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Emergency Credit Line Guarantee Scheme

Why in the news?

- The **banks have recently sanctioned** more than **₹1 lakh-crore loans** under the **₹3-lakh crore Emergency Credit Line Guarantee Scheme (ECLGS)** for the **MSME sector** reeling under COVID-19-induced economic slowdown.

About Emergency Credit Line Guarantee Scheme

- The Scheme is the **most significant fiscal component** of the **₹20-lakh crore 'Aatmanirbhar Bharat Abhiyan' package** announced by **Finance Minister Nirmala Sitharaman** last month.
- The latest number on **ECLGS, as released by the Finance Ministry**, comprises all the **12 public sector banks (PSBs), 20 private sector banks** and **eight NBFCs.**Under the Scheme, **100% guarantee coverage** to be **provided by National Credit Guarantee Trustee Company Limited (NCGTC)** for additional funding of up to **Rs. 3 lakh crores** to **eligible MSMEs and interested MUDRA borrowers**.
- The credit will be **provided in the form of a Guaranteed Emergency Credit Line (GECL) facility.**
- The **Scheme** would be **applicable to all loans sanctioned under GECL Facility** during the period from the **date of announcement of the Scheme to 31.10.2020.**

Aims and objectives

- The **Scheme aims** at **mitigating the economic distress faced by MSMEs** by providing them **additional funding** in the form of a **fully guaranteed emergency credit line**.
- The **main objective** is to **provide an incentive to Member Lending Institutions (MLIs),** i.e., **Banks, Financial Institutions (FIs) and NBFCs** to increase access to and enable the **availability of additional funding facility to MSME borrowers**.
- It aims to **provide a 100 per cent guarantee** for **any losses suffered by them** due to **non-repayment of the GECL funding** by borrowers.

Salient features

- The **entire funding provided under GECL** shall be provided with a **100% credit guarantee by NCGTC to MLIs under ECLGS.**

Loan tenor

- The tenor of the **loan under Scheme** shall be four years with a **moratorium period** of one year on the **principal amount**.
- **NCGTC shall charge no Guarantee Fee** 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 **14% for NBFCs.**

RBI announces special liquidity scheme for NBFCs and HFCs through SPV

Why in the news?

- The **Reserve Bank of India (RBI)** has recently said that **State Bank of India's SBICAP unit** would set up a **Special Purpose Vehicle (SPV).**
- It is aimed to **assist NBFCs and HFCs** in **improving their liquidity** following the **Centre's approval of a Special Liquidity Scheme (SLS)** for the purpose.

About the Special Liquidity Scheme

- The **aim of the Scheme** to **improve the liquidity position of non-banking finance companies (NBFCs)** and **housing finance companies (HFCs).**
- **RBI** will **provide funds for the Scheme** by **subscribing to government-guaranteed special securities** issued **by the Trust**.
- The **total amount of such securities** issued outstanding shall **not exceed Rs. 30,000 crores** at **any point in time.**
- **Government of India** will provide **an unconditional and irrevocable guarantee** to the **special securities** issued by the Trust.

Eligibility of the Scheme

i. The **Non-Banking Financial Company (NBFCs)**, including **Microfinance Institutions** that **are registered with the RBI**, under the **Reserve Bank of India Act, 1934**, excluding those registered as **Core Investment Companies**
ii. **Housing Finance Companies** that are **registered under the National Housing Bank Act, 1987**
iii. **CRAR/CAR of NBFCs/HFCs** should **not be below the regulatory minimum,** i.e., **15% and 12% respectively as on March 31, 2019**
iv. The **net non-performing assets** should **not be more than 6%** as on **March 31, 2019**
v. They **should have made a net profit** in at least **one of the last two preceding financial years (i.e. 2017-18 and 2018-19)**
vi. They **should not have been reported** under **the SMA-1 or SMA-2 category** by **any bank for their borrowings** during **last one year before August 01, 2018**
vii. They should be **rated investment grade** by a **SEBI registered rating agency**
viii. They should **comply with the requirement** of the **SPV for an appropriate level of collateral** from the **entity**, which, however, **would be optional** and to be **decided by the SPV.**

International Financial Services Centres Authority

About the International Financial Services Centres Authority

- It is an **authority to regulate all financial services** in **International Financial Services Centres (IFSCs) with headquarters** in **Gandhinagar (Gujarat).**

Functions

- The **Authority** will **regulate financial products** (such as securities, deposits, or contracts of insurance), **financial services, and financial institutions** which have been previously approved by any **appropriate regulator (such as RBI or SEBI), in an IFSC.**
- It will follow **all processes** which are **applicable to such financial products, financial services, and financial institutions** under their respective laws.
- The **appropriate regulators** are listed in a **Schedule to the Bill** and **include the RBI, SEBI, IRDAI, and PFRDA.**
- The **central government** may amend this **schedule through a notification**.

Members:

- The **International Financial Services Centres Authority** will consist of **nine members**, **appointed by the central government.**
- They will **include chairperson of the Authority**, a member each from the **RBI, SEBI, the Insurance Regulatory and Development Authority of India (IRDAI)**, and the **Pension Fund Regulatory and Development Authority (PFRDA);** and **two members from the Ministry of Finance.**
- In addition, two other members will be **appointed on the recommendation of a Selection Committee.**

Term

- All members of the **IFSC Authority** will have a **term of three years**, **subject to reappointment.**

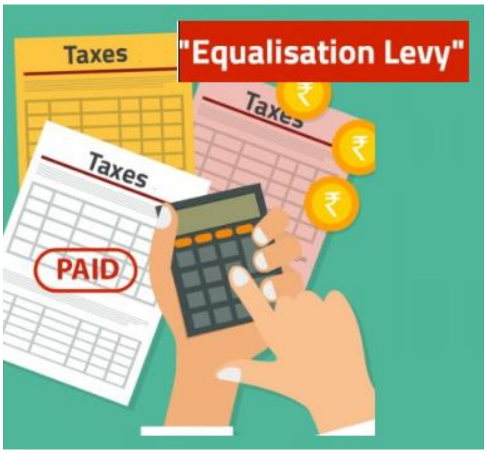
About GIFT City

- **Gujarat International Finance Tec (GIFT) City** is a **Central Business District** being built between **Ahmedabad and Gandhinagar** in **Gujarat having Special Economic Zone tag.**
- Its main purpose is to **provide high-quality physical infrastructure** (electricity, water, gas, district cooling, roads, telecoms and broadband) so that **finance and tech firms** can relocate their operations in it.
- **GIFTCL** is a **joint venture of Gujarat Urban Development Company Limited (GUDCOL)** and **Infrastructure Leasing & Financial Services (IL&FS)**
- **Gujarat International Finance Tec-City Company Limited (GIFTCL)** is responsible for **developing and implementing the project**.

Equalization levy (digital tax)

Why in the news?

- The **government is not considering extending the deadline** for **payment of Equalisation Levy** (a type of digital tax) by **non-resident e-commerce players**.
- It is also known as **Google Tax.**



Background

- The **2 per cent Equalisation Levy** was introduced in the **2020-21 Budget** and has come into **effect from April 1, 2020.**
- The **deadline for payment of the first instalment of tax** for **April-June is July 7.**

- The **tax** would be **levied on consideration** received by **e-commerce operators** from **an online supply of goods or services.**

About Equalisation Levy

- **Equalisation Levy** was **introduced in India in 2016**, with the **intention of taxing the digital transactions**, i.e. the **income accruing to foreign e-commerce companies** from **India.**
- It is aimed at **taxing business to business transactions.**

Applicability of Equalisation Levy

- Equalisation Levy is a **direct tax,** which is **withheld at the time of payment** by the **service recipient.**
- The **two conditions** to be met to be **liable to equalization levy**:

1. The **payment** should be made to a **non-resident service provider.**
2. The **annual payment** made to **one service provider exceeds Rs. 1, 00, 000** in **one financial year.**

Services Covered Under Equalisation Levy

- Currently, not **all services** are covered under the **ambit of equalization Levy.**
- The following **services covered:**

a. Online advertisement

b. Any provision for digital advertising space or facilities/ service for the purpose of online advertisement

ASEEM portal

Why in the news?

- **Union Ministry of Skill Development and Entrepreneurship** has launched **Aatamanirbhar Skilled Employee-Employer Mapping (ASEEM) portal.**

About ASEEM Portal

- ASEEM portal will provide employers with a **platform to assess the availability of a skilled workforce and formulate** their hiring plans.
- The **portal will map details of workers** based on **regions and local industry demands** and will **bridge the demand-supply gap of skilled workforce across sectors**.
- It refers to all the **data, trends and analytics** which describe the **workforce market and map demand of skilled workforce to supply.**
- It has an **Artificial Intelligence-based platform** which will **provide real-time granular information** by **identifying relevant skilling requirements** and **employment prospects.**
- The **ASEEM portal and App** will have provision for registration and data upload for workers across **job roles, sectors, and geographies**.

Chabahar rail project

- Recently the **Iranian government** has decided to **proceed with the construction of Chabahar rail projecton** its own, **citing delays from the Indian side in funding** and **starting the project**.
- This **development comes as China finalizes** a **massive 25-year, $400 billion strategic partnership deal with Iran**, which could **cloud India's plans.**

Related Information

- **Iranian Transport and Urban Development** have recently inaugurated the **track-laying process** for the **628 km Chabahar-Zahedan line**, which will be **extended to Zaranj across the border in Afghanistan.**
- The **entire project** would be **completed by March 2022.**

Background

- The **Chabahar rail project** was to **construct the Chabahar-Zahedan railway** as **"part of transit and transportation corridor in a trilateral agreement between India, Iran and Afghanistan".**
- The project was **meant to be part of India's commitment to the trilateral agreement between India, Iran, and Afghanistan** to build an **alternate trade route to Afghanistan and Central Asia.**
- **Indian Railways Construction Ltd (IRCON)** had **promised to provide all services**, **superstructure work**, and **financing for the project**.

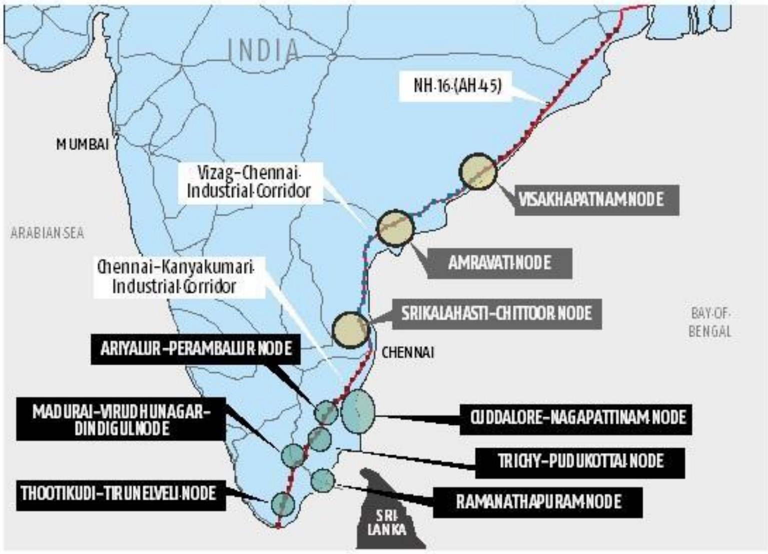
Implications on India

- The **Iran-China deal impinges** on **India's "strategic ties" with Iran** and the **use of Chabahar port.**
- **Bandar-e-Jack port** lies to the **west of Chabahar & right before Straits of Hormuz.**
- China would thus **extend its control along the Pakistan-Iran coast**.

Tamil Nadu -Karnataka Economic Corridor

Why in the news?

- Recently the **Expert Appraisal Committee of the Environment Ministry** has recommended the **grant of Environmental Clearance for the development of an economic corridor**, the **Satellite Town Ring Road (STRR) between Tamil Nadu and Karnataka.**



About the Economic Corridor

- The corridor is a part of **Bharatmala Pariyojna.**
- It is a **Greenfield highway** and will be **implemented by the National Highways Authority of India.**
- The project will start in **Dabaspet in Karnataka** and end **near Devarapalli village** on the **Tamil Nadu-Karnataka border**.

About Bharatmala Pariyojana

- It is a **new umbrella program for** the **highways sector** that focuses on **optimizing the efficiency of freight** and **passenger movement across the country.**
- It is a **centrally sponsored and funded Road and highways project** of the Government of India.
- It is both **enabler and beneficiary of other key Government of India schemes**, such as **Sagarmala, Dedicated Freight Corridors, and Industrial corridors, UDAN-RCS, BharatNet, Digital India and Make in India.**

India Energy Modelling Forum

Why in the news?

- Recently an **India Energy Modelling Forum** was launched in the **joint working group meeting** of the **Sustainable Growth Pillar on July 2, 2020.**

About the Energy Modelling Forum

- The **Energy Modelling Forum (EMF) in the USA** was **established in 1976** at **Stanford University** to **connect leading modelling experts** and decision-makers from government, industry, universities, and other research organizations.
- The **forum provides an unbiased platform** to discuss the **contemporary issues revolving around energy and environment**.
- **In India, there was no formalized and systematic process of having a modelling forum.**

The India Energy Modelling Forum will accelerate this effort and aim to:

- Provide a platform to **examine important energy and related environmental issues**
- **Inform decision-making process** to the **Indian government**
- **Improve cooperation** between **modelling teams, government**, and knowledge partners, funders
- **Facilitate the exchange of ideas**, ensure production of **high-quality studies**
- **Identify knowledge gaps** at **different levels** and across different areas

ASPIRE e-portal

Why in the news?

- Recently **International Centre of Automotive Technology (ICAT)** announced the launch of the **automotive technology e-portal called Automotive Solutions Portal for Industry, Research and Education (ASPIRE).**

Objective

- The **key objective of this portal** is to **facilitate the Indian Automotive Industry to become self-reliant** by assisting in **innovation and adoption of global technological advancements** by **bringing together the stakeholders** from various associated avenues.

- The activities would include **Research and Development, Product Technology Development, Technological Innovations** etc. which help in **identifying the trends in the Indian auto industry.**

About the International Centre for Automotive Technology

- The **International Centre for Automotive Technology (ICAT)** was established in **2006 at Manesar, Haryana.**
- It is a leading **world-class automotive testing**, **certification and R&D, service provider.**
- It works under the **aegis of NATRiP (National Automotive Testing and R&D Infrastructure Project),** Government of India.

RBI signs $400 mn currency swap with Sri Lanka

Why in the news?

- Recently the **Reserve Bank of India (RBI)** has signed an agreement for **extending a $400-million currency swap facility** to **Sri Lanka** to boost the **foreign reserves and ensure financial stability** of the country.
- This **swap agreement** has been **signed under the SAARC Currency Swap Framework 2019-22.**

About Currency Swap

- The term **Swap means exchange**, under this, a **country provides dollars to a foreign central bank** which at the same time **provides the equivalent funds in its currency** to the former based on the market exchange rate at the time of the transaction.
- The **parties agree to swap back** these **quantities of their two currencies** at a **specified date** in the **future which could be the next day** or even **two years later** using the **same exchange rate** as in the **first transaction.**
- These **swap operations** carry no **exchange rate or other market risks** as **transaction terms** are set in advance.
- Hence, it provides **benefit to the country** which is **getting dollars to use reserves** at any time in order to **maintain an appropriate level of balance of payments** or **short-term liquidity.**

About SAARC Currency Swap Framework 2019-22

- The **SAARC currency swap framework** came into **operation in 2012.**
- In **2019, the RBI** revised the **framework from 2019-2022.**
- Under the **framework for 2019-22**, RBI will offer swap arrangement **within the overall corpus of USD 2 billion.**
- The drawls can be **made in US Dollar, Euro or Indian Rupee.**
- The framework also **provides certain concessions for swap drawals** in **Indian Rupee.**

About South Asian Association for Regional Cooperation

- It is a **regional intergovernmental organization** of states in **South Asia.**
- It was **established in 1985.**

Members

- Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

Note:

- India already has a **$75 billion bilateral currency swap** line with **Japan,** which has the **second highest dollar reserves after China.**

Amendments in 'FDI policy' on Civil Aviation notified

Why in the news?

- Recently the **government** has notified changes in **foreign direct investment (FDI) norms** on **civil aviation**, which is also called as **Foreign Exchange Management (Non-debt Instruments) (Third Amendment) Rules, 2020.**

Highlights of the amendment

- It will **permit non-resident Indian nationals** to **own 100 per cent** stake of Air India.
- The amendment **removes the exception** which **permitted Overseas Citizens** of India **100% FDI** in air transport, but not Air India.
- This category of citizens has been **replaced with NRIs**, now allowed to **commit 100% FDI** in **air transport, including Air India, through automatic route.**
- **Substantial ownership and effective control of Air India Limited** shall continue to be vested in **Indian Nationals as stipulated in Aircraft Rules, 1937.**

Related Information

- As per the **present FDI Policy**, **100 per cent FDI** is permitted in scheduled **Air Transport Service/Domestic Scheduled Passenger Airline (Automatic up to 49 per cent and Government route beyond 49 per cent).**
- However, for **NRIs 100 per cent FDI** is permitted under **automatic route in Scheduled Air Transport Service/Domestic Scheduled Passenger Airline.**
- The **government permits 100 per cent FDI under automatic route** in **helicopter services/seaplane services** requiring **Directorate General of Civil Aviation (DGCA) approval.**
- Foreign airlines are allowed to invest in the **capital of Indian companies**, **operating scheduled and non-scheduled air transport services,** up to the limit of **49% of their paid-up capital**, **subject to certain conditions**.
- The **conditions include that inflow** must be **made under the government approval route** and the **49% limit will subsume FDI and FII/FPI investment.**

Related Information

- Recently, **India** has **revised its FDI rules** amid the Covid-19 pandemic.
- Under the **revised norms**, the **automatic route is now closed to investors** from **India's land neighbours**, with **special reference to China**.
- This **new regulation** is based on the **fear that China** may **take advantage of the rock-bottom valuations** of the **firms of national importance in the backdrop of the lockdown.**
- For example, **recently People's Bank of China** purchased **shares of HDFC Bank** at a very low price.

Revised FDI Rules

- Those **companies** in any country that **shares a border with India** will have to **approach the government for investing in India** and not go via the **automatic route.**

AIM-iCREST

Why in the news?

- Recently **NITI Aayog's Atal Innovation Mission (AIM),** has launched **AIM iCREST** in a partnership with **Bill & Melinda Gates Foundation** and **Wadhwani Foundation.**

About AIM-iCREST

- It has been designed to enable the **incubation ecosystem** and act as a **growth hack for AIM's Atal** and **Established incubators** across the country.

Aim

- The program **aims at going beyond incubator capacity building.**
- This **programme is unique** also in its design

a. it is a combination of interactive practices in the field of incubation.

b. enabling the incubators to support sustainable and successful startups.

About Atal Innovation Mission

- The **Atal Innovation Mission (AIM)** is a **flagship initiative** set up by the **NITI Aayog** to **promote innovation** and **entrepreneurship** across the **length and breadth** of the country.
- It is also **envisaged as an umbrella innovation organization** that would play an **instrumental role in alignment of innovation policies** between **central, state and sectoral innovation** schemes.
- It helps in **incentivizing the establishment and promotion of an ecosystem** of **innovation and entrepreneurship** at various levels - higher secondary schools, science, engineering and higher academic institutions, and **SME/MSME industry, corporate and NGO levels**.

Atal Ranking of Institutions on Innovation Achievements, 2020 (ARIIA-2020)

Why in the news?

- **Vice President of India** has recently **announced ARIIA-2020 (Atal Ranking of Institutions on Innovation Achievements).**

About Atal Ranking of Institutions on Innovation Achievements, 2020

- It is an **initiative of Ministry of Human Resource Development (MHRD),** Government of India.
- It provides a **systematically rank all major higher educational institutions** and **universities in India** on indicators related to **"Innovation and Entrepreneurship Development"** amongst students and faculties.
- **ARIIA** will **focus on quality of innovations** and will **try to measure the real impact created** by these **innovations nationally and internationally.**
- The **results of the rankings** have been **evaluated based on seven parameters.**

These includes

- Budget & Funding Support.
- Infrastructure & Facilities.
- Awareness, Promotions & support for Idea Generation & Innovation.
- Promotion & Support for Entrepreneurship Development.
- Innovative Learning Methods & Courses.
- Intellectual Property Generation, Technology Transfer & Commercialization.
- Innovation in Governance of the Institution.

- This year, **ARIIA announcement** included **classification of the institutes** into two broad categories and six subcategories.

Highlights

- In the **ARIIA 2020 rankings**, **IIT Madras** again claimed the **top spot for best centrally funded institution** followed by **IIT Bombay and IIT Delhi.**
- In the **category of private institutions**, **Kalinga Institute of Industrial Technology, Odisha** has emerged as the winner.
- **KIIT** is followed by **SRM Institute of Science and Technology** and **Vellore Institute of Technology.**
- **College of Engineering Pune, Maharashtra** has topped the **list for State-Funded Autonomous Institutions.**
- For the first time, **ARIIA 2020 rankings** had a **special prize category** for **women-only higher educational institutions.**
- The **results of the rankings** have been **evaluated based on seven parameters**.
- These **include budget and funding support**, infrastructure and facilities, awareness, promotions, and support for idea generation and innovation.
- This year, a **special category for higher educational institutions** for women has been **introduced to bring gender parity** in the areas of **innovation and entrepreneurship.**
- **Avinashilingam Institute** for **Home Science and Higher Education** for **Women secured top** place under this category.

Women Entrepreneurship and Empowerment initative

Why in the news?

• Recently **Eleven women entrepreneurs** have been **shortlisted under 'Women Entrepreneurship and Empowerment' initiative** supported by the **Department of Science and Technology**.

About Women Entrepreneurship and Empowerment initiative

• It is the **country's first-of-its kind initiative** to **strengthen women's ecosystem.**

• The initiative has been founded by **IIT Delhi** and is **supported by the Department of Science and Technology.**

Aim

• The **aim of the initiative** is to **focus and ignite a fire amongst women** from a college going student to a **middle-aged housewife** to **embrace entrepreneurship as a viable fulfilling career option.**

Award

Priority sector lending to include start-ups

Why in the news?

• The **Reserve Bank of India (RBI)** decided to broaden the **scope of priority sector lending (PSL)** by including **start-ups and enhancing borrowing limits** for **renewable energy sectors**.

• The **central bank** would also increase the targets for lending to **'small and marginal farmers'** and **'weaker sections'** under the **PSL.**

About Priority sector lending (PSL)

• Priority Sector Lending is an important role given by the **Reserve Bank of India (RBI)** to the **Commercial Banks** for providing a **specified portion of the bank lending** to few specific sectors.

Priority Sector includes the following categories:

- Agriculture
- Micro, Small and Medium Enterprises (MSME)
- Export Credit
- Education
- Housing
- Social Infrastructure
- Renewable Energy
- Others

The others category includes personal loans to weaker section, loans to distressed persons, loans to state sponsored organizations for SC/ST.

Targets and Sub-targets for banks under Priority Sector Lending

• **Banks** are **required to assign 40%** of adjusted **net bank credit or credit equivalent** amount of off **balance sheet exposure**, whichever is higher, to priority sector, including agriculture and micro enterprises.

- **Domestic scheduled commercial banks** (excluding Regional Rural Banks and Small Finance Banks) and foreign banks with **20 branches** and above are **included for PSL.**
- **10% of the priority sector** advances or **10% of the total net bank credit**, whichever is higher should go to weaker section.
- **18% of the total net bank credit** should go to **agricultural advances.**
- Within the **18 targets for agriculture**, a target of **8 per cent of Adjusted Net Bank Credit (ANBC)** or **Credit Equivalent Amount of Off-Balance Sheet Exposure**, whichever is higher is prescribed for **Small and Marginal Farmers.**
- **7.5 of ANBC** or **Credit Equivalent Amount of Off-Balance Sheet Exposure**, whichever is higher should go to Micro enterprises.

Priority Sector Lending Certificates (PSLCs):

- **Priority Sector Lending Certificates (PSLCs)** are a mechanism to enable banks to **achieve the priority sector lending target and sub-targets** by purchase of these instruments in the **event of shortfall.**
- This also **incentivizes surplus banks** as it allows them to sell their **excess achievement over targets** thereby **enhancing lending to the categories** under priority sector.

Jewel loan-to-value ratio raised to 90% from 75%

Why in the news?

Recently with a view to **further mitigating the economic impact** of the COVID-19 pandemic on **households, entrepreneurs** and **small businesses**, the RBI has decided to **increase the permissible loan-to value ratio** (LTV) for loans **against pledge of gold ornaments** and **jewelry for non-agricultural purposes to 90%.**

What Is the Loan-to-Value (LTV) Ratio?

- The **loan-to-value (LTV) ratio** is an **assessment of lending risk** that financial institutions and other **lenders examine** before **approving a mortgage.**
- Typically, **loan assessments with high LTV ratios** are considered **higher risk loans**. Therefore, if the **mortgage is approved**, the **loan has a higher interest rate**.
-

About Gold Monetisation Scheme

- The scheme was launched in **November 2015** along with **sovereign gold bonds** and **India gold coins**.
- It facilitates the **depositors of gold to earn interest** on their metal accounts. Once the **gold is deposited** in metal account, it starts **earning interest on the same.**
- Under the scheme, a **depositor gets 2.25% interest annually** for a **short-term deposit of one year** to three years. **Medium- and long-term deposits** get **2.5% interest rate.**

Objective

- To **mobilize the gold held by households** and **institutions in the country** to put this gold into **productive use and in the long run** to reduce the **current account deficit** by reducing the **country's reliance on imports of gold** to meet the **domestic demand.**
- **Sovereign Gold Bond Scheme** (an alternative to purchasing metal gold) and **development of Indian Gold Coin** were also launched in **November 2015, under Gold Monetization Scheme.**

Agriculture Infrastructure Fund

Why in the news?

- **Prime Minister of India** has recently launched the **financing facility of 1 lakh crore rupees** under the **Agriculture Infrastructure Fund.**

About the Agriculture Infrastructure Fund

- The **Union Cabinet** had given the approval to this **new pan India Central Sector Scheme-Agriculture Infrastructure Fund in July 2020.**

Objective

- The scheme shall **provide a medium - long term debt financing facility** for **investment in viable projects** for **post-harvest management Infrastructure** and **community farming assets** through **interest subvention and financial support.**
- Under the scheme, **Rs. One Lakh Crore** will be provided by **banks and financial institutions** as loans to:

a. Primary Agricultural Credit Societies (PACS)
b. Marketing Cooperative Societies
c. Farmer Producers Organizations (FPOs)
d. Self Help Group (SHG)
e. Farmers, Joint Liability Groups (JLG)

f. Multipurpose Cooperative Societies
g. Agri-entrepreneurs, Startups
h. Aggregation Infrastructure Providers
i. Central/State agency or Local Body sponsored Public Private Partnership Project

- **All loans** under this **financing facility** will **have interest subvention** of **3% per annum** up to a **limit of Rs. 2 crores.**
- This **subvention** will be **available for a maximum period of seven years**.
- Further, **credit guarantee coverage** will be **available for eligible borrowers from this financing facility** under **Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme** for a loan up to **Rs. 2 crore.**
- **The Fund** will be **managed and monitored through an online Management Information System (MIS) platform.**
- The **National, State and District level Monitoring Committees** will be set up to **ensure real-time monitoring** and **effective feed-back**.
- **The duration of the Scheme shall be from FY2020 to FY2029 (10 years)**.

Significance

- The **Project** by way of **facilitating formal credit to farm** and **farm processing-based activities** is expected to **create numerous job opportunities in rural areas.**
- It will enable **all the qualified entities to apply for loan** under the fund.
- The **online platform** will also **provide benefits** such as **transparency of interest rates offered by multiple banks.**
- It will also help in **faster approval process** as also **integration with other scheme benefits.**

About Central Sector Scheme

- Under **Central sector schemes**, it is **100% funded by the Union government** and implemented by the **Central Government machinery**.
- **Central sector schemes** are mainly formulated on **subjects from the Union List.**
- The **Central Ministries** also implement some schemes **directly in States/UTs** which are called **Central Sector Schemes** but resources under these **Schemes are not generally transferred to States.**

Sub-Mission on Agricultural Mechanization (SMAM)

Why in the news?

- The **Centre has released ₹553 crore** to **States** under a **scheme to promote mechanization in the agriculture sector.**

About Sub-Mission on Agricultural Mechanization

- The **Sub-Mission on Agricultural Mechanization (SMAM)** was introduced in **April 2014** with an **aim to have inclusive growth of farm mechanization** to **boost productivity**.
- In the **year 2020-21**, budget of **₹1,033 crore** has been provided for the scheme, **out of which ₹553 crore** has been **released to state governments.**

Benefits

- **Agricultural mechanization** helps in **increasing production** through **timely farm operations** and cut in **operations by ensuring better management of inputs.**
- **Individual farmers** are also **provided subsidy** for **procurement of machinery.**

Krishi Megh

Why in the news?

- Recently **Union Agriculture Minister** has launched **ICAR's data recovery centre** - Krishi Megh.

About Krishi Megh

- Krishi Megh has been set up under the **National Agricultural Higher Education Project (NAHEP),** funded by both the **government and World Bank**.
- It is a data **recovery centre** setup to **protect the data of the Indian Council of Agricultural Research (ICAR).**
- The centre has been set up at **National Academy of Agricultural Research Management (NAARM), Hyderabad**.

Objective

- The **objective of Krishi megh** is to provide **more relevant and high-quality education** to the **agricultural university students** that are in tune with the **New Education Policy - 2020.**

Significance

- The centre was set up under the **National Agricultural Higher Education Project (NAHEP).**
- It plays a **key step forward** towards **digital agriculture of New India.**

Key Features of Krishi Megh

- For **meeting the services** and **infrastructure needs of Digital Agriculture of National Agricultural Research** and **Education System (NARES).**
- The existing **Data Centre (ICAR-DC)** built during 2012 shall be strengthened with **cloud computing infrastructure.**
- **ICAR-Krishi Megh at NAARM Hyderabad** is synchronized with **ICAR-Data Center at ICAR-IASRI, New Delhi** has been built to mitigate the risk, enhance the quality, **availability and accessibility of e-governance**, **research, extension and education** in the **field of agriculture in India.**
- **NAARM, Hyderabad** has been chosen as it lies in **different seismic zone** w.r.t. **ICAR-Data Center at ICAR-IASRI, New Delhi.**

- **Hyderabad** is also **suitable as skilled IT manpower** is available along with other **suitable climatic conditions** such as **low humidity level** which is **controllable in the data center environment**.

Online dashboard for National Infrastructure Pipeline

Why in the news?

- **Finance Minister** has recently **inaugurated the National Infrastructure Pipeline (NIP) Online Dashboard** through video conferencing.

About Online dashboard

- The **online dashboard** will be a **one-stop solution** for **all stakeholders** looking for **information on infrastructure projects in India.**
- The dashboard is being **hosted on the India Investment Grid (IIG).**

Related Information

About India Investment Grid

- It is **an interactive and dynamic online platform** that showcases **updated and real-time investment opportunities in the country.**
- It is an **initiative of Department for Promotion of Industry & Internal Trade (DPIIT) Ministry of Commerce and Invest India,** the **National Investment Promotion and Facilitation Agency.**

About National Infrastructure Pipeline

- It is the **investment plan unveiled by the Central Government** for enhancing **social and economic infrastructure projects in India** over a period of **five years from 2020-25.**
- The **National Infrastructure Pipeline** was announced in the **Union Budget and is aimed at helping India** become a **$5 trillion economy by 2025.**
- The task force chaired by Secretary, **Department of Economic Affairs, Ministry of Finance** has **projected infrastructure investment** of **₹111 lakh crore during FY 2020-25**

Transparent Taxation platform

Why in the news?

- Recently, the **Prime Minister of India** launched the **'Transparent Taxation - Honoring The Honest' platform** to honour the **honest taxpayers of the country.**

About Transparent Taxation platform

- There are **three main features** of the platform

a. faceless assessment
b. faceless appeal
c. tax payers' charter

- The **faceless assessment and taxpayer charter** will come into **place immediately from the launch,** while the **faceless appeal** is going to be applicable from **25th September 2020**.

Faceless Assessment

- It aims to **eliminate the interface** between the **taxpayer and the income tax department.**
- There **will be no need for the taxpayer** to visit the **income tax office or the officer.**
- The **selection of a taxpayer** is possible through **systems using analytics and Artificial Intelligence.**

Faceless Appeal

- Under the system, **appeals will be randomly allotted** to any **officer in the country.** The identity of the **officer deciding the appeal** will remain unknown.

Taxpayer Charter

- This **outlines the rights and responsibilities** of both **tax officers and taxpayers.**

MSME debt restructuring allowed till March 2021

Why in the news?

- The **Reserve Bank of India (RBI)** has recently extended the **existing debt restructuring scheme for stressed micro, small and medium enterprises (MSMEs)** by three months to **March 31, 2021**, in view of the distress brought upon by the Covid outbreak.

About debt restructuring scheme

- It **aimed to recast Rs. 1 lakh crore of loans** for **7 lakh eligible micro, small and medium enterprises (MSMEs).**
- The **scheme announced by RBI** is a **one-time scheme** wherein a **loan tenor and interest rate** can be **revised without classifying the asset as an NPA.**
- The **facility is available for standard advances** of up to **Rs 25 crore** only.

- Banks will need to make a **provision of 5%** towards these **restructured loans**.
- As per the **existing scheme**, the borrower account had to be standard as on **January 1, 2020.**

RBI approves dividend of Rs 57,000 crore to government

Why in the news?

- The **Reserve Bank of India (RBI)** has recently approved a **dividend payment of Rs 57,000 crore** to the government.
- The **RBI board approved** the **transfer of Rs 57,128 crore** as surplus to the **central government** for the **accounting year 2019-20**, while deciding to **maintain the contingency risk** buffer at **5.5%, the central bank.**

Related Information

- **According to the RBI Act of 1934**, section **"Allocation of Surplus funds"** mandates for **any profits made by the Reserve Bank** from its operations to be sent to the Centre.

What are the RBI's Sources of Income?

i. A **significant part comes from RBI's operations** in **financial markets** when it **intervenes for instance** to buy or sell foreign exchange.
ii. **Open Market operations** when it attempts to prevent the rupee from appreciating.
iii. As income from **government securities** it holds.
iv. As returns from its **foreign currency assets** that are **investments in the bonds of foreign central banks** or top-rated securities.
v. From **deposits with other central banks** or the **Bank for International Settlement or BIS.**
vi. **Lending to banks** for **very short tenures** and **management commission** on handling the **borrowings of state governments** and the central government.
vii. The **central bank's total costs**, which **includes expenditure on printing and commissions forms,** is only about 1/7th of its total net interest income.

Note:

- Last year the **RBI Board accepted the recommendations** of **Economic Capital Framework** (ECF) headed by **former Governor Bimal Jalan** which called for the **Central Board to transfer a surplus of Rs 1.23 lakh crore** and **Rs 52,637 crore** of excess provisions made over the years.
- This **mark the first time the RBI** will be paying out such a huge amount, a **one-off transfer.**

About Economic Capital Framework

- The **economic capital framework provides** a **methodology for determining the appropriate level of risk provisions** and **profit distribution** to be made under **Section 47 of the RBI Act, 1934.**

'Positive Pay' mechanism

Why in the news?

- **Reserve Bank of India (RBI)** has recently introduced **'Positive Pay' mechanism** which will **make cheque payments safer** and **reduce instances of frauds.**
- Issuers will be able to **send all details to their bank**, thereby **ensuring faster clearance of cheques above Rs 50,000.**

What is Positive Pay mechanism?

- Positive Pay is a **fraud detection tool** adopted by banks to **protect customers against forged, altered or counterfeit cheques.**
- It cross verifies all details of the **cheque issued before funds** are **encashed by the beneficiary.**
- In case of a mismatch, the **cheque is sent back to the issuer for examination.**

Significance

- By following such a system, **a bank knows of a cheque being drawn** by the customer even before it is **deposited by the beneficiary into his/her account.**

NABARD launches credit guarantee programme for NBFC-MFIs Industry

Why in the news?

- The **National Bank for Agriculture and Rural Development** has introduced a **dedicated debt and credit guarantee** product to ensure the **unhindered flow of credit** in rural areas hit by the COVID-19 pandemic.

About Structured Finance and Partial Guarantee Programme

- It entails **providing a partial guarantee** on pooled loans extended to **small and mid-sized microfinance institutions (MFIs).**
- It will help **facilitate Rs 2,500 crore** funding in the initial phase and is **expected to be scaled up.**
- The **programme is expected** to cover over **1 million households across 28 states** and **650 districts.**
- It helps to **reduces cost of capital** as the **rating of the loans** gets notched up and helps **lenders meet priority sector goals.**
- For the **first transaction under the programme, NABARD** and **Vivriti** have partnered with **Ujjivan Small Finance Bank.**

Related Information

About NABARD

- The **National Bank for Agriculture and Rural Development** is popularly referred to as **NABARD.**

- NABARD is **designated as an apex development bank** in the country.
- This **national bank was established in 1982** by a Special Act of the Parliament, with a manadate to **uplift rural India by facilitating credit flow** in agriculture, cottage and village industries, handicrafts and small-scale industries.
- It is also required to **support non-farm sector** while promoting other **allied economic activities in rural areas.**
- **NABARD functions** to promote **sustainable rural development for attaining prosperity of rural areas in India.**

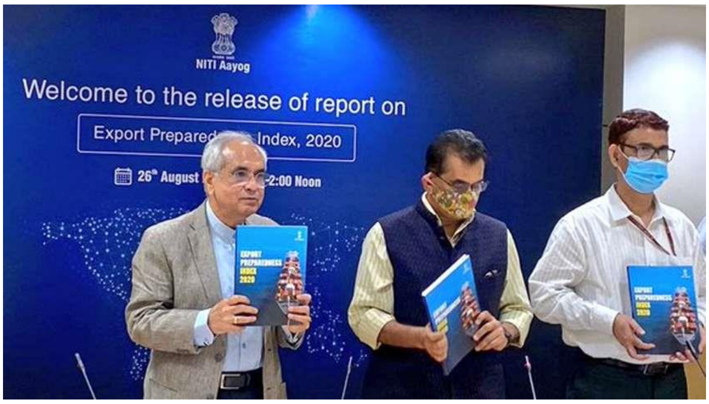
The main objectives of NABARD are as follows:

- NABARD provides **refinance assistance for agriculture**, promoting rural development activities. It also provides all **necessary finance and assistance** to small scale industries.
- NABARD in coordination with the **State Governments** provides agriculture.
- It **improves small and minor irrigation** by way of **promoting agricultural activities**.

Export Preparedness Index 2020

Why in the news?

- **NITI Aayog** in partnership with the **Institute of Competitiveness** has released the first **Export Preparedness Index (EPI) 2020**.



About the Export Preparedness Index

- The Export Preparedness Index **intends to identify challenges and opportunities** and encourage a facilitative **regulatory framework.**

The index ranked states on **four key parameters**

a. Policy
b. Business ecosystem
c. Export ecosystem
d. Export performance.

The index also took into consideration **11 sub-pillars**

a. Export promotion policy
b. Institutional framework
c. Business environment
d. Infrastructure
e. Transport connectivity
f. Access to finance
g. Export infrastructure
h. Trade support
i. R&D infrastructure
j. Export diversification
k. Growth orientation.

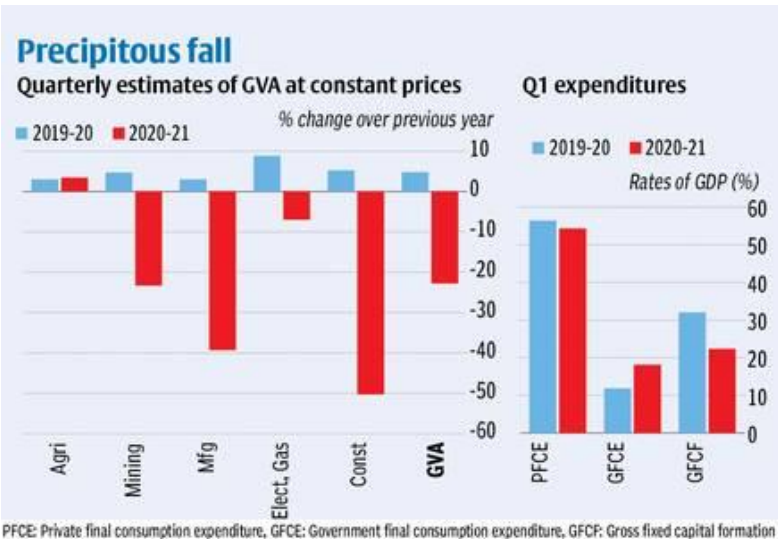
Findings of the Index

- **Gujarat** has topped followed by **Maharashtra and Tamil Nadu in the second and third place respectively,** indicating the presence of strong enabling and facilitating factors to promote exports.
- **Among the landlocked states**, Rajasthan has performed the best, followed by Telangana and Haryana.
- **Among the Himalayan states,** Uttarakhand topped the chart, followed by Tripura and Himachal Pradesh. Across Union Territories, Delhi has performed the best, followed by Goa and Chandigarh.
- The report stated that Chattisgarh and Jharkhand are two landlocked states that had initiated several measures to promote exports.
- The report noted that other states facing similar socio-economic challenges can look at the measures taken by Chhattisgarh and Jharkhand and try to implement them to grow their exports
- **On policy parameters,** Maharashtra topped the index followed by Gujarat and Jharkhand.
- **On business ecosystem parameter**, Gujarat was ranked number one followed by Delhi and Tamil Nadu.
- **In the export ecosystem parameter**, Maharashtra topped the Index followed by Odisha and Rajasthan.
- **On the export performance parameter**, Mizoram led the index, followed by Gujarat and Maharashtra.
- The report pointed out that at present, 70 per cent of India's export has been dominated by five states – Maharashtra, Gujarat, Karnataka, Tamil Nadu and Telangana.

GDP falls 23.9% in first quarter

Why in the news?

- According to data released by the **National Statistical Office**, the **Indian economy** saw its **worst contraction in decades**, with **Gross Domestic Product (GDP)** shrinking by a **record 23.9% in the April to June quarter** in comparison to the **same period** last year a **deeply vicious cycle.**
- **Economists** expect this to **contribute to a contraction in annual GDP this year**, which may be the worst in the history of independent India.
- Previous instances of **economy contraction.**
- There have been four other instances of **minor contraction between 1965-68, and 1972-73**, but this year is likely to be the **worst since Independence**.



Highlights of the data

- **Manufacturing shrank** more than **39%, while mining and quarrying dropped 23%.**

- On the **expenditure side, private consumption fell 26.7%,** while investments, as **reflected by gross fixed capital** formation **plunged 47%,** and **exports contracted almost 20%.**
- **Agriculture** was the only sector which **recorded a modest growth of 3.4%** in year-on-year terms.

About National Statistical Office

- The **National Statistical Office (NSO)** has been formed last year through the merger of the **National Sample Survey Office (NSSO)** with the **Central Statistics Office (CSO)** under the **Ministry of Statistics and Programme Implementation (MoSPI).**

Background

- The new **NSO as an agency** was envisaged firstly **by Rangarajan Commission** to implement and maintain statistical standards and coordinate statistical activities of Central and State agencies as laid down by the **National Statistical Commission (NSC).**
- This commission had also **recommended setting up of the NSC,** headed by a person with a **Minister of State-level designation**, to serve as a **nodal and empowered body** for all **core statistical activities of the country.**

Composition

- It has been headed by **Secretary (Statistics and Programme Implementation).**
- There will be three **Director Generals —DG (Statistics), DG (Coordination, Administration and Policy) and DG (National Sample Survey) — reporting to the Secretary (S&PI).**

Objective of restructuring

- To **streamline and strengthen** the present **nodal functions of the ministry** and to bring in **more synergy by integrating** its **administrative functions within the ministry.**

Association of Renewable Energy Agencies of States (AREAS)

Why in the news?

- **Union Power Minister** has recently **addressed the 6th Foundation Day of Association of Renewable Energy Agencies of States (AREAS).**

About Association of Renewable Energy Agencies of States (AREAS)

- It has been formed as a **Ministry of New and Renewable Energy (MNRE)** initiative to **provide a knowledge sharing platform** for the **renewable energy sector.**
- It has been registered under **Society Registration Act 1860 in 2014.**

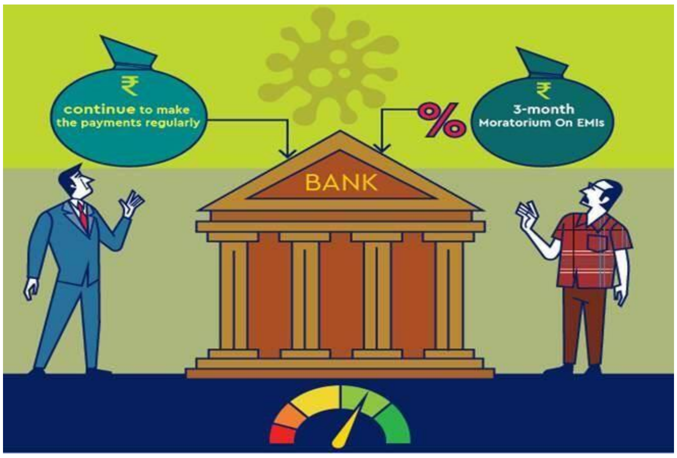
Composition

- **Union Minister for New & Renewable Energy** is the **Patron of the Association and Secretary.**
- Ministry of New and Renewable Energy is the **ex-officio President of the Association.**
- All SNAs (State Nodal Agencies) are **members of the Association.**

Relief for borrowers in moratorium case

Why in the news?

- The **Supreme Court** directed banks that l**oan accounts in the clear till the expiry of the moratorium on August 31** should **not be declared as non-performing assets (NPAs)** till further orders.



Related Information

- A **nonperforming asset (NPA)** is a **loan or advance** for which the **principal or interest payment remained** overdue for a **period of 90 days**.
- Banks are required to **classify NPAs further into Substandard, Doubtful** and **Loss assets.**

a. **Substandard assets:** Assets which has remained NPA for a period less than or equal to 12 months.
b. **Doubtful assets:** An asset would be classified as doubtful if it has remained in the substandard category for a period of 12 months.
c. **Loss assets:** As per RBI, "Loss asset 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."

NPA Criteria for agricultural loans

- If the **interest and/or the installment or principal remains** overdue for two harvest seasons; it is **declared as NPAs**.
- But this **period should not exceed two years**.
- After **two years** any **unpaid loan/installment will be classified as NPA**.

EASE Banking Reforms Index

Why in the news?

- Recently, the **Ministry of Finance** released the results of the **EASE Banking Reforms Index 2.0**

Key Highlights of EASE Banking Reforms Index 2.0

- The **Public Sector Banks (PSBs)** have shown a **healthy trajectory** as their **overall score increased by 37%** between **March-2019 and March-2020.**
- The PSBs have **adopted tech-enabled**, **smart banking in all areas**, setting up **retail and MSME Loan Management Systems** for **reduced loan turn-around time** and **PSBloansin59minutes.com** and **TReDS for digital lending.**

Top 3 banks in each theme

Top 3 banks for EASE 2.0 Index
- Bank of Baroda
- State Bank of India
- Oriental Bank of Commerce

Top 3 banks in improvement from March baseline
- Bank of Maharashtra
- Central Bank of India
- Corporation Bank

Theme 1: Responsible Banking
- Bank of Baroda
- State Bank of India
- Punjab National Bank

Theme 2: Customer Responsiveness
- State Bank of India
- Oriental Bank of Commerce
- Bank of Baroda

Theme 3: Credit Off-take
- Oriental Bank of Commerce
- Union Bank of India
- State Bank of India

Theme 4: UdyamiMitra for MSMEs
- Oriental Bank of Commerce
- State Bank of India
- Union Bank of India

Theme 5: Deepening FI & Digitalisation
- Bank of Baroda
- Canara Bank
- Punjab National Bank

Theme 6: Governance and HR
- State Bank of India
- Bank of Baroda
- Punjab National Bank

Note: Only banks with ≥80% of total weight for a theme applicable for them are considered for ranking

- The **Bank of Baroda, State Bank of India, and erstwhile Oriental Bank of Commerce** were felicitated for being the **top three in the 'Top Performing Banks' category.**
- The **Bank of Maharashtra, Central Bank of India & erstwhile Corporation Bank** were **awarded in the 'Top Improvers' category.**

About EASE Banking Reforms Index

- It was **launched in 2018** which is aimed at **institutionalizing clean and smart banking.**
- It is an **Enhanced Access and Service Excellence (EASE) Reform Index.**
- It is jointly prepared by **Indian Banks' Association (IBA) and Boston Consulting Group.**
- It analyzes the **performance of PSBs on six themes** i.e. **Responsible Banking, Governance and HR, PSBs as Udyamimitra for MSMEs, Credit off-take, Customer Responsive** and **Deepening Financial Inclusion & Digitisation.**

Lok Sabha passes Bill to bring cooperative banks under RBI supervision

Why in the news?

- The Lok Sabha has recently **passed Banking Regulation (Amendment) Bill, 2020**.

Highlights of the Bill

- The **Bill proposes amendments** to the **Banking Regulation Act, 1949**.
- It aims to **bring cooperative banks** under the **supervision of the Reserve Bank of India.**

- The **Banking Regulation Act** does not apply to **certain co-operative societies** such as **primary agricultural credit societies** and **co-operative land mortgage banks.**
- The **Bill amends** this to **state that the Act** will not apply to -

a. Primary agricultural credit societies

b. Co-operative societies whose principal business is long term financing for agricultural development.

- The **Bill allows RBI** to initiate a **scheme for reconstruction or amalgamation** without imposing a moratorium.
- The Bill provides that a **co-operative bank** may issue **equity, preference, or special shares** on **face value or at a premium** to its members or to any other person **residing within its area of operation**.

Related Information

About Co-operative Banking

- A **Co-operative bank** is a **financial entity** which belongs to its **members**, who are at the same time the **owners and the customers of their bank.**
- They are broadly classified into **Urban and Rural co-operative banks** based on their **region of operation.**
- They are **registered under the Co-operative Societies Act of the State** concerned or under the **Multi-State Co-operative Societies Act, 2002**.
- The **Co-operative banks** are also governed by the
    - Banking Regulations Act, 1949.
    - Banking Laws (Co-operative Societies) Act, 1955.

Cess

Why in the news?

- The **Comptroller and Auditor General (CAG) of India**, in its **latest audit report of government accounts**, has observed that the **Union government withheld in the Consolidated Fund of India (CFI)** more than **₹1.1 lakh crore** out of the almost **₹2.75 lakh crore** collected through **various cesses in 2018-19.**
- The CAG found this **objectionable since cess collections** are supposed to be **transferred to specified Reserve Funds** that **Parliament** has **approved for each of these levies.**

About Cess and Surcharges

- The **Constitution allows the Centre** to **levy cess and surcharge** which the **Centre need not share** with **state governments.**
- Both **cess and surcharge** are meant to be **temporary in nature.**

> Out of ₹2,74,592cr received from 35 cesses, levies and other charges in 2018-19, only ₹1,64,322cr had been transferred to reserve funds/ boards during the year and the rest was retained in the CFI (Consolidated Fund of India)
>
> —**CAG report**

What is Cess?

- **Article 270 of the Constitution** allows cess to be **excluded from the purview of the divisible pool of taxes** that the **Union government must share with the States.**
- **Cesses** may be **levied by the Union or state governments**.
- The introduction of the **GST in 2017 led to most cesses** being done away with and **as of August 2018**, there were **only seven cesses** that continued to be levied.

These were

a. Cess on Exports
b. Cess on Crude Oil
c. Health and Education Cess
d. Road and Infrastructure Cess
e. Building and Other Construction Workers Welfare Cess
f. National Calamity Contingent Duty on Tobacco and Tobacco Products and the GST Compensation Cess.
g. The latest introduced cess is Health Cess of 5% on imported medical devices in the Finance Bill for 2020-2021.

About Surcharge

- A **surcharge is a tax on tax imposed** for the purposes of the Union.
- It is dealt with under **Article 271 of the Constitution.**
- Occasionally, the **surcharge is also levied on a certain amount of expenditure**. It applies in the form of a **percentage on the amount of expenditure.**
- The **amount recovered in the form of surcharge** also **reaches the Consolidated Fund of India (CFI),** and it can be **spent for any purpose, just like the normal tax.**

India's external debt

Why in the news?

- Recently, **India's external debt** declined to **US$ 554.5 billion** end **June 2020,** recording a **decrease of US$ 3.9 billion** over its level at **end- March 2020.**

Factors responsible for Decline in India's External Debt

Decrease in long-term debt

- The **long-term debt** (with original maturity of above one year) was **placed at US$ 449.5 billion**, recording a **decrease of US$ 2.0 billion over** its level at **end-March 2020.**

Decrease in short-term debt

- The **share of short-term debt** (with original maturity of up to one year) in **total external debt declined to 18.9%** at **end-June 2020 from 19.1%** at **end-March 2020.**
- The **ratio of short-term debt** (original maturity) to **foreign exchange reserves declined to 20.8%** at end-June 2020 (22.4% at end-March 2020).

Decrease in outstanding debt of government and non-government sectors

- The **borrower-wise classification** shows that the **outstanding debt of both government** and **non-government sectors** decreased at **end-June 2020.**

Components of India's External Debt

- The **US dollar denominated debt** remained the **largest component of India's external debt** at **end-June 2020**, followed by the **Indian rupee, yen, SDR and the euro.**
- The **share of outstanding debt** of **non-financial corporations** in **total external debt** was the **highest followed** by **deposit-taking corporations (except the central bank)**, general government and **other financial corporations.**
- The **instrument-wise classification** shows that the loans were the **largest**

component of external debt followed **by currency and deposits**, **trade credit** and **advances and debt securities**.

- The **commercial borrowings** remained the **largest component of external debt** followed by **non-resident deposits** and **short-term trade credit.**

Government names 3 new members to RBI monetary panel

Why in the news?

- The **government** has **finally appointed three economists** — **PMEAC member Ashima Goyal**, **NCAER's Shashanka Bhide** and **IIM- Ahmedabad professor Jayanth Varma** — as new members of the RBI's monetary policy committee (MPC) to decide on **interest rates.**
- The **new members nominated** have been given a **four-year term.**
- The other **three ex-officio members** of the **MPC are Reserve Bank Governor Shaktikanta Das, Deputy Governor** (in-charge of monetary policy) **Michael Patra** and **executive director Janak Raj.**
- The panel is chaired by **RBI governor Shaktikanta Das**.
- The **six-member Monetary Policy Committee** has the mandate to maintain **annual inflation at 4 percent**, with an **upper tolerance of 6 percent** and a **lower tolerance of 2 percent.**

Related Information

Prime Minister's Economic Advisory Council (PMEAC)

- It is a **non-constitutional and non-statutory**, **non-permanent** and independent body.
- It is constituted with the **prime and sole aim to analyse all critical issues**, economic or otherwise, referred to it by the **prime minister and advising him thereon.**
- It is mandated to **give advice to prime minister** on **economic matters** such as inflation, GDP changes, export-import changes, creating supporting environment for increased trade and commerce.

Functions

- They **submit periodic reports to Prime Minister** related to macroeconomic developments and issues which will have **implications of the economic policy.**
- Analyse any topics, issues assigned by the PM and provide advice to them.
- **Analyse macroeconomic issues** having high importance and present the views to PM and any other task which is assigned by Prime Minister.

GST Council still divided on States' compensation

Why in the news?

- The **Goods and Services Tax (GST) Council** failed again to **reach an agreement on the contentious issue of borrowings** to meet **shortfalls in cess collections** used to **recompense the States for revenue losses** from the **indirect tax implementation.**
- **Finance Minister**, however, said the **Centre is ready to help the States** who have **decided to borrow to bridge the cess shortfall.**

Background

- The **GST became applicable** from **1st July 2017** after the enactment of the **One Hundred and First Constitution Amendment Act, 2016.**
- With GST, many **central and state indirect taxes** merged into a **single tax.**
- **The Centre** promised **compensation to the States** for any shortfall in **tax revenue due to GST implementation for a period of five years.**
- This promise convinced many reluctant **States to sign on to the new indirect tax regime.**

What is GST Compensation?

- Under the **GST (Compensation to States) Act, 2017**, states are guaranteed compensation for **loss of revenue on account of implementation of GST** for a **transition period of five years (2017- 22).**
- The **compensation is calculated based** on the **difference between the states' current GST revenue** and the protected revenue after estimating an **annualised 14% growth rate** from the **base year of 2015-16**.
- **GST Compensation Cess or GST Cess** was introduced by the government to **compensate for the possible revenue losses** suffered by such **manufacturing states.**
- **Compensation cess** is levied on **five products considered to be 'sin' or luxury** as mentioned in the **GST (Compensation to States) Act, 2017** and includes items such as- **Pan Masala, Tobacco, and Automobiles** etc.
- The **compensation cess payable to states** is calculated based on the **methodology specified in the GST (Compensation to States) Act, 2017.**

State Developments Loans

Why in the news?

- The **Reserve Bank of India (RBI)** will **conduct first-ever open market operation (OMO)** purchase of **State Developments Loans (SDLs)** on **October 22, 2020.**

More in the news

- The **OMOs worth ten thousand crore rupees** will be conducted as a **special case during the current financial year** with an **aim to improve liquidity** and **facilitate efficient pricing.**
- The **size of the auctions** may be **enhanced subsequently**, depending on the **market response.**
- The **RBI will purchase the SDLs** through a **multi-security auction**

using the **multiple price method.**
- At present, **SDLs are eligible collateral** for the **Liquidity Adjustment Facility (LAF) along with T-bills, dated government securities and oil bonds.**
- The OMOs will be conducted for a basket of SDLs comprising securities issued by states.

About State Development Loans (SDLs)

- State Development Loans (SDLs) are **dated securities issued by states** for meeting their **market borrowings requirements**.
- In effect, the SDL are **like the dated securities issued** by the **central government.**

Purpose

- The **purpose of issuing State Development Loans** is to meet the budgetary needs of state governments. Each state can borrow upto a set limit through State Development Loans.

SDL securities are eligible securities for SLR and LAF of the RBI

- The **SDL securities** issued by states are **credible collateral for meeting the SLR requirements of banks** as well as collateral for **availing liquidity** under the **RBI's LAF including the repo.**

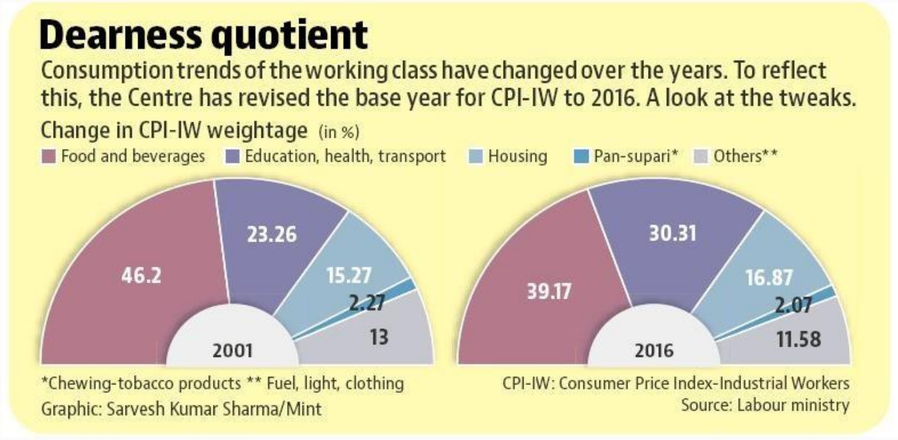
SDL as a market based borrowing arrangement for states

- One **remarkable feature of SDL** is that it is a **market-oriented instrument for states** to **mobilize funds** from the open market.
- **Higher the fiscal strength of a state**, lower will be the **interest rate (yield)** it must pay for the **SDL borrowin**

CPI•IW base year revised to 2016

Why in the news?

- The **Labour and Employment Ministry** has recently revised the base year of the **Consumer Price Index for Industrial Workers (CPI•IW)** from **2001 to 2016.**
- The **Labour and Employment Ministry** also said that in the future, the **Bureau would work** towards **revising the index every five years**.



Highlight of the Revised CPI-IW

- The Minister also **released the first index**, with **2016 as the base year**.
- The index for September, calculated for **88 centres** as opposed to the previous **78 centres, was 118**.
- The **number of items** directly retained in the index basket has **increased to 463 items** as **against 392 items in the 2001 series.**

- The sample size was increased from **41,040 families to 48,384**, and the number of selected markets for **collecting retail price** data from **289 to 317.**
- The **weight to food and beverage** was reduced from **46.2% to 39%,** while spending on housing increased from **15.2% to 17%.**
- The **Labour and Employment Minister** said the Bureau was also expected to bring out the new series of the **CPI for agricultural workers**, which currently has the base year of 1986-87.

The rationale behind the move

- The new base year would better **reflect the changing consumption pattern**.
- It would be giving more **weightage to spending on health**, **education, recreation,** and other **miscellaneous expenses** while reducing the **weight of food and beverages.**
- The **weight of food and beverages** has declined **over time** whereas the **weight of miscellaneous groups** has increased substantially under the **2016 series** vis-à-vis earlier series.

Importance of CPI-IW

- The CPI-IW is used as a **benchmark for calculating dearness allowance** for **government employees**, dearness relief for pensioners and wages for industrial workers in some sectors.

Natural gas to come under GST

Why in the news?

- Recently **Global energy majors** are **bullish on the growth of natural gas usage in India** and have called on the **government to bring natural gas under the GST regime** at the **India energy Forum** being held this week.

Current Scenario

- Currently petrol, diesel, aviation turbine fuel, natural gas and crude oil fall outside **India's Goods and Services Tax (GST) regime**.
- Government officials have also **indicated that the government** is considering **bringing natural gas** under the **ambit of the GST regime.**

Why is it important to bring natural gas under the GST regime?

- The **bringing natural gas** under the **GST would lead to a reduction** in the **cascading impact of taxes on industries** such as power and steel, which used natural gas as an input.
- The **inclusion of natural gas** under the **GST regime** would do away with the **central excise duty** and **different value added taxes** imposed by states.
- This would lead to an **increase in the adoption of natural gas** in line with the **government's stated goal to increase** the **share of natural gas** in the **country's energy basket** from **6.3% to 15%.**

The Patents (Amendment) Rules, 2020

Why in the news?

- The **central government** has recently **amended patent rules to streamline the submission** requirements regarding the **working of a patented invention** on a commercial scale in **India**, **a move aimed at promoting ease of doing business**.

Salient Features

- The **Patents (Amendment) Rules, 2020**, which came into **effect on October 19, 2020**, has further **streamlined the requirements** related to **filing of Form 27** and **submission of verified English translation of priority documents**, which is not in **English language**.
- The rules were amended following a **Delhi High Court order** on the matter in April 2018.
- **As per the new rules**, a **patentee gets flexibility** to file a **single Form- 27** in respect of **single or multiple related patents**.
- Where a **patent is granted** to two or more persons, such **persons may file a joint Form-27.**
- Moreover, **patentees** would now be required to provide **'approximate revenue/value accrues'** while authorised agents would be able to submit **Form-27 on behalf of patentees.**

Time extension

- The **time available** to **patentees for filing Form-27** has also been **extended to six months**, against the **current three months**, from the **expiry of the financial year.**
- Patentees will **not be required to file Form-27** in respect of a **part or fraction of the financial year.**

Priority documents

- There are also **important changes with reference to Rule 21** on filing of priority documents. If the **priority document is available in WIPO's** (World Intellectual Property Organization) **digital library, the applicant** would not be required to submit the same in the **Indian Patent Office**.

National Program and Project Management Policy Framework

Why in the news?

- **NITI Aayog and Quality Council of India (QCI)** have **recently launched the 'National Program and Project Management Policy**

Framework' (NPMPF), with the **aim of bringing radical reforms** in the way **infrastructure projects** are **executed in India.**

About Quality Council of India

- Quality Council of India (QCI) was **set up in 1997** by **Government of India** jointly with **Indian Industry** as an **autonomous body attached** to the **Department of Industrial Policy & Promotion, Ministry of Commerce, and Industry.**

Chairman

- The **Chairman of QCI** is **appointed by the Prime Minister** on **recommendation of the industry** to the **government**.
- Its mandate is to establish and operate the **National Accreditation Structure (NAS)** for **conformity assessment bodies** and providing **accreditation in the field of health, education, and quality promotion**.
- **National Accreditation Board for Certification Bodies (NABCB)** and **National Accreditation Board for Testing and Calibration Laboratories (NABL)** are the **two accreditation boards of the QCI.**
- These **two bodies work** closely to support the **Government and regulators to ensure** that the **data provided by accredited conformity assessment bodies** is **robust, reliable, and trustworthy** in terms of **decision making, compliance testing** and **standards setting**.

- Indian industry is represented in **QCI by three premier industry associations** namely:

a. Associated Chambers of Commerce and Industry of India (ASSOCHAM)
b. Confederation of Indian Industry (CII)
c. Federation of Indian Chambers of Commerce & Industry (FICCI)

15th Finance Commission

Why in the news?

- The **Fifteenth Finance Commission (XVFC)** led by **Chairman N.K. Singh** submitted its report for the **period 2021-22 to 2025-26** to the **President Ram Nath Kovind.**

- As per the **terms of reference (ToR),** the **Commission was mandated to give its recommendations** for **five years from 2021-22 to 2025-26** by **30 October 2020.**
- Last year, the **Commission** had submitted its report containing **recommendations for the year 2020-21**, which was accepted by the **Union Government** and tabled in the **Parliament on 30 January 2020**.

Terms of reference

- The Commission was **asked to give its recommendations** on many unique and **wide-ranging issues** in its **terms of reference**.
- Apart from the **vertical and horizontal tax devolution**, **local government grants**, **disaster management grant**, the Commission was also asked to examine and **recommend performance incentives for states** in many areas like **power sector, adoption of DBT, solid waste management** etc.
- The **Commission** was also asked to **examine whether a separate mechanism** for **funding of defence and internal security** ought to be set up and if so, how such a **mechanism could be operationalised**.

Available in four volumes

This report has been organised in four volumes.

- **Volume I and II**, as in the past, contain the **main report and the accompanying annexes.**
- **Volume III** is **devoted to the Union Government** and examines key **departments in greater depth**, with the **medium-term challenges** and the roadmap ahead.
- **Volume IV** is **entirely devoted to the states**.

What is the Finance Commission?

- The **Finance Commission** is a **constitutionally mandated body** that is at the **centre of fiscal federalism**.
- It has been set up **under Article 280 of the Constitution**, its **core responsibility** is to **evaluate the state of finances of the Union and State Governments**, recommend the sharing of taxes between them, lay down the principles **determining the distribution of these taxes among States**.

About 15th Finance Commission

- The **Fifteenth Finance Commission** was constituted on **27 November 2017 against the backdrop of the abolition of Planning Commission** (as also of the distinction between Plan and non-Plan expenditure) and the **introduction of the goods and services tax (GST),** which has fundamentally **redefined federal fiscal relations**.
- **The Chairman of 15th Finance Commission is Mr N. K. Singh.**

The 15th Finance Commission was required to submit two reports.

- The first report, **consisting of recommendations** for the **financial year 2020-21**, was **tabled in Parliament.**
- The **final report with recommendations** for the **2021-26 periods** will be **submitted by October 30, 2020**.

Recommendations of the Finance Commission

- The share of states in the **centre's taxes is recommended** to be **decreased from 42%** during the **2015-20 periods to 41% for 2020-21**.
- The **1% decrease** is to **provide for the newly formed union territories of Jammu and Kashmir**, and **Ladakh from the resources** of the **central government.**

Criteria for devolution:

- Income distance-45%
- Population (2011)-15%
- Area-15%
- Forest and Ecology-10%
- Demographic performance-12.5%
- Tax Effort-2.5%

Income distance

- Income distance is the **distance of the state's income** from the state with the **highest income**.
- The **income of a state** has been **computed as average per capita GSDP** during the **three-year period** between **2015-16 and 2017-18**.
- **States with lower per capita income** would be given a **higher share to maintain equity among states**.

Demographic Performance

- The **Demographic Performance criterion** has been **introduced to reward efforts** made by states in **controlling their population**.
- It will be **computed by using the reciprocal of the total fertility ratio** of each state, **scaled by 1971 population data**.

Tax Effort

- **Tax effort** has been **used to reward states with higher tax collection efficiency**.

- It has been **computed as the ratio of the average per capita** own tax revenue and the **average per capita state GDP** during the three-year period between 2014-15 and 2016-17)
- The Commission highlighted some challenges with the implementation of the Goods and Services Tax (GST).

G20 Debt Service Suspension Initiative

Why in the news?

- Recently, the Union Minister of Finance had participated in the 1st BRICS Finance Ministers and Central Bank Governors (FMCBG) meeting under the BRICS Russian Chairmanship.
- The Finance Minister observed that the G20, of which all BRICS countries are members, has delivered significant initiatives such as the G20 Debt Service Suspension Initiative and G20 Action Plan in response to COVID-19.

G20 Debt Service Suspension Initiative

- It was launched in April 2020 following the G20 Finance Ministers and Central Bank Governors Meeting.
- It is the initiative for a time-bound suspension of loan repayments (of both principal and interest) for countries which request it.

Eligible countries

- The Initiative applies to the 76 countries that are eligible to receive assistance from the World Bank's International Development Association, and to all nations defined as 'least developed countries' by the United Nations.
- Eligible countries must be current on any debt service to the IMF and the World Bank, so countries with arrears to those institutions will be ineligible to participate.

Criteria for participation

- **The G20 agreed a common term sheet setting out the key features and conditions to be eligible for debt relief as follows:**

Access to the Initiative will be limited to countries which:

- have made a formal request for debt service suspension from creditors; and
- are benefiting from, or have made a request to IMF Management for, IMF financing including emergency facilities (RFI/RCF).

Duration and Implementation

- The Initiative applies from 1 May 2020 until the end of the year, with a possible extension based on the individual liquidity needs of eligible countries.
- The initiative would be achieved through either a rescheduling or refinancing of debt, which again could give rise to concerns under other financing agreements.

China's negative yield bonds

Why in the news?

- Last week, **China sold negative-yield debt** for the **first time**, and this saw a **high demand from investors** across **Europe**.

What are negative-yield bonds?

- These are **debt instruments** that offer to **pay the investor a maturity amount** lower than the **purchase price of the bond**.
- These are **generally issued by central banks or governments**, and **investors pay interest** to the **borrower to keep** their money with them.

Why do investors buy them?

- **Negative-yield bonds attract investments** during times of stress and **uncertainty as investors look** to protect their **capital from significant erosion**.
- At a time when the **world is battling the Covid-19 pandemic** and **interest rates in developed markets across Europe** are much **lower, investors are looking** for **relatively better-yielding debt instruments** to safeguard their interests.

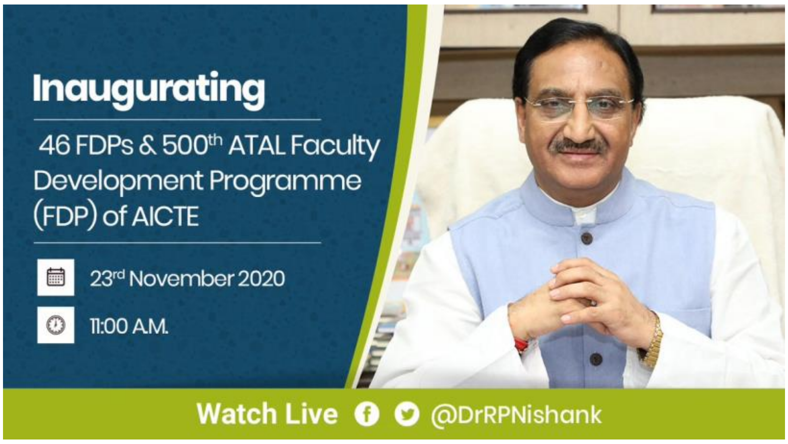
Why is there a huge demand?

- The fact that the **10-year and 15-year bonds** are **offering positive returns** is a **big attraction** at a time when **interest rates in Europe** have dropped significantly.
- As against minus —**0.15% yield on the 5-year bond** issued by China, the yields offered in safe European bonds are much lower, between –**0.5% and — 0.75%.**
- Also, it is important to note that while the **majority of the large economies** are **facing a contraction** in their **GDP for 2020-21**.
- **China** is one country that is **set to witness positive growth** in these **challenging times and its GDP expanded** by 4.9% in the third quarter of 2020.

Atal Faculty Development Programmes (FDPs)

Why in the news?

- **Union Education Minister** has recently **inaugurated 46** online **AICTE Training and Learning (ATAL) Academy Faculty Development Programmes (FDPs)** to train teachers of **higher education institutions** associated with **All India Council of Technical Education (AICTE)** in emerging areas in technology.



About Atal Faculty Development Programmes (FDPs)

- The FDPs will be **conducted in 22 Indian states**.
- The online FDPs will be conducted according to the **new National Education Policy (2020)**.
- The **main objective of ATAL Academy** is to **provide quality technical education in the country** and to **promote research and entrepreneurship** through training in various **emerging fields. IITs, IIITs, NITs CU** and **research labs** are **organizing these ATAL FDPs**.
- These programmes will help **Indian students** get acquainted with **new technological developments** and choose it as a career.

Note:

- The **ATAL Academy** to be included in the **Book of World Records**.
- The **London-based organization** has recognized the **FDPs as a world record**, under which **1,000 online FDPs** in over **100 emerging areas** will **benefit one lakh faculty members** across premier institutions like **IITs, NITs, and IIITs.**
- This year the **online FDP program** will **cost Rs 10 crores**.

Sanitation and Hygiene Fund

Why in the news?

- The United Nations has recently launched the Sanitation and Hygiene Fund to provide accelerated funding to countries with the heaviest burden of diseases stemming from lack of sanitation services.

About Sanitation and Hygiene Fund

- It aims to provide accelerated funding to countries with the heaviest burden of diseases stemming from lack of sanitation services and have the least ability to respond to them.
- It also aims to raise $2 billion over the next five years for these countries.
- The fund is hosted by the UN Office for Project Services, which provides technical advice and project implementation to the UN and its partners.

The objectives of the Fund are:

- Expanding household sanitation
- Ensuring menstrual health and hygiene
- Providing sanitation and hygiene in schools and healthcare facilities
- Supporting innovative sanitation solutions

Corporate ownership Of Banks

Context: A recent report by an Internal Working Group of the Reserve Bank of India has attracted a lot of attention as well as criticism.

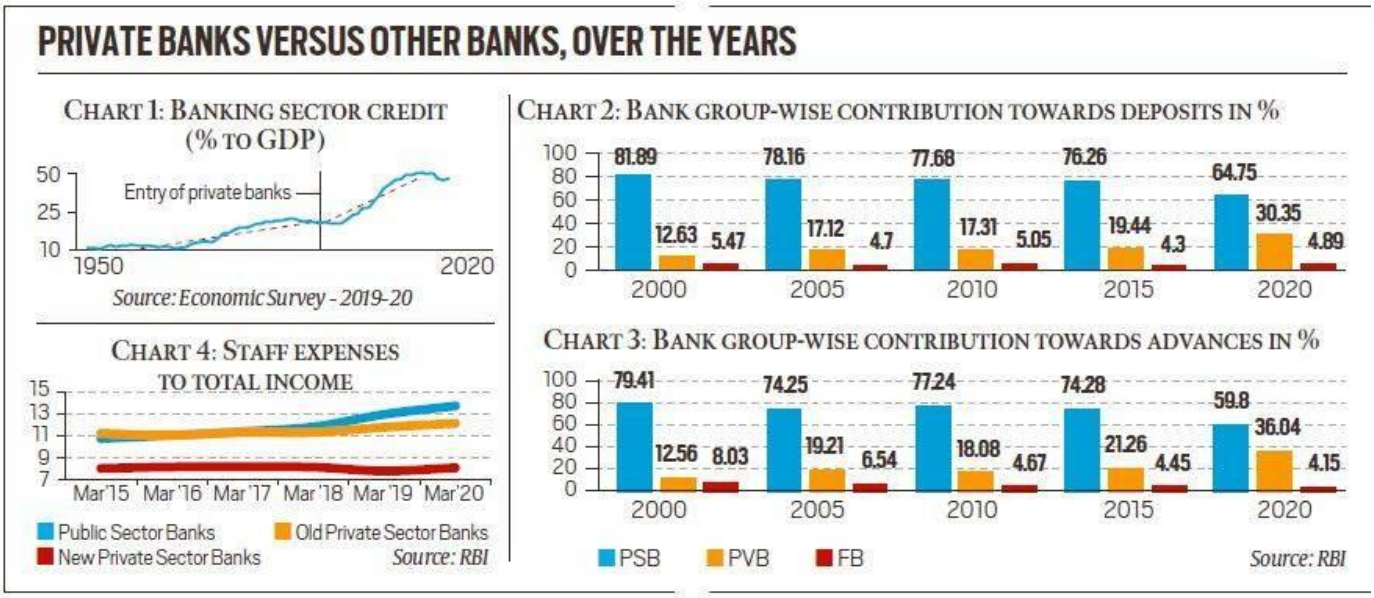
- The IWG was constituted to **"review extant ownership guidelines and corporate structure for Indian private sector banks"**.
- This had to do with allowing large corporate/industrial houses to be promoters of private banks.
- It would be replace the poor governance under the present structure of these (public sector/government-owned) banks with a highly conflicted structure of ownership by industrial houses.

Why was the IWG constituted and what were its recommendations?

- **Low Balance Sheets of Banks**: Even after three decades of rapid growth, "the total balance sheet of banks in India still constitutes less than 70 per cent of the GDP, which is much less compared to global peers" such as China, where this ratio is closer to 175%
- **Inadequate Credit Flow to Private Sector**: Moreover, domestic bank credit to the private sector is just 50% of GDP when in economies such as China, Japan, the US and Korea it is upwards of 150 per cent.
- **Unable to meet Credit Demand of growing Economy:** In other words, India's banking system has been struggling to meet the credit demands of a growing economy.
- **Need to bolster entire System**: There is only one Indian bank in the top 100 banks globally by size. Further, Indian banks are also one of the least cost-efficient. Clearly, India needs to bolster its banking system if it wants to grow at a fast clip
- **Merits of Private banks:** Private banks are not only more efficient and profitable but also have more risk appetite. It is crucial to note that public sector banks have been steadily losing ground to private banks

Why did RBI recommend it?

- The Indian economy, especially the private sector, needs money (credit) to grow. Far from being able to extend credit, the government-owned banks are struggling to contain their non-performing assets.
- Government finances were already strained before the Covid crisis.
- With growth faltering, revenues have plummeted and the government has limited ability to push for growth through the public sector banks.
- Large corporates, with deep pockets, are the ones with the financial resources to fund India's future growth. Of course, choosing this option is not without serious risks.



- With economic liberalisation in the early 1990s, the economy's credit needs grew and private banks re-entered the picture.
- However, even after three decades of rapid growth, "the total balance sheet of banks in India still constitutes less than 70 per cent of the GDP, which is much less compared to global peers" such as China, where this ratio is closer to 175%.
- Moreover, domestic bank credit to the private sector is just 50% of GDP when in economies such as China, Japan, the US and Korea it is upwards of 150 per cent.
- In other words, India's banking system has been struggling to meet the credit demands of a growing economy.
- There is only one Indian bank in the top 100 banks globally by size. Further, Indian banks are also one of the least cost-efficient.
- Clearly, India needs to bolster its banking system if it wants to grow at a fast clip. In this regard, it is crucial to note that public sector banks have been steadily losing ground to private banks.
- Private banks are not only more efficient and profitable but also have more risk appetite.
- It is in this background that the IWG was asked to suggest changes that not only boost private sector banking but also make it safer.
- For the most part, the IWG's recommendations are unexceptionable in that they bolster prudential norms so that the interests of the depositors are secure and banks and their promoters are not able to game the system.

Cons of corporate ownership of Banks

- Main concern is related to **connected lending** where the bank will provide funds mostly to entities/persons related to its corporate promoter. It will reduce credit availability for other sectors, which may be more deserving.
- It may increase power of certain industrial houses/ individuals giving them monopolistic control in certain sectors of economy due to excess to unlimited funds.

What is connected lending?

- It refers to **a situation where the promoter of a bank is also a borrower** and, as such, it is **possible for a promoter to channel the depositors' money** into their own ventures.

- Connected lending has been happening for a long time and the RBI has been always behind the curve in spotting it.

- The recent episodes in ICICI Bank, Yes Bank, DHFL etc. were all examples of connected lending.

- The so-called **ever-greening of loans** (where one loan after another is extended to enable the borrower to pay back the previous one) is often the starting point of such lending.

- Unlike a non-bank finance company or NBFC (many of which are backed by large corporates), a bank accepts deposits from common Indians and that is what makes this riskier.

- Simply put, it is prudent to keep the class of borrowers (big companies) apart from the class of lenders (banks).

- Past examples of such mingling — such as Japan's Keiretsu and Korea's Chaebol — came unstuck during the 1998 crisis with disastrous consequences for the broader economy.

Regulation - **The IWG has called for a legal framework to deal with interconnected lending.**

- It also recommended having a mechanism in place to effectively supervise conglomerates that venture into banking.

- However, any legal framework and supervisory mechanism will be less adequate to deal with the risks of interconnected lending in the Indian context.

  - Corporate houses are proficient at routing funds through a network of entities in India and abroad.

  - So, tracing interconnected lending will be a challenge.

  - Also, monitoring of transactions of corporate houses will require the cooperation of various law enforcement agencies.

- **Ex-post** - The RBI can only react to interconnected lending ex-post i.e. after substantial exposure to the entities of the corporate house has happened.

- Given this, it is less likely to be able to prevent such exposure.

- Even after spotting, it is challenging to make course corrections.

- This is because any action that the RBI may take in response could cause a flight of deposits from the bank concerned and precipitate its failure.

National Infrastructure Investment Fund (NIIF)

Why in the news?

- The **Union Cabinet** has **recently approved the infusion of ₹6,000 crore** equity in **National Infrastructure Investment Fund's (NIIF's) debt platform** in the **next two years.**
- This move will **help the entity raise ₹1.10 lakh crore** by **2025 for financing infrastructure projects**.
- The **proposal to invest ₹6,000 crore** as **equity into NIIF** is **part of the Aatmanirbhar Bharat 3.0 package** announced earlier this month.

About National Infrastructure Investment Fund's

- The **NIIF Strategic Opportunities Fund** has set up a debt platform comprising an **NBFC Infra Debt Fund** and an **NBFC Infra Finance Company**.
- **NIIF through its Strategic Opportunities Fund ('NIIF SOF')** owns a **majority position in both the companies** and has already **invested Rs.1, 899 crores across the platform**.
- The **Strategic Opportunities Fund (SOF fund)** through which the NIIF investment has been made, will continue to **support the two companies apart from investing** in other **suitable investment opportunities.**

Benefits

- **NIIF** will take **all necessary steps** to **use the equity investments** from **domestic and global pension funds** and **sovereign wealth funds expeditiously.**
- It will **attract a lot of sovereign fund for investment in infrastructure-related activities**.
- Through the **debt platform it is also raises a lot of money** and **by 2025 it must provide and infra funding** to the extent of **₹1.1 lakh crore national infrastructure pipeline (NIP).**

Purchasing Managers' Index (PMI)

Why in the news?

- Recently, the latest **Purchasing Managers' Index (PMI)** has indicated that the nation's manufacturing sector lost momentum in November.

About Purchasing Managers' Index (PMI)

- It **was started** in **1948 by the US-based Institute of Supply Management**, the Purchasing Managers' Index, or PMI.
- The Purchasing Managers' **Index (PMI) data are compiled by IHS Markit for more than 40 economies worldwide.**
- **PMI or a Purchasing Managers' Index (PMI)** is an **indicator of business activity** -- both in the **manufacturing and services sectors.**
- It is a **survey-based measure** that asks the **respondents about changes in their perception** of some **key business variables** from the month before.

- It is **calculated separately for the manufacturing and services sectors** and then a **composite index is constructed.**
- The **PMI dataset features a headline number,** which indicates the overall health of an **economy, and sub-indices,** which provide insights into other key **economic drivers such as GDP, inflation, exports, capacity utilization, employment** and **inventories**.

Indicators

- The **Purchasing Managers' Index** is based on **five major indicators**: new orders, inventory levels, production, supplier deliveries and the employment environment.

Significance

- It gives an **indication of the economic health of the manufacturing sector**.
- The investors use **PMI surveys as leading indicators of economic health**, given their **insight into sales, employment, inventory, and pricing**.
- The purchasing managers' index is an **extremely important indicator for international investors** looking to form an **opinion on economic growth**.

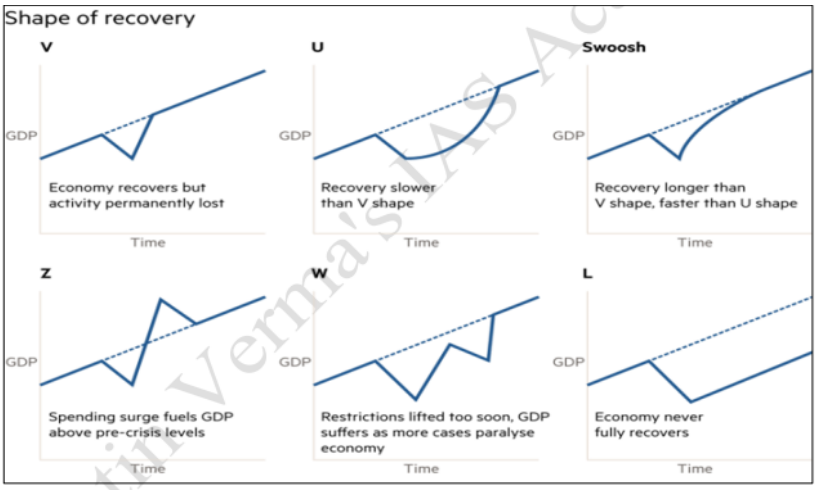
Economy firmly on the path of a V-shaped recovery: Indian Govt

Why in the news?

- Recently, **India's economy is firmly** on the **path of a V-shaped recovery** after the **collapse in the first quarter,** and further **improvement is expected in the third quarter**, 'notwithstanding some **moderation' in November's indicators**.

Shapes of Economic Recovery

- Economic recovery can **take many forms**, which is depicted **using alphabetic notations**.
- The **different type of shape of the economic recovery** is **Z-shaped recovery, V-shaped recovery, U-shaped recovery, elongated U-shaped recovery, W-shaped recovery, L shaped recovery**, **Swoosh and Inverted square** recovery.
- The alphabets generally **denote the graph of growth rate**, which resembles the shape of the letter.
- The **fundamental difference** between the **different kinds of recovery** is the **time taken for economic activity** to **normalize.**



V-shaped recovery

- In V-Shaped recovery, the **economy quickly recoups lost ground** and **gets back to the normal growth trendline**.

U-shaped recovery

- It resembles a **bathtub, in which the economy, after falling, struggles and muddles around** a low growth rate for some time, before rising gradually to normal levels.

W-shaped recovery

- It is a **dangerous creature — growth falls and rises**, but falls again before recovering yet again, thus forming a **W-like chart**.
- The **double-dip depicted by a W-shaped recovery** is what some economists are predicting if the second wave of Covid comes along and the initial rebound flatters to deceive.

L-shaped recovery

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

Swoosh shaped recovery

- It is like the **Nike logo — in between the V-shape and the U-shape**. Here, after falling, growth starts recovering quickly but then, slowed down by obstacles, moves gradually back to the trendline.

J-shaped recovery

- In this, the **growth rises sharply from the lows much higher** than the **trendline and stays there**. Inverted **square root shaped recovery**.
- In this scenario, while there **could be a rebound from the bottom**, the growth slows and **settles a step-down.**

Inverted square root shaped recovery.

- In this scenario, while there could be a **rebound from the bottom,** the **growth slows and settles a step-down**.

Technical Textiles

Why in the news?

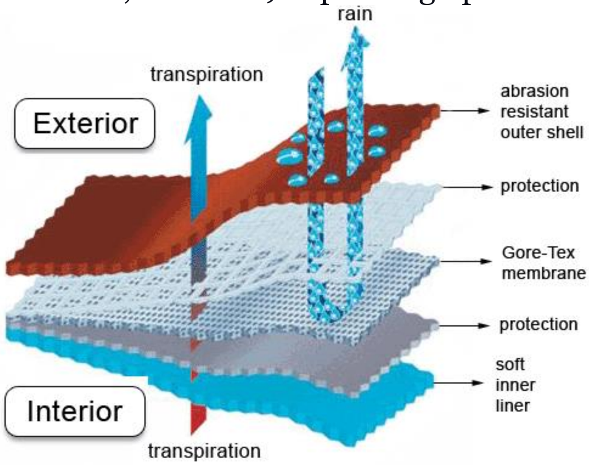
- **Ministry of Textiles** has invited proposals for constitution of a dedicated **Export Promotion Council (EPC)** for Technical Textiles.

- The **Exporter Association and Trade bodies registered under Companies Act or Society Registration Act** have been asked to submit a proposal for constitution of a dedicated EPC for Technical Textiles.

About Technical Textiles

- Technical textiles are **textiles materials and products manufactured primarily for technical performance** and functional properties rather than **aesthetic characteristics**.

- **Technical Textiles** products are divided into **12 broad categories** (Agrotech, Buildtech, Clothtech, Geotech, Hometech, Indutech, Mobiltech, Meditech, Protech, Sportstech, Oekotech, Packtech) depending upon their application areas.



- India shares nearly **6% of world market size of 250 Billion USD**.
- However, the **annual average growth of the segment is 12%,** as **compared to 4% world average growth**.
- Technical Textiles are a **futuristic and superior segment of textiles**, which are **used for various applications ranging from agriculture, roads, railway tracks, sportswear, health** on one end to bulletproof jackets, fireproof jackets, high altitude combat gear and space applications on **another end of the spectrum**.

About National Technical Textiles Mission

- The **Government has approved the proposal** for the creation of **National Technical Textiles Mission** for a period of **4 years (2020-21 to 2023-24).**
- The **focus of the Mission** is for developing on the **usage of technical textiles in various flagship missions**, programmes of the country, including strategic sectors.

- The **Mission shall work for the holistic development** of the **entire technical textile sector** on a pan-India basis.

Note:

- **Constitution of an Export Promotion Council for Technical Textiles** is part of one of the **components of the National Technical Textiles Mission**.

United Nations Investment Promotion Award

Why in the news?

- The **UN Conference on Trade and Development (UNCTAD)** has declared **Invest India- the National Investment Promotion Agency of India**- as a winner of the **2020 United Nations Investment Promotion Award**.

About the United Nations Investment Promotion Award

- **United Nations Investment Promotion Award** is the most coveted award for **Investment Promotion Agencies** given by the **United Nations Conference on Trade and Development (UNCTAD)**.
- The **award recognizes** and **celebrates the outstanding achievements** and **best practices of Investment Promotion Agencies (IPAs)** across the globe.
- The **evaluation was based on UNCTAD's assessment** of work undertaken by **180 Investment Promotion Agencies**.

About Invest India

- It **was set up in 2009** as a **non-profit venture under the Department for Promotion of Industry and Internal Trade**, **Ministry of Commerce**, and **Industry**.
- It is the **National Investment Promotion and Facilitation Agency of India** and **acts as the first point of reference** for **investors in India**.

About the United Nations Conference on Trade and Development

- The **United Nations General Assembly established UNCTAD in 1964**, and it **reports to the UN General Assembly** and **United Nations Economic and Social Council**.
- The **Headquarters of the UNCTAD** is located at the **Palais des Nations in Geneva**.
- The **primary objective of UNCTAD** is to **formulate policies** relating to all aspects of development including **trade, aid, transport, finance, and technology**.

Cabinet approves Atmanirbhar Bharat RojgarYojana (ABRY)

Why in the news?

- The Union Cabinet has recently given its approval for Atmanirbhar Bharat RojgarYojana (ABRY) to boost employment in the formal sector and incentivize the creation of new employment opportunities during the Covid recovery phase under Atmanirbhar Bharat Package 3.0.
- The entire scheme period is from 2020-2023.

Salient features of the Scheme:

- Government of India will provide subsidy for two years in respect of new employees engaged on or after October 1, 2020, and up to June 30, 2021.
- Government of India will pay both 12% employees' contribution and 12% employers' contribution, i.e. 24% of wages towards EPF in respect of new employees in establishments employing up to 1000 employees for two years,
- Government of India will pay only employees' share of EPF contribution, i.e. 12% of wages in respect of new employees in establishments employing more than 1000 employee for two years.
- An employee is drawing a monthly wage of less than Rs. 15000/- who was not working in any establishment registered with the Employees' Provident Fund Organisation (EPFO) before October 1, 2020 and did not have a Universal Account Number or EPF Member account number before October 1, 2020, will be eligible for the benefit.

eSanjeevani Tele-medicine

Why in the news?

- The **Ministry of Health and Family Welfare** recently announced that the **eSanjeevani telemedicine** crossed **one million teleconsultations**, which is the **first of its kind** to deliver health services online.

About eSanjeevani

- It is a **doctor-to-doctor telemedicine system** being implemented under the **Ayushman Bharat Health and Wellness Centre (AB-HWCs)** program.
- **AB-HWCs** are envisaged as the **platform for delivering** an expanded range of **primary health care services** closer to the communities.

- It seeks to **connect all 1 50,000 HWCs** using the **hub-and-spoke model by December 2022.**
- Under the model, a **network will be established comprising** an **anchor establishment, or hub**, which **offers a full array of services**.
- It will **complement secondary establishments**, or spokes, which **provide limited services, routing patients** needing **more intensive services** to the **hub for treatment**.

Related Information

About Telemedicine

- As per the **World Health Organisation (WHO),** telemedicine is the delivery of **health care services**, where **distance is a critical factor**, by **all health care professionals using Information Technology (IT)** for **diagnosis, treatment, and prevention of disease and injuries, research,** and **evaluation** etc., all in the **interests of advancing the health of individuals** and their communities.
- Tele-consultation is **one of the applications of telemedicine**.

U.S. Puts India Back on Currency Manipulation Watchlist

Why in the news?

- Recently, the **United States** has once again **included India** in its **monitoring list of countries** with **potentially questionable foreign exchange policies** and **currency manipulation.**

About Currency Manipulator

- The **U.S. Treasury Department** defines **currency manipulation** as when **countries deliberately influence** the exchange rate between **their currency and the U.S. dollar** to gain **"unfair competitive advantage in international trade".**

The U.S. Treasury has established thresholds for the three criteria.

- First, a **significant bilateral trade surplus** with the **U.S. is one that is at least $20 billion.**
- Second, a **material current account surplus** is one that is **at least 3% of GDP**.
- Third, persistent, **one-sided intervention** reflected in **repeated net purchases of foreign currency** and total at **least 2% of an economy's** GDP over a year.
- The **treasury's goal** is to **focus attention** on those nations whose **bilateral trade is most significant** to the **U.S. economy** and whose **policies are the most material** for the **global economy**.

Which are the other countries in the latest monitoring list?

- The **U.S. Department of the Treasury Office of International Affairs**, in its latest report to the **U.S. Congress**, has included **India, Taiwan and Thailand to its Monitoring List.**
- Other countries in the latest list comprise **China, Japan, Korea, Germany, Italy, Singapore, Malaysia**.
- **India** was last **included in the currency** watchlist in **October 2018 but removed** from the list that **came out in May 2019.**

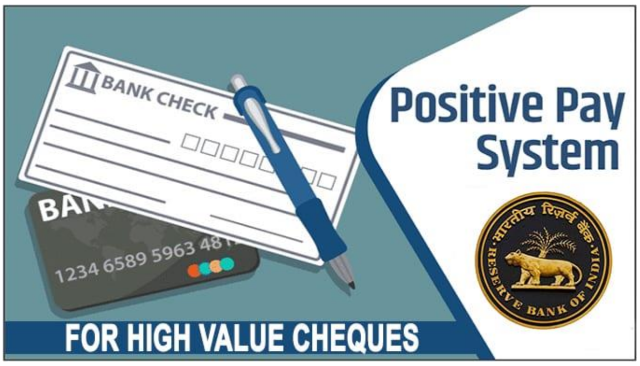
Implications

- The **designation of a country** as a **currency manipulator** does not **immediately attract** any **penalties** but tends to dent the **confidence** about a country in **the global financial markets.**
- Once a country is **designated as a currency manipulator by the U.S.**, the **next step taken by the U.S. government** is to **seek negotiations** with the **government accused of manipulation**.

RBI Positive Pay System

Why in the news?

- Recently, the **Reserve Bank of India (RBI)** has announced to introduce the '**Positive Pay System'** for cheques' transactions **above Rs 50,000.** This move is to **enhance safety and eliminate frauds**.



About Positive Pay System

- Under this process, the issuer of the cheque submits electronically (through channels like SMS, mobile app, Internet banking and ATM) specific minimum details of that cheque to the drawee bank, details of which are cross-checked with the presented cheque by **Cheque Truncation System (CTS).** The National Payments Corporation of India (NPCI) will develop the facility of Positive Pay in CTS and make it available to participant banks.
- **The Positive Pay System will be implemented on January 1, 2021.**
- The Positive Pay system is to augment customer safety in cheque payments and reduce fraud occurring on account of tampering of cheque leaves.

Types of Cheque under Positive Pay System

- The banks will enable the new system for all account holders issuing cheques for Rs 50,000 and above.
- While availing of this facility is at the discretion of the account holder, banks may consider making it mandatory in cheques for amounts of Rs 5, 00,000 and above.

What will be the share of Positive Pay in overall cheque transactions?

- The new measure will cover approximately 20 per cent and 80 per cent of total cheques issued in the country by volume and value, respectively.
- The **Cheque Truncation System (CTS)** for clearing cheques is operational pan-India. It presently **covers 2 per cent and 15 per cent** of total retail payments in terms of volume and value.
- The average weight of a **cheque cleared in CTS presently is Rs 82,000**.
- The CTS-2010 standard specifying minimum security features on cheque leaves acts as a deterrent against cheque frauds. In contrast, standardisation of field placements on cheque forms enables straight-through-processing using optical or image character recognition technology.

Year-End Review 2020-Ministry of Consumer Affairs, Food & Public Distribution

Why in the news?

- The Year-End Review 2020 of the **Ministry of Consumer Affairs, Food & Public Distribution** was published, which **provided significant highlights** of the **Department of Consumer Affairs during 2020.**

Highlights

Consumer Protection

- The **Consumer Protection Act, 2019** which has **replaced the Consumer Protection Act, 1986** were **notified in July 2020**.
- The **relevant Rules and Regulations**, including the **E-Commerce Rules**, which **specify the duties and obligations of sellers** and **e-commerce entities**, were also notified.
- In **pursuance of Rule 8** of the **Consumer Protection (Consumer disputes Redressal Commission) Rules, 2020,** an online portal **'eDaakhil'** was launched for electronic filing of consumer cases in the **National Consumer Disputes Redressal Commission**.

COVID-19 related initiatives

Under the Essential Commodities Act

- Masks (**2 ply & 3 ply surgical marks, N95 marks**) and **Hand sanitizers** were added in the **list of essential commodities** under the **Essential Commodities Act** to ensure their **availability and stop hoarding** / short supply.
- The **ceiling prices of masks** (2 plies & 3 plies) **Melt blown non-woven fabric**, and **hand sanitizers** were **fixed to ensure** their **easy availability**.

Pradhan Mantri Garib Kalyan Anna Yojana

- It is a **unique package** that included the **provision of one kg per family of NFSA beneficiaries**, of **pulses like moong, tur, chana and urad** was approved for three months from **April to June** to **ensure adequate protein availability the poor.**
- The **PMGKAY package** was **extended beyond the initial period of 3 months** until the **end of November 2020**.

Atma Nirbhar Bharat package

- Under the **Atma Nirbhar Bharat package**, a provision was made for the **supply of 2 kg** of the whole **chana from Government buffer stocks** per **migrant worker family** who were not covered under the **National Food Security Act.**

Ease of Doing Business

- **Online registration** and **renewal of jewellers** and online recognition and **renewal recognition of Assaying** and **Hallmarking centres** were launched.
- The **BIS gave temporary relaxations** in the **provisions of BIS Regulations**, **Schemes and Guidelines**, including **providing special benefits of approximately 54.38 crores** for BIS licensees from the **MSME manufacturing sector.**

Price Stabilization Fund (PSF)

- Under **PSF, building buffer stock of pulses** up to **20 lakh MT** was **approved for effective market intervention**. Nearly **8.5 Lakh farmers** were benefitted through the **purchase of pulses at MSP for the buffer**.

- The pulses from buffer were **utilized for Public Distribution System, Mid-day Meal Scheme** and **Integrated Child Development Scheme.**

Bureau of Indian Standards (BIS)

- BIS has **actively progressed** towards **automating all its activities** by **developing and implementing software applications**/online portals under the e-BIS project.
- The **e-BIS** has been **envisaged encompassing BIS activities** and with advanced **features like data analytics, artificial intelligence, better MIS** for **effective monitoring, user-friendly interfaces**, etc.
- A **Standards Portal** has been **developed for digitization of the Standards formulation process.**
- **Quality Control Order** for mandatory **Hallmarking of Gold Hallmarking and Gold Artefacts order, 2020** was **notified making hallmarking of Gold jewellery** and **artefacts mandatory in the country** which shall come into effect **from 1st June 2021.**

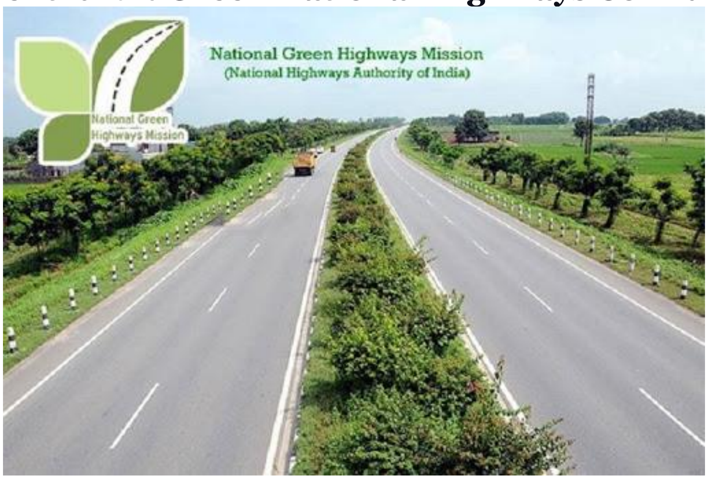
National Test House

- The **National Test House**, which **works in testing, evaluation and quality control of various engineering materials** and **finished products, created high technology test facilities** in its **regional offices.**
- It has also **procured new instruments** such as **Power Quality Analyzer, Cement Autoclave, Thermal Endurance Chamber, DC High Voltage Insulation Tester** etc.

Green National Highways Corridors Project

Why in the news?

- Recently, the **World Bank and Government of India** have signed a **$500 million agreement** for the **Green National Highways Corridors Project**.



About Green National Highways Corridors Project

- It aims to **build safe and green national highway corridors** in **Rajasthan, Himachal Pradesh, Uttar Pradesh,** and **Andhra Pradesh.**

Objective

- The **ultimate objective of transport infrastructure** is to **provide seamless connectivity and reduce logistics costs.**
- The project will **support analytics** to **map the freight volume and movement pattern** on the **National Highway network**, **identify constraints**, and **provide innovative logistics solutions.**

Green Highway Policy

- Under the **Green Highway Policy, Rs 1,000 crores** per year will be **available for plantation purpose.**
- The plantations will be monitored by **BHUVAN and GAGAN satellite** systems of ISRO.

Significance of Green National Highways Corridors Project

- It will support the **Ministry of Road Transport & Highways (MoRTH) construct 783 km** of highways in various **geographies by integrating safe and green technology designs.**
- The project will help **reduce GHG emissions in the construction and maintenance of highways.**
- The project will also **enhance the capacity of the MoRTH** in **mainstreaming safety and green technologies.**
- The project will **support the ministry** with an **in-depth analysis of gender-related issues** in the **transport sector** and **help create jobs for women**.
- The **project** will **strengthen and widen existing structures**; construct **new pavements, drainage facilities and bypasses**; **improve junctions; and introduce road safety features.**

FASTag

Why in the news?

- Recently, **Road Transport & Highways Minister** has announced that **FASTag** is being made **mandatory for all vehicles** in the country from **1st January 2021.**

Related Information

- **Union Ministry of Road Transport and Highways** had issued a notification in **November 2020**, making **FASTag mandatory** by **1st January 2021** in old vehicles also sold before 1 December 2017 through amendments in **Central Motor Vehicles Rules** (**CMVR), 1989.**
- As per **Central Motor Vehicles Rules, 1989**, since **1st December 2017**, the FASTag had been **made mandatory for all registration of new four-wheeled Vehicles** and is being **supplied by the Vehicle Manufacturer or their dealers.**

- It had further been **mandated that the renewal of fitness certificate** will be done only after the **fitment of FASTag for the Transport Vehicles**.
- **For National Permit Vehicles**, the fitment of **FASTag was mandated since 1 October 2019.**

- It has also been **mandated that a valid FASTag** is mandatory while getting a **new 3rd Party Insurance** through an **amendment in FORM 51** (certificate of Insurance), wherein the details of **FASTag ID** shall be captured.
- This shall be applicable with effect from **1 April 2021**.

How does FASTag work?

- The device employs **Radio Frequency Identification (RFID) technology** for payments directly from the prepaid or savings account linked to it.
- It is affixed on the **windscreen**, so the vehicle can **drive through plazas without stopping.**
- It is valid for **five years** and can be **recharged as and when required**.
- The payment method is a part of the **National Electronic Toll Collection (NETC) programme**. The **National Payments Corporation of India (NPCI)** collects the payments.

Significance

- This would be a **major step for ensuring** that the **payment of fees be 100% at Toll Plazas** through the **Electronic Means** only and that the **vehicles pass seamlessly** through the Fee Plazas.
- There would be no **waiting time at the Plazas** and would save fuel.

Zero-coupon bonds

Why in the news?

- The **government has used Zero-Coupon Bonds** to **recapitalize Punjab & Sind Bank** by issuing the **lender Rs 5,500-crore** worth of **non-interest-bearing bonds valued at par**.

About Zero Coupon Bond

- The **zero-coupon bond** is a bond that **pays no interest** and **trades at a discount to its face value**.
- It implies that the **investor is purchasing zero-coupon bond** profits from the **difference between the buying and face value**, contrary to the **usual interest income**.
- It is also called a **pure discount bond** or **deep discount bond.**
- The **Zero-Coupon Bond** is issued by the **Central Government, specifically to a particular institution.**

Maturity Period

- A Zero-Coupon Bond is a **non-interest bearing**, **non-transferable special Government of India securities** with a **maturity of 10-15 years**.

Related Information

About Traditional Zero-Coupon Bonds

- These are **debt security** that does not **pay interest** but instead trades at a **deep discount**, rendering a **profit at maturity**, when the bond is redeemed for its **full-face value**.
- The **difference between the purchase price** of a **zero-coupon bond** and the par value **indicates the investor's return**.

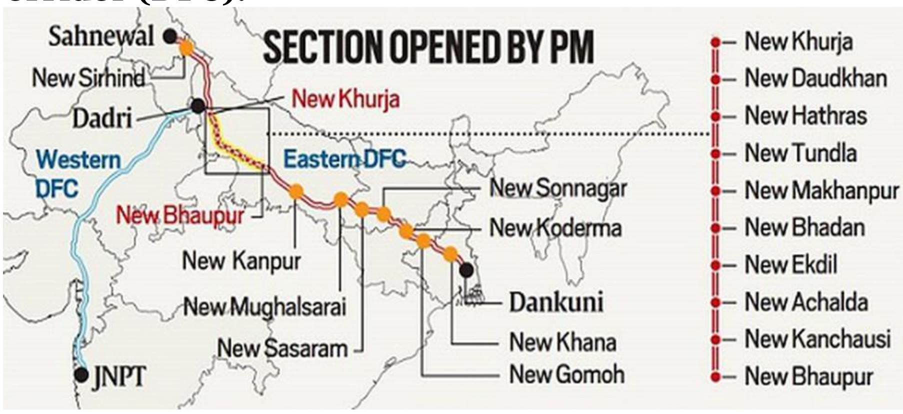
Zero-Coupon Bonds issued by Private Firms

- The **zero-coupon bonds** issued by **private companies are normally issued at a discount**, but the **government's zero-coupon bonds** are special bonds that are not **tradable as these** can be given at par.

Dedicated Freight Corridor

Why in the news?

- Recently, the **Prime Minister** has inaugurated the section between **Khurja and Bhaupur** in **Uttar Pradesh for commercial operations** of the **Dedicated Freight Corridor (DFC).**



- The DFC consists of two arms.

a. Eastern Dedicated Freight Corridor

- It is 1,839-km line that **starts from Sahnewal (Ludhiana) in Punjab** and ends at **Dankuni in West Bengal.**
- It is being majorly funded by the **World Bank.**

b. Western Dedicated Freight Corridor

- It is around **1,500-km line** that starts from **Dadri in Uttar Pradesh to JNPT in Mumbai**, touching **all major ports** along the way.
- It is being majorly funded by **Japan International Cooperation Agency**.

About Dedicated Freight Corridor Corporation of India Limited (DFCCIL)

- It is a **Public Sector Undertaking (PSU) corporation** run by the **Ministry of Railways** to undertake **planning, development, and mobilization of financial resources and construction, maintenance, and operation** of the **Dedicated Freight Corridors (DFC).**

Why Dedicated Freight Corridor (DFC) is important?

- Around **70% of the freight trains** currently running on the **Indian Railway network** are slated to **shift to the freight corridors**, leaving the paths open for more passenger trains.
- The tracks on **Dedicated Freight Corridor** are **designed to carry heavier loads** than **most of Indian Railways**.
- The **Dedicated Freight Corridor** will get **track access charge** from the **parent Indian Railways** and **generate its own freight business.**

The objectives of DFC are:

- To **create world-class rail infrastructure** with **advanced technology** and knowledge to **carry higher throughput per train**.
- To **improve overall transport efficiency**.
- To **offer customer guaranteed**, **faster transit, energy efficient, environment-friendly transport**.
- To **encourage total supply chain management**.

Technical Recession

Context: The Reserve Bank of India's (RBI) latest monthly bulletin features an article 'An Economic Activity Index for India', which projected that India's GDP (Gross Domestic Product) contracted by 8.6% in the July-September quarter of the financial year ending in March 2021.

- Thus, "India has entered a **technical recession in the first half of 2020-21 for the first time** in its history with Q2:2020-21 likely to record the second successive quarter of GDP contraction.

What is a technical recession?

- A technical recession is a term used to describe t**wo consecutive quarters of decline in output.**
- In the case of a nation's economy, the term usually refers to **back-to-back contractions in real GDP.**

Difference between a 'technical recession' and a 'recession'

- Former term is mainly used to capture the trend in GDP, the latter expression encompasses an appreciably **more broad-based decline in economic activity** that covers several economic variables including employment, household and corporate incomes and sales at businesses.
- Another key feature of a technical recession is that **it is most often caused by a one-off event** (in this case, the COVID-19 pandemic and the lockdowns imposed to combat it) and is **generally shorter in duration.**

How long do recessions last?

- Typically, recessions last for a few quarters.

- If they continue for years, they are referred to as "depressions".
- But a depression is quite rare; the last one was during the 1930s in the US.
- In the current scenario, the key determinant for any economy to come out of recession is to control the spread of Covid-19.

In India's case, Finance Minister has expressed hope that India's recession could be already over and that the economy may register positive growth in the current quarter.

Economists have pointed out that the business cycle is characterised by four phases or stages in which economies alternate:

(i) Depression
(ii) Recovery
(iii) Boom
(iv) Recession

DEPRESSION

Though depression has visited the world economy only once in 1929, economists have pinpointed enough number of traits to recognise it. The major traits of depression could be as given below:

(i) an extremely low aggregate demand in the economy causes activities to decelerate;
(ii) the inflation being comparatively lower;
(iii) the employment avenues start shrinking forcing unemployment rate to grow fast;
(iv) to keep the business going, production houses go for forced labour-cuts or retrenchment (to cut down production cost and be competitive in the market,) etc.

The economic situations become so chaotic in the phase of depression that governments have almost no control over the economy. The Great Depression of 1929 gave rise to the ideas of strong government intervention in the economy, such as deficit financing, monetary management, etc.

What the governments may do if depression visits the economy? The simple answer the world has been able to find is to repeat the policy measures of 1929. The best way to avoid depression is not to let it visit. This is why every modern economy keeps extra-vigil on the major symptoms of its economy so that the prevention-measures can be taken in time and depression is avoided.

RECOVERY

An economy tries to come out of the low production phase to survive. The low production phase might be depression, recession or slowdown with the former being the worst and rare, governments take many new fiscal and monetary measures to boost demand and production and ultimately a recovery in an economy is managed. The business cycle of recovery may show the following major economy traits:

(i) an upturn in aggregate (total) demand which has to be accompanied by increase in the level of production;
(ii) production process expands and new investments become attractive;

(iii) as demand goes upward, inflation also moves upward making borrowing cheaper for investors;
(iv) with an upturn in production, new employment avenues are created and unemployment rate starts declining; etc.

With the above symptoms, people's income go for a certain increase which creates new demand and a cycle of demand and production (supply) starts playing hand-in-hand to recover the economy. To recover an economy, governments usually go for tax-breaks, interest cuts, an increase in salaries of its employees, etc. Assimilation of innovations by the entrepreneurs and search for new frontiers of enterprise do play a very vital role in the process of recovery provided these activities are at first incentives by the governments.
The Euro-American economies recovered out of the Great Depression with the help of the measures cited above. Such recoveries have been seen many times around the world when economies recovered from slowdown or the recessionary phases. The best example of recent times could be cited from India of 1997 to 2002 when the economy suffered severe bouts of slowdown and recession.

BOOM
A strong upward fluctuation in the economic activities is called boom. As economies try to recover out of the phases of slowdown, recession and depression at times the measures taken by the governments as well as the private sector might put economic activities as such which the economic systems fail to digest. This is the phase of the boom. The major economic traits of boom may be listed as given below:
(i) an accelerated and prolonged increase in the demand;
(ii) demand peaks up to such a high level that it exceeds sustainable output/production levels;
(iii) the economy heats up and a demand-supply lag is visible;

(iv) the market forces mismatch (i.e., demand and supply disequilibirium) and tend to create a situation where inflation starts going upward;
(v) the economy might face structural problems like shortage of investible capital, lower savings, falling standard of living, creation of a sellers' market.
The phase of recovery is considered good for the economy and it reaches the stage of boom which is considered better.

RECESSION
This is somewhat similar to the phase of 'depression' — we may call it a mild form of depression — fatal for economies as this may lead to depression if not handled with care and in time. The financial crises which followed the US 'sub-prime crisis' in almost the whole Euro-American economies has basically brought in 'severe recessionary' trends there. Major traits of recession, to a great extent, are similar to that of 'depression' [except the point (iv) of the Depression, discussed earlier]—may

be summed up as follows:
(i) there is a general fall in demand as economic activities takes a downturn;
(ii) inflation remains lower or/and shows further signs of falling down;
(iii) employment rate falls/unemployment rate grows;
(iv) Industries resort to ‘price cuts’ to sustain their business.
In the financial year 1996–97, the Indian economy was taken up by the cycle of recession—basically due to a general downturn in domestic as well as foreign demands, initiated by the South East Asian Currency Crisis of mid-1990s.

India opting out of RCEP

Context: The regional trade agreement has been signed by 15 countries, without India. The new trading bloc has made it clear that the door will remain open for India to return to the negotiating table.

What is RCEP?

- Described as the “largest” regional trading agreement to this day, RCEP was originally being negotiated between 16 countries — ASEAN members and countries with which they have free trade agreements (FTAs), namely Australia, China, Korea, Japan, New Zealand and India.
- The purpose of RCEP was to make it easier for products and services of each of these countries to be available across this region.
- Negotiations to chart out this deal had been on since 2013, and India was expected to be a signatory until its decision last November.

The Regional Comprehensive Economic Partnership, 2020

Graphic© Asia Briefing Ltd.

What India chose not to join RCEP

- India decided to exit discussions over "**significant outstanding issues"**.
- By joining RCEP, India would have further risked a flood of cheap Chinese imports in sectors like electronics.
- India had tried and failed to win substantial concessions in areas like **work visas for its information technology-enabled services.**
- Two of India's proposals—**an RCEP business travel card** and an **RCEP service supplier card**—failed to find favour with a majority of the bloc's members.
- Its decision was **to safeguard the interests of industries like agriculture and dairy and to give an advantage to the country's services sector**.

How far is China's presence a factor?

Escalated tensions

- Escalated tension with China is considered to be a major reason for India's decision.
- Major issues that were unresolved during RCEP negotiations were related to the exposure that India would have to China.

Surge in imports

- This included India's fears that there was "inadequate" protection against surges in imports.

- It felt there could also be a possible circumvention of rules of origin— the criteria used to determine the national source of a product.
- In the absence of this, other partner countries could dump their products by routing them through other countries that enjoyed lower tariffs.

Inability to take countermeasures

- India was unable to ensure countermeasures like an auto-trigger mechanism to raise tariffs on products when their imports crossed a certain threshold.
- It also wanted RCEP to exclude most-favoured-nation (MFN) obligations from the investment, especially to countries with which it has border disputes.

Lack of assurance of market access to India

- RCEP also lacked clear assurance over market access issues in countries such as China and non-tariff barriers on Indian companies.
- The agreement would have forced India to extend benefits given to other countries for sensitive sectors like defence to all RCEP members.

Trade balance

- India's stance on the deal also comes as a result of learnings from unfavourable trade balances that it has with several RCEP members, with some of which it even has Free Trade Agreements.
- India has trade deficits with 11 of the 15 RCEP countries, and some experts feel that India has been unable to leverage its existing FTAs with several RCEP members to increase exports.

What can the decision cost India?

- There are concerns that India's decision would **impact its bilateral trade ties** with RCEP member nations, as they may be more inclined to focus on bolstering economic ties within the bloc.
- The move could potentially leave India with **less scope to tap the large market** that RCEP presents —the size of the deal is mammoth, as the countries involved account for over 2 billion of the world's population.
- Given attempts by countries like Japan to get India back into the deal, there are also worries that India's decision **could impact the Australia-India-Japan network in the Indo-Pacific**.
- It could potentially put a **spanner in the works on informal talks to promote a Supply Chain Resilience Initiative** among the three.
- However, India's stance on the deal also comes as a result of learnings from **unfavourable trade balances** that it has with several RCEP members, with some of which it even has FTAs.
- An internal assessment by the government has revealed that the **growth in trade (CAGR) with partners over the last five financial years was a modest 7.1%.** While "there has been growth rate in both imports from and exports to these FTA partners", the "utilisation rate" of FTAs both for India and its partners has been "moderate".

- India has **trade deficits with 11 of the 15 RCEP countries**, and some experts feel that India has been unable to leverage its existing bilateral free trade agreements with several RCEP members to increase exports.

INDIA'S TRADE BALANCE WITH RCEP MEMBERS

RCEP Member	2018-19	2019-20
ASEAN	-21.85	-23.82
China	-53.58	-48.65
South Korea	-12.05	-10.81
Japan	-7.91	-7.91
New Zealand	-0.25	-0.14
Australia	-9.61	-6.93

All figures in $ billion

Source: Ministry of Commerce and Industry

What are India's options now?

- India, as an **original negotiating participant of RCEP**, has the option of joining the agreement without having to wait 18 months as stipulated for new members in the terms of the pact.

- RCEP signatory states said they **plan to commence negotiations with India** once it submits a request of its intention to join the pact "in writing", and it may participate in meetings as an observer prior to its accession.

- However, the possible alternative that India may be exploring is reviews of its existing bilateral FTAs with some of these RCEP members as well as newer agreements with other markets with potential for Indian exports. Over **20 negotiations are underway.**

- India currently has agreements with members like the ASEAN bloc, South Korea and Japan and is negotiating agreements with members like Australia and New Zealand.

- Two reviews of the **India-Singapore CECA** have been completed; the **India-Bhutan Agreement on Trade Commerce and Transit** was renewed in 2016; and the **India-Nepal Treaty of Trade** was extended in 2016.

- Eight rounds of negotiations have been completed for the review of the **India-Korea CEPA**, which began in 2016.

- India has taken up the review of the **India-Japan CEPA and India-ASEAN FTA** with its trading partners.

- There is also a growing view that it would serve India's interest to invest strongly in negotiating bilateral agreements with the US and the EU, both currently a work in progress.

STATUS PAPER ON GOVERNMENT DEBT

Why in news?

Recently, the Central Government released the Ninth Edition of the Status Paper on the Government Debt.

More on the news

- It contains Debt Management Strategy (DMS) of the Central Government for the financial years from 2019-20 to 2021-22 which guides the borrowing plan of the Government.
- The objective of the DMS is to ensure that the government's financing requirements and payment obligations are met at the lowest possible cost.

Significance of managing Government debt

The level of Government debt affects investor confidence, impacts fiscal capabilities of the government, leads to crowding out effect on private sector, fiscal repression of commercial banks alongside other impacts like inflationary pressure, exchange rate risk and higher taxes in the future.

Important Terms

Debt to GDP ratio

The debt-to-GDP ratio is the ratio of a country's debt to its gross domestic product (GDP). It indicates a particular country's ability to pay back its debts.

Roll over risk

It is a risk associated with the refinancing of debt—specifically, that the interest charged for a new loan will be higher than that on the old. Generally, greater the shorter-term maturing debt, greater the borrower's rollover risk.

Currency or foreign exchange risk

It relates to vulnerability of the debt portfolio to depreciation in the value of the domestic currency vis-à-vis the currency of denomination of external loans and the associated increase in the Government's debt servicing cost.

Interest payment to revenue receipts (IP-RR)

It is the ratio of total interest payments made towards the debt to the revenue receipts of the government.

Floating Rate Bonds (FRBs)

These are securities issued at variable coupon rates.

Gross fiscal deficit (GFD)

It is the excess of total expenditure (including loans net of recovery) over revenue receipts (including external grants) and non-debt capital receipts.

Short-term debt

Short-term debt of the Central Government refers to the total amount of debt maturing within the next 12 months.

It includes 14-day intermediate treasury bills, regular treasury bills, dated securities maturing in the ensuing one year and external debt with remaining maturity of less than one year.

Treasury bills

These are discounted instruments which help the Government in managing its shortterm cash flow mismatches.

Central Government currently issues treasury bills of tenor of 91, 182, and 364 days.

14-day Intermediate Treasury Bills (ITBs)

These are non-marketable instruments issued to the State Governments (and select Central Banks) to enable them to deploy their short-term surplus cash at a fixed interest rate.

India's performance on indicators of debt sustainability

According to the status paper, Government's debt portfolio is characterized by favorable sustainability indicators:

• Gross Fiscal Deficit (GFD) as a percentage of GDP has been on a declining trend since 2012-13.

• The share of short-term debt is within safe limits and has stabilized after some rise during 2005 to 2012.

• The Government has adopted a conscious strategy of elongating maturity to reduce roll-over risk.

• Most of the Government debt is at fixed interest rates, with floating internal debt constituting only 0.9 per centof GDP in 2019, which minimizes the impact of interest rate volatility on the budget.

• Low share of external debt implies that currency risk and the susceptibility of debt portfolio to volatile international capital markets is not substantial.

State Government Debt

• The debt-GDP ratio of States has marginally decreased in 2018-19 from 2017-18.

• The share of public debt increased within the overall debt portfolio of the State Governments and constituted 19.1 per cent of their GDP.

• Within the public debt, the share of market borrowings increased while that of borrowings from the National Small Savings Fund (NSSF) exhibited a steady decline.

• Loans from the Centre have been decreasing over the years and accounted for 3.7 per cent of total liabilities in 2019.

GOVERNMENT BORROWING

Why in News?

Finance Ministry, in consultation with RBI, raised its gross market borrowing target for FY 2020-21 to Rs 1 llakh crore.

About the News

• Government borrows through issue of government securities called G-secs and Treasury Bills to make up for mismatch between its revenue and expenditure.

• Borrowing is a loan taken by government and falls under capital receipts in Budget document.

• **Reasons for increased borrowings**

- Expected shortfall in net targeted tax revenues.
- Record slump in stock markets making it difficult to raise funds through disinvestment.
- Spike in expenditure. e.g. recent Rs 1.7 lakh crore of relief, income transfer & support measures etc.

• Rising borrowings may put pressure on bond market and crowding out resources for private sector.

• The fiscal deficit is set to shoot up sharply, indicating that the government has limited space to push through a massive fiscal stimulus to protect the economy from adverse effects of COVID-19.

Cooperative Banks Under RBI Supervision

• The President has promulgated the Banking Regulation (Amendment) Ordinance, 2020, to bring all urban cooperative banks and multi-state cooperative banks under the supervision of RBI.

• Currently, these banks come under dual regulation of the RBI and the Registrar of Co-operative Societies, resulting in regulatory and supervisory lapses. Also, RBI till now has no powers to draw up an enforceable scheme of reconstruction of a co-operative bank.

• The Ordinance has empowered RBI to supersede the Board of Cooperative Banks for up to five years.

• It also allows a cooperative bank to issue equity shares, preference shares, or special shares on face value or at a premium to its members or to any other person residing within its area of operation. Also, cooperative banks can issue unsecured debentures or bonds or similar securities with maturity of ten or more years to such persons. Such issuance will be subject to prior approval of RBI.

• The amendments do not affect existing powers of the State Registrars of Co-operative Societies under state co-operative laws. The amendments also do not apply to Primary Agricultural Credit Societies (PACS) or cooperative societies whose primary object and principal business is long-term finance for agricultural development.

Periodic Labour Force Survey (PLFS)

• According to the latest Periodic Labour Force Survey (PLFS), released by Ministry of Statistics and Programme Implementation, India's unemployment rate has improved from the 45-year high of 6.1% in 2017-18 to 5.8% in 2018-19.

• PLFS is India's first computer-based survey which gives estimates of key employment and unemployment indicators like the labour force participation rate, worker population ratio, proportion unemployed and unemployment rate in rural households annually and on a quarterly basis for the urban households.

• **Labour Force Participation Rate** is the percentage of people in the labour force (those who are working or seeking or available for work) in the population while the Worker Population Ratio is the percentage of employed people. The unemployment rate shows the percentage of people unemployed among the labour force.

Financial Stability Report

The RBI has released its FSR, a biannual publication, that reflects the collective assessment of the sub-committee of the Financial Stability and Development Council (FSDC) on risks to financial stability and the resilience of the financial system.

Highlights Of The Report

• **Increase In NPA:** The gross nonperforming assets (GNPA) ratio of all scheduled commercial banks (SCBs) may increase from 8.5 per cent in March 2020 to 12.5 per cent by March 2021.

• The capital to risk-weighted assets ratio (CRAR) of Scheduled Commercial Banks edged down to 14.8% in March, from 15% in September 2019. This ratio could slide to down to 13.3% in March 2021 under the baseline scenario and to 11.8% under very severe stress scenario.

• Bank credit, which had considerably weakened during the first half of 2019-20, slid down further in the subsequent period with the moderation becoming broad-based across bank groups.

• Total bilateral exposures among entities in the financial system declined marginally during 2019-20; with the inter-bank market continuing to shrink and with better capitalisation of public sector banks (PSBs), there would be reduction in contagion losses to the banking system under various scenarios in relation to a year ago.

Gramodyog Vikas Yojana

• Ministry of Micro Small and Medium Enterprises (MSME) approved a programme for the benefit of artisans involved in manufacturing of Agarbatti under 'Gramodyog Vikas Yojana.

• Initially four Pilot Projects will be started, including one in North Eastern part of the country. Each targeted cluster of artisans will be supported with about 50 Automatic Agarbatti making machines and 10 Mixing machines.

• Two major decisions by Govt of India i) placing the ‘Agarbatti’ item from “Free” trade to “Restricted” trade in the import policy and ii) enhancing the import duty from 10% to 25% on ‘round bamboo sticks’ used for manufacturing of Agarbatti, will help to boost the indigenous production of ‘Agarbatti’.

• Under this Mission, Khadi and Village Industries Commission (KVIC) will provide training, and assist artisans working in this area, with Agarbatti manufacturing machines.

National Authority for Recycling of Ships

• Central Government has notified the Directorate General of Shipping as National Authority for Recycling of Ships under the section 3 of the Recycling of Ships Act, 2019.

• As an apex body, DG Shipping is authorized to administer, supervise and monitor all activities relating to Ship Recycling. National Authority of Ship Recycling will be set up in Gandhinagar, Gujarat.

• Under Ship Recycling Act, 2019, India has acceded to Hong Kong Convention for Ship Recycling under International Maritime Organization (IMO).

Hong Kong Convention for Ship Recycling

• IMO adopted the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships in 2009.

• The guidelines are aimed at ensuring that ships, being recycled after reaching the end of their operational lives, do not pose any unnecessary risks to human health, safety and the environment.

• DG Shipping is a representative of India in the IMO and enforces the conventions

IFSCA Introduces Framework For Regulatory Sandbox

• The International Financial Services Centres Authority (IFSCA) has introduced a framework for regulatory sandbox. The regulatory sandbox will operate within the IFSC located at GIFT City in Gandhinagar (Gujarat, India).

• Under this Sandbox framework, entities operating in the capital market, banking, insurance and financial services space shall be granted certain facilities and flexibilities to experiment with innovative FinTech solutions in a live environment.

• Entities that want to participate in the sandbox to showcase their innovative fintech solutions, concepts and business models will have to apply to IFSCA. IFSCA shall assess the applications and extend suitable regulatory relaxations to commence limited purpose testing in the sandbox.

Asafoetida Or Heeng Cultivation

• Scientists at CSIR-Institute of Himalayan Bioresource, Palampur (IHBT), are on a mission to grow heeng in the Indian Himalayas.

• Ferula asafoetida is a herbaceous plant of the umbelliferae family. It is a perennial plant whose oleo gum resin is extracted from its thick roots and rhizome. The plant stores most of its nutrients inside its deep fleshy roots.

• Asafoetida is endemic to Iran and Afghanistan, the main global suppliers. It thrives in dry and cold desert conditions. The plant can withstand a maximum temperature between 35 and 40 degree, whereas during winters, it can survive in temperatures up to minus 4 degree. During extreme weather, the plant can get dormant. European countries too use it for its medicinal properties.

• Heeng is not cultivated in India. Government data states that India imports about 1,200 tonnes of raw heeng worth Rs 600 crore from Iran, Afghanistan and Uzbekistan.

Global Innovation Index(GII)

• The Global Innovation Index was recently released. The top-performing economies in GII, 2020, are still from the high-income group. Switzerland continues to be the most innovative nation in the world, followed by Sweden, US, UK and Netherlands.

• From Asia, Korea became the second country to move into the top 10, pushing Israel down by one rank to the 11th position. Singapore maintained its 8th rank.

• India has moved ahead by four positions from the last year and is ranked at the 48th position.

India improved the most in three pillars: Institutions (61st), business sophistication (55th), and creative outputs (64th).

o Three clusters - Bengaluru, Delhi and Mumbai - feature in the top 100 science & technology hotspots.

• China at the 14th position is the only middle-income country in the GII top 30.

About Global Innovation Index (GII)

• GII, 2020 was released by the World Intellectual Property Organization (WIPO), Cornell University and INSEAD Business School.

• Launched in 2007, the index, presents the latest global innovation trends and annual innovation ranking of various economies.

• GII 2020 includes 131 countries/economies, which represent 93.5% of the world's population and 97.4% of the world's GDP.

• GII is computed by taking an average of the scores in two sub-indices:

1. The Innovation Input Sub-Index considers elements of the national economy that enable innovative activities.

2. The Innovation Output Sub-Index provides information about outputs that are the result of the innovative activities of economies.

Recognition of Prior Learning (RPL) Program

• Ministry of Skill Development and Entrepreneurship (MSDE) recently conducted a special Recognition of Prior Learning (RPL) program for workers.

• The programme is implemented under SANKALP Programme of MSDE and supported by World Bank.

• RPL recognizes the value of learning acquired outside a formal setting and provides a government certificate for an individual's skills. It aims to align the competencies of the pre-existing workforce of the country to the standardized framework.

SANKALP Programme

• SANKALP is an outcome-oriented centrally sponsored programme of MSDE. It focuses on the overall skilling ecosystem covering both Central &State agencies.

• It aims to implement the mandate of the National Skill Development Mission (NSDM) by identifying four key result areas:

(i)Institutional Strengthening (ii) Quality Assurance of skill development programs(iii) Inclusion of marginalised population in skill development (iv) Expanding skills through Public Private Partnerships.

RTGS and NEFT Payment Systems

• RBI has allowed round the clock (24x7) transfer of funds through Real-Time Gross Settlement (RTGS).

• **RTGS :** It is a payment system in which the money is transferred to the beneficiary's account in realtime and on a gross basis. Real Time means the processing of instructions takes place at the same time, when they are received. Gross Settlement means that the settlement of fund transfer instructions occurs individually. RTGS is meant for large-value instantaneous fund transfers. The minimum amount to be transferred through RTGS is Rs 2 lakh, with no maximum transfer limit.

• **National Electronic Funds Transfer (NEFT):** It is a nation-wide centralised payment system owned and operated by the RBI. The NEFT system is available round the clock throughout the year on all days and it operates in batches of half-hourly intervals throughout the day. Thus, fund transfers through the NEFT system do not occur in real-time basis and the fund transfer is settled in half hourly batches.

• NEFT fund transfer starts from Re. 1 and there is no maximum limit imposed by the RBI for funds transfer through NEFT.

National Strategy For Financial Inclusion

• The RBI recently released the National Strategy for Financial Education document for spreading of financial education in the country in which it came out with a '5-Core Actions' approach for promoting financial education. The five Core actions, outlined by the strategy paper, are: Content, Capacity, Community, Communication and Collaboration.

• The NSFE intends to empower various sections of the population to develop adequate knowledge, skills, attitudes and behaviour which are needed to manage their money better and to plan for the future.

• This NSFE for the period 2020-2025, the second one after the 2013-18 NSFE, has been prepared by the National Centre for Financial Education (NCFE) in consultation with all the Financial Sector Regulators (RBI, SEBI, IRDAI and PFRDA) and other stakeholders.

• The Technical Group on Financial Inclusion and Financial Literacy (TGFIFL) would be responsible for periodic monitoring and implementation of National Strategy for Financial Education.

REGIONAL RURAL BANKS

Why in news?

RBI allowed RRBs to access the liquidity adjustment facility (LAF), marginal standing facility (MSF) and call or notice money market. At present, RRBs are not permitted to access the liquidity windows of the RBI as well as the call or notice market.

About Regional Rural Banks

• RRBs were set up as state-sponsored, regionally based and rural oriented institutions under the Regional Rural Banks Act, 1976. RRBs are regulated by Reserve Bank of India and are supervised by NABARD.

RRBs are jointly owned by the Centre, the state government concerned and sponsor banks with the issued capital shared in the proportion of 50%, 15% and 35%, respectively.

• **The mandate of RRBs is to:**

o Serve the credit needs of the small and marginal farmers, agricultural labourers, socio-economically weaker section of population for development of agriculture, trade, commerce, industry and other productive activities.

o Reduce regional imbalances and increase rural employment generation activities.

o Develop such measures which could restrict the outflow of rural deposits to urban areas.

Measures of Money Supply

• Reserve Money (M0): also called High Powered money, monetary base, base money etc. M0= Currency in Circulation+ Bankers' Deposits with RBI + Other Deposits with RBI.

• Narrow Money (M1) = Currency with public + Demand deposits with the Banking system (current account, saving account) + other deposits with RBI.

• M2 = M1 + Savings deposits of post office savings banks.

• Broad Money (M3) = M1 + Time deposits with the banking system.

• M4 = M3 + All deposits with post office savings banks.

RBI INTRODUCES DIGITAL PAYMENTS INDEX (DPI)

• RBI-DPI comprises of 5 broad parameters that enable measurement of deepening and penetration of digital payments in the country over different time periods.

These include:

o Payment Enablers (weight 25%), Payment Infrastructure – Demand-side factors (10%), Payment Infrastructure – Supply-side factors (15%), Payment Performance (45%) and Consumer Centricity (5%).

• RBI-DPI has been constructed with March 2018 as base period, i.e. DPI score for March 2018 is set at 100.

o DPI for March 2019 and March 2020 work out to 153.47 and 207.84 respectively, indicating appreciable growth in the expansion of digital payment in 2018-20.

o DPI score shall be published on RBI's website on a semi-annual basis from March 2021 onwards with a lag of 4 months.

PAYMENTS INFRASTRUCTURE DEVELOPMENT FUND

Reserve Bank of India (RBI) operationalized Payments Infrastructure Development Fund (PIDF).

About PIDF

• The 500 crores PIDF seeks to encourage acquirers to deploy Points of Sale (PoS) infrastructure for both physical and digital modes.

• RBI will make an initial contribution of ₹250 crore to the PIDF, covering half of the fund.

• The remaining contribution will be from card-issuing banks and card networks operating in the country.

• It will also receive recurring contributions to cover operational expenses from card-issuing banks and card networks. RBI will also contribute to yearly shortfalls, if necessary.

KEY CONCEPTS IN NEWS

Discretionary fiscal stimulus	• It refers to an **increase in the fiscal deficit caused by government policy.** It is distinct from an increase in fiscal deficit caused by slowing growth, which is called an automatic stabilizer.
Post Devolution Revenue Deficit (PDRD) Grants	• PDRD Grants is a **mechanism provided by the Finance Commission for compensation of any loss incurred by states from the Centre.** • It forms **2nd largest chunk of Finance Commission transfers** after the assistance to local rural bodies. Other FC grants are: Grants for rural local bodies, Grants for urban local bodies, Assistance to State Disaster Relief Funds (SDRF)
Treasury Single Account (TSA)	• **TSA is a unified structure of government bank accounts** that **gives a consolidated view** of government cash resources. • TSA is a bank account or set of linked accounts through which government transacts all its receipts and payments. • This ensures **effective aggregate control** over government cash balances and minimizing borrowing costs.

Credit to GDP ratio	• India's **Credit-to-GDP ratio is 56%** when compared to advanced economies where it is in the range of 150-200%.
	• Credit-to-GDP ratio **tends to rise during period of economic boom and fall during economic downturn.**
	  o **Credit-to-GDP gap** (difference between credit-to-GDP ratio and its long-term trend) **indicates build-up of excessive credit growth in an economy** and system-wide risk as a precursor to crisis.
	• Basel III uses gap between credit-to-GDP ratio and its long-term trend as a guide **for setting Counter Cyclical Capital Buffers (CCCB).**
	  o CCCB is aimed at strengthening banks' **defenses against build-up of systemic vulnerabilities.**

Inverted duty structure	• It refers to **taxation of inputs at higher rates than finished products** that results in build-up of credits and cascading costs.

Household Financial Savings (HFS)	• According to RBI, Net HFS rose from 7.2% of GDP in 2018-19 to 7.7% in 2019-20.
	  o **Net HFS =** Gross HFS - financial liabilities
	  o **Gross HFS refer to** currency, bank deposits, debt securities, mutual funds, pension funds, insurance, and investments in small savings schemes.
	  o **Financial liabilities include** loans from banks, non-banking financial companies (NBFCs), and housing finance companies.
	• **Reason:** Slowdown in economy in 2019 leading to a **slowdown in lending growth of banks.** It is also due to **slowdown in consumption.**
	• Indian households **contribute to about 60% of the country's savings.**

Mutual Agreement Procedure (MAP)	• MAP is an **alternative dispute resolution process under tax treaties**, under which competent authorities of two countries enter into discussions to resolve tax-related disputes. • Central Board of Direct Taxes has amended Income Tax rules as per which **disputes under MAP would be resolved within a timeframe of 24 months.**
National Institute of Public Finance and Policy (NIPFP)	• It is **autonomous research institute under Ministry of Finance**, registered under Societies Registration Act, 1860, founded in 1976. • Its mandate includes **assisting Central, State and Local governments in formulating and reforming public policies** by providing an analytical base.