, industry-led and industry-managed organization**, with over 9000 members from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 300,000 enterprises from 294 national and regional sectoral industry bodies.
- For more than 125 years, CII has been engaged in shaping India's development journey and works proactively on transforming Indian Industry's engagement in national development.
- CII charts change by working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry through a range of specialized services and strategic global linkages.
- It also provides a platform for consensus-building and networking on key issues.

5. Central Board of Direct Taxes (CBDT)

- It is **a statutory body** established as per **the Central Board of Revenue Act, 1963.**
- It is **India's official financial action task force unit.**
- It is administered by **the Department of Revenue under the Ministry of Finance.**

6. National Company Law Tribunal (NCLT)

- The **National Company Law Tribunal** is **a quasi-judicial body** in India adjudicating issues concerning companies in the country.
- It was formed on June 1, 2016, as per **the provisions of the Companies Act 2013.**
- Formed based on the recommendations of **the Justice Eradi Committee** that was related to insolvency and winding up of companies in India.
- All proceedings under the Companies Act, including proceedings relating to **arbitration, compromise, arrangements, reconstructions and the winding up of companies** shall be disposed off by the National Company Law Tribunal.
- The NCLT bench is **chaired by a Judicial member** who is supposed to be a retired or a serving High Court Judge.
- The National Company Law Tribunal is **the adjudicating authority for the insolvency resolution process of companies and limited liability partnerships** under the Insolvency and Bankruptcy Code, 2016.
- **Appeals:** Decisions taken by the NCLT can be appealed to **the National Company Law Appellate Tribunal (NCLAT).** The decisions of the NCLAT can be appealed to the Supreme Court on a point of law.

7. National Company Law Appellate Tribunal

Constituted under **Companies Act, 2013.**

Functions:
It hears appeals against the orders of:

1. NCLT under Section 61 of the Insolvency and Bankruptcy Code, 2016 (IBC).
2. Insolvency and Bankruptcy Board of India under Section 202 and Section 211 of IBC.
3. The Competition Commission of India (CCI).

Composition:
The **President of the Tribunal and the chairperson and Judicial Members of the Appellate Tribunal** shall be **appointed after consultation with the Chief Justice of India.**
The Members of the Tribunal and the Technical Members shall be appointed on the recommendation of a Selection Committee consisting of:

NOTES

1. Chief Justice of India or his nominee—Chairperson.
2. A senior Judge of the Supreme Court or a Chief Justice of High Court— Member.
3. Secretary in the Ministry of Corporate Affairs—Member.
4. Secretary in the Ministry of Law and Justice—Member.
5. Secretary in the Department of Financial Services in the Ministry of Finance— Member.

Eligibility:

1. **Chairperson** – Should be/been judge of the Supreme Court or should be/been Chief Justice of the High Court.
2. **Judicial Member** – Is/has been a judge of a High Court or is a judicial member of a tribunal for 5 years or more.
3. **Technical member**- Person with proven ability, integrity and standing having special knowledge and experience of 25 years or more (in specified areas).

Term:

Term of office of chairperson and members is 5 years and they can be reappointed for additional 5 years.

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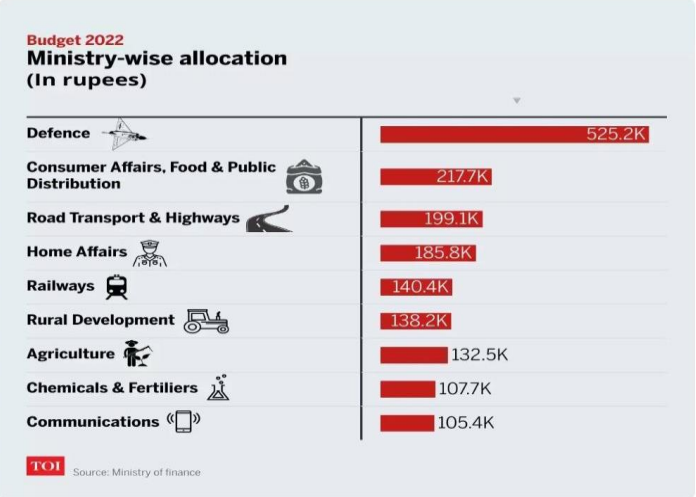
Highlights of the Union Budget 2022

Total spending and Focus:



- To enhance job creation and boost economic activity.
- **Total government spending** will be 4.6 per cent more than the current year and additional support of Rs 1 lakh crore to states has been announced.
- **The total expenditure** in 2022-23 is estimated at Rs 39.45 lakh crore, while **the total receipts** other than borrowings are estimated at Rs 22.84 lakh crore.
- **The outlay for capital expenditure** is once again being stepped up sharply by 35.4 per cent from Rs 5.54 lakh crore in the current year to Rs 7.50 lakh crore in 2022-23.

Few observations about the State of the economy:

- The government projects India's economy to grow by 9.2 per cent in the current fiscal year.
- **India's gross domestic product (GDP) in dollar terms** has already crossed $3 trillion.
- **Fiscal deficit** is projected to be higher at 6.9 per cent this fiscal as against 6.8 per cent estimated earlier. The fiscal deficit of the government for 2022-23 is estimated to be Rs 16,61,196 crore.
- **Soaring inflation** levels continue to be a cause of concern for the economy.
- **Foreign exchange reserves** stood at $634.287 billion on January 21, providing a cover equivalent to 13 months of imports projected for 2021-22.

What's in the budget for infrastructure development?

- **PM GatiShakti National Master Plan** will encompass the seven engines for economic transformation, seamless multimodal connectivity and logistics efficiency.
    - **The seven engines include** roads, railways, airports, ports, mass transport, waterways, and logistics infrastructure. All seven engines will pull forward the economy in unison.
- **400 new Vande Bharat trains** will be introduced and the Railways will also develop new products for small farmers and MSMEs.
- **Integration of postal and railways network** facilitating parcel movement was announced.
- **Master plan** has been formulated for highways, targets **to complete 25,000 km national highways in 2022-23.**
- **Sovereign Green Bonds** to be issued for mobilizing resources for green infrastructure.
- **Data Centres and Energy Storage Systems** to be given infrastructure status.

Agriculture and food processing:

- **Budget allocation for the ministry of agriculture and farmers' welfare**: Rs 1,32,513 crore for 2022-23 fiscal.
- **'Kisan Drones'** to be promoted for crop assessment, digitisation of land records and spraying of insecticides.
- **A fund with blended capital** raised under the co-investment model through Nabard will be set up to finance startups and rural enterprises working in agri-space.
- **Zero-budget natural farming:** The agriculture universities in the country will be encouraged to include these areas in their syllabus.

NOTES

Education:

- **A Digital University** would be established to provide access to students across the country for world-class quality universal education.
- **One class one TV channel programme** to be expanded to 200 TV channels.
- **Virtual labs and skilling e-labs** will be established to promote critical thinking skills and simulated learning environment.
- The Digital Ecosystem for Skilling and Livelihood - **the DESH-Stack e-portal** would be launched.

Healthcare:

The health sector has been allocated Rs 86,200.65 crore in the Union Budget.

- A **National Tele Mental Health Programme** will be launched **to improve access to quality mental health counselling and care services.**
- An **open platform for National Digital Health Ecosystem** will also be rolled out.
- For **the National Health Mission,** the budget allocation increased from Rs 36,576 crore in 2021-22 to Rs 37,000 crore in 2022-23.

Tax proposals:

- Taxpayers have been allowed a one-time window to correct omissions in income tax returns (ITR). They can file the updated returns within 2 years from the assessment year.
- **30 per cent tax on income from transfer of virtual digital assets** has been proposed.
- One per cent **tax deducted at source (TDS)** on transfer of virtual assets above a threshold, gifts would be taxed.
- Government will soon roll out **digital rupee based on blockchain technology.**

Boost for MSMEs:

- A **Raising and Accelerating MSME Performance (RAMP) programme** will be rolled out with a Rs 6,000 crore outlay spread over 5 years for MSMEs.
- **The Emergency Credit Line Guarantee Scheme (ECLGS)** that provided much needed additional credit to over 1.3 crore MSMEs will be extended till March 2023 with its guarantee cover expanded by Rs 50,000 crore to Rs 5 lakh crore.

Prime Minister's Development Initiative for North-East (PM-DevINE):

New scheme **PM-DevINE** launched to fund infrastructure and social development projects in the North-East.

- An initial allocation of Rs. 1,500 crore made to enable livelihood activities for youth and women under the scheme.

1. Green Bonds

Finance Minister Nirmala Sitharaman in her Budget speech announced that the government proposes to issue sovereign **green bonds** to mobilise resources for green infrastructure.

- The proceeds will be deployed in public sector projects which help in **reducing the carbon intensity of the economy.**
- Now, the government has clarified that these rupee-denominated papers will have a long tenure to suit the requirement of green infrastructure projects.

What Is a Green Bond?

A green bond is a **type of fixed-income instrument** that is specifically earmarked to raise money for climate and environmental projects.

These bonds are **typically asset-linked and backed by the issuing entity's balance sheet**, so they usually carry the same credit rating as their issuers' other debt obligations.

- Green bonds may come with tax incentives to enhance their attractiveness to investors.

NOTES

- The **World Bank is a major issuer of green bonds**. It has issued 164 such bonds since 2008, worth a combined $14.4 billion. In 2020, the total issuance of green bonds was worth almost $270 billion, according to the **Climate Bond Initiative**.

How Does a Green Bond Work?
Green bonds work **just like any other corporate or government bond**.
- Borrowers issue these securities in order to secure financing for projects that will have a **positive environmental impact,** such as ecosystem restoration or reducing pollution.
- Investors who purchase these bonds can expect to make as the bond matures.
- In addition, **there are often tax benefits** for investing in green bonds.

Green Bonds Vs Blue Bonds:
Blue bonds are sustainability bonds to finance projects that **protect the ocean and related ecosystems**.
- This can include projects to support sustainable fisheries, protection of coral reefs and other fragile ecosystems, or reducing pollution and acidification.
- **All blue bonds are green bonds**, but **not all green bonds are blue bonds**.

Green Bonds Vs Climate Bonds:
"Green bonds" and "climate bonds" are sometimes used interchangeably, but some authorities use the latter term specifically for **projects focusing on reducing carbon emissions** or alleviating the effects of climate change.

2. Parvatmala Scheme

The **National Ropeways Development Programme – "Parvatmala"** was announced recently by the Union Finance Minister in the Union Budget for 2022-23 **to improve connectivity in hilly areas.**

About the scheme:
- This will be **a preferred ecologically sustainable alternative in place of conventional roads in difficult hilly areas.**
- The idea is to improve connectivity and convenience for commuters, besides promoting tourism.
- This may also cover congested urban areas, where conventional mass transit systems are not feasible.

Implementation:
The scheme is being presently started in regions like Uttarakhand, Himachal Pradesh, Manipur, Jammu & Kashmir and the other North Eastern states.

Nodal Ministry:
The **Ministry of Road Transport and Highways (MORTH)** will have responsibility for development of ropeway and alternative mobility solutions technology, as well as construction, research, and policy in this area.

Benefits of Ropeway infrastructure:
- **Economical mode of transportation:** Given that ropeway projects are built in a straight line over a hilly terrain, it also results in lower land acquisition costs.
- **Faster mode of transportation:** Owing to the aerial mode of transportation, ropeways have an advantage over roadway projects where ropeways can be built in a straight line, over a hilly terrain.
- **Environmentally friendly:** Low dust emissions. Material containers can be designed so as to rule out any soiling of the environment.

NOTES

- **Last mile connectivity:** Ropeway projects adopting 3S (a kind of cable car system) or equivalent technologies can transport 6000-8000 passengers per hour.
- **Ideal for difficult / challenging /** sensitive terrain.

NOTES

Miscellaneous

1. Cartelisation

What is a cartel?

According to CCI, a "Cartel **includes an association of producers, sellers, distributors, traders or service providers** who, by agreement amongst themselves, limit, control or attempt to control the production, distribution, sale or price of, or, trade in goods or provision of services".

The three common components of a cartel are:

1. An agreement.
2. Between competitors.
3. To restrict competition.

Features of a cartel:

- The agreement that forms a cartel need not be formal or written.
- Cartels almost invariably involve secret conspiracies.
- Here, competitors refers to companies at the same level of the economy (manufacturers, distributors, or retailers) in direct competition with each other to sell goods or provide services.

What do these cartels do?

1. Price-fixing.
2. Output restrictions.
3. Market allocation.
4. Bid-rigging.

In simple terms, "participants in hard-core cartels agree to insulate themselves from the rigours of a competitive marketplace, substituting cooperation for competition".

Challenges posed by cartels:

1. Hurt not only the consumers but also, indirectly, undermine overall economic efficiency and innovations.
2. By artificially holding back the supply or raising prices in a coordinated manner, companies either force some consumers out of the market by making the commodity more scarce or by earning profits that free competition would not have allowed.
3. A cartel shelters its members from full exposure to market forces, reducing pressures on them to control costs and to innovate.

Why do companies resort to Cartelisation?

The companies blamed government rules, which require them to seek approvals from state authorities for any price revisions, as the main reason for forming a cartel.

2. Non-price competition

- **Non-price competition refers to competition between companies that focuses on benefits, extra services, good workmanship, product quality – plus all other features and measures that do not involve altering prices.**
- It contrasts with price competition, in which rivals try to gain market share by reducing their prices.
- Non-price competition is often adopted by the competing players in a sector in order to prevent a price war, which can lead to a damaging spiral of price cuts.