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Part 2

ECONOMY

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RAPID REVISION (RaRe) SERIES - UPSC 2021

RaRe Notes

DAY 66 - ECONOMY

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471. OECD/G-20 Two Pillar Plan

In News: India and the majority of the members of **OECD-G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS)** have joined a new **two-pillar plan** to reform international taxation rules.

Key Points

- The plan amounted to **130 countries** representing more than **90% of global GDP.**
- The new framework seeks to **address the tax challenges** arising from the **digitalization of economies.**
- It also seeks to **address concerns over cross-border profit shifting** to stop **treaty shopping.**

Pillar One:

- It would re-allocate some taxing rights over MNEs from their home countries to the markets where they **have business activities and earn profits.**
- According to OECD, more than USD 100 billion of profit are expected to be reallocated to **market jurisdictions** each year.

Pillar Two:

- It seeks to put a minimum standard tax rate among countries through a **global minimum corporate tax rate,** currently **proposed at 15%.**
- This is **expected to generate an additional USD 150 billion** in tax revenues.

Base Erosion and Profit Shifting (BEPS)

- BEPS is a term used to describe tax planning strategies that exploit mismatches and gaps that exist between the tax rules of different jurisdictions.
- It is done to minimize the corporation tax that is payable overall, by either making tax profits 'disappear' or shift profits to low tax jurisdictions where it is little or no genuine activity.
- In general BEPS strategies are not illegal; rather they take advantage of different tax rules operating in different jurisdictions.
- BEPS is of major significance for developing countries due to their heavy reliance on corporate income tax, particularly from multinational enterprises (MNEs).
- The BEPS initiative is an OECD initiative, approved by the G20, to identify ways of providing more standardised tax rules globally.

472. Bilateral Investment Treaty (BIT)

- **BIT** is an agreement establishing the terms and conditions for **private investment** of one country in another country.
- BITs include fair and equitable treatment, protection from expropriation, free transfer of means and full protection and security for investment.
- The Treaty seeks to promote and protect investments in either country with the objective of increasing bilateral investment flows.
- It also seeks to encourage each country to create favourable conditions (climate) for investors of the other country to make investments in its territory
- BITs allow individual investors to bring **cases against host states** if the latter's sovereign regulatory measures are not consistent with the BIT, for monetary compensation.

- Investor whose rights under the BIT have been violated could have recourse to international arbitration. This is through ICSID (International Centre for the Settlement of Investment Disputes), rather than suing the host State in its own courts. This process is called **investor-state dispute settlement.**
- It is broadly akin to the right of equality and protection against arbitrary state action.

India and BITs

- Since signing the first BIT in 1994 with the UK, India has inked 86 such bilateral treaties, the latest being with Brazil in 2020.
- BITs have been one the major drivers of FDI inflows into India.
- A 2016 study suggests that by providing substantive protection and commitment to foreign investors, BITs indeed contributed to rising FDIs in the 2001-2012 period.
- However, there have been many cases of the penalty awarded by an International Dispute Settlement (ISDS) tribunal served against India.
- For example in cases involving regulatory measures such as the imposition of retrospective taxes, cancellation and revocation of spectrum and telecom licences.
- This led to a review of the BITs and in 2016 India launched the Model BIT. It aims to act as a base for negotiating new BITs with other States, as well as for re-negotiation of the existing ones. Some of the key features of new model BIT
    - The new model clarifies that it only covers investments that have a **physical presence and substantial business activities** in the territory of the host state.
    - The investors get the significant benefit of ISDS — but not before pursuing **prior remedies before domestic courts.**
    - India's new model BIT makes clear that its goal is to accomplish **more than mere investor protection.**
- As per Model BIT in 2016, India moved away from an overly investor-friendly approach to a somewhat protectionist approach concerning foreign investments.
- Since its adoption, India has unilaterally terminated 66-odd BITs between 2016 to 2019, sending negative signals to the global investor community.
- This is evident as no country has shown any inclination to re-negotiate based on the Model BIT.
- Since 2016, India has signed just three treaties, none of which is in force yet.

473. Advance Ruling Mechanism in GST

- Any advance tax ruling is a written interpretation of tax laws.
- It is issued by tax authorities to corporations and individuals who request for clarification of certain tax matters.
- An advance ruling is often requested when the taxpayer is confused and uncertain about certain provisions. Advance tax ruling is applied for: before starting the proposed activity.
- For example, under income tax, advance ruling is available in international taxation. This is to help non-residents ascertain the income-tax liability, plan their income-tax in advance and avoid long drawn and costly legal disputes.
- As per GST, the advance ruling is a written decision given by the tax authorities to an applicant on questions relating to the supply of goods/services.

Definition of Advance Ruling under GST

- "Advance ruling" means a decision provided by the Authority or the Appellate Authority to an applicant on matters of supply of goods or services to be undertaken.

- An advance ruling is first sent to Authority for Advance Ruling (Authority). Any person unhappy with the advance ruling can appeal to the Appellate Authority for Advance Ruling (Appellate Authority).

Objectives of Advance Ruling under GST

- Provide certainty in tax liability in advance
- Attract Foreign Direct Investment (FDI)
- Reduce litigation
- Give decisions in a timely, transparent and inexpensive manner

Question on which the advance ruling under GST can be sought:

- Classification of any goods or services or both; time and value of supply of goods or services; admissibility of input tax credit of tax paid or deemed to have been paid; determination of the liability to pay tax.

Authority of Advanced Ruling

- Section 96 of CGST Act, 2017 define The Authority for Advance Ruling as follows:
- Authority for advance ruling' (AAR) and 'Appellate authority for advance ruling' (AAAR) are constituted under the provisions of a State Goods and Services Tax Act or Union Territory Goods and Services Tax Act .
- The Government shall appoint officers not below the rank of Joint Commissioner as member of the Authority for Advance Ruling.

Applicability

- An advance ruling pronounced by AAR or AAAR shall be binding only on the applicant.
- This clearly means that an advance ruling is not applicable to similarly placed other taxable persons in the State.
- If the law, facts of the original advance ruling change then the advance ruling will not apply.

474. Variable Capital Company (VCC)

In News: The expert committee, headed by Dr.K.P. Krishnan on Variable Capital Company has submitted its report on the feasibility of Variable Capital Companies in the International Financial Services Centres to the International Financial Services Centres Authority (IFSCA).

About VCC:

- It is a corporate structure that is tailored for **collective investment schemes.**
- Under this several collective investment schemes **may be gathered under the umbrella** of a single corporate entity and yet remain ring-fenced from each other.
- It gives funds an alternative to unit trusts, limited partnerships, limited liability partnerships and companies.
- It allows the **sub-funds to share** a board of directors and have common service providers, such as the same fund manager, custodian, auditor and administrative agent.
- **Certain administrative functions** like, the holding of general meetings and preparation of prospectuses, can also be consolidated.
- Where a VCC is set up as an umbrella fund with several sub-funds, members may hold shares that are referenced to a particular sub-fund held by the VCC.

Key-recommendations of K.P. Krishnan Committee

- The Committee recommended the adoption of a **VCC-like legal structure** for the purpose of conducting **fund management** activity in IFSCs.
- The Committee recognized that the legal framework governing entities that undertake fund management should provide for:
    - certainty and clarity to investors
    - effective segregation and ring-fencing of different pools of asset
    - the ability to issue different classes of shares
    - alterations to the funds' capital structure without regulatory approvals
    - the freedom to choose the appropriate accounting standards applicable to funds with different characteristics
    - the ability to wind up quickly

475. Insolvency & Bankruptcy Code

About Insolvency & Bankruptcy

- Insolvency is the situation where the debtor is not in a position to pay back the creditor.
- For a corporate firm, the signs of this could be a slow-down in sales, missing of payment deadlines etc.
- Bankruptcy is the legal declaration of Insolvency.

Need of Insolvency & Bankruptcy Code (IBC)

- A unified code is essential because earlier the issue was handled under at least 13 different laws.
- Earlier, if a company defaults, there were at least four different legal routes available to the debtors and creditors – the high courts, the Company Law Board, the Board for Industrial and Financial Reconstruction **(BIFR),** and the Debt Recovery Tribunals (DRTs)
- This could lead to multiple negotiations, multiple penalties etc. for the debtor, compounding his plight.
- The present morass of laws doesn't help in easing the exit of trouble-prone entities, which made Chief Economic Adviser to GoI to compare the situation to Chakravyuh (where companies can easily enter but difficult to exit)
- In the background of rising NPAs, the easing of liquidation process can help the banks recover a lot of bad debts

Salient features of the Insolvency and Bankruptcy Code:

- IBC was thus enacted in 2016 for reorganization and insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner for maximization of the value of assets of such persons
- IBC Code 2016 covers all individuals, companies, Limited Liability Partnerships (LLPs) and partnership firms.
- The adjudicating authority is **National Company Law Tribunal (NCLT)** for companies and LLPs and **Debt Recovery Tribunal (DRT)** for individuals and partnership firms.
- **Insolvency Professionals:** A specialised cadre of licensed professionals is proposed to be created. These professionals will administer the resolution process, manage the assets of the debtor, and provide information for creditors to assist them in decision making.
- **Information Utilities:** It is an information network which would store financial data like borrowings, default and security interests among others of firms.

- **Insolvency and Bankruptcy Board:** The Board will regulate insolvency professionals, insolvency professional agencies and information utilities set up under the Code. The Board will consist of representatives of Reserve Bank of India, and the Ministries of Finance, Corporate Affairs and Law.

Recently, the Insolvency and Bankruptcy Board of India (IBBI) has amended the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations 2016.

Key amendments

- Resolution professionals (RPs) will be required to inform the adjudicating authority about avoidance transactions of a corporate debtor(CD).
- It **requires the RP to** intimate such details on or before the 140th day of the insolvency commencement date.
- **Allows the RP to appoint any professional**, including registered valuers, to assist him in discharge of his duties during the **corporate insolvency resolution process (CIRP)**.
- **It requires an insolvency professional (IP) to disclose all former names** and registered office address(es) so changed in the two years preceding the commencement of insolvency **along with the current name** and registered office address of the CD, in all its communications and records

476. Data Localization

In News: Recently, RBI has imposed restrictions on Mastercard Asia from issuing new domestic customers (debit, credit or prepaid) cards in India, citing non-compliance with guidelines for storage of data in India.

Data localization policy of RBI:

- The RBI's circular dated April 6, 2018, on storage of payment system data had asked all system providers (operating a card network in India under the Payment and Settlement Systems Act, 2007) to store all end-to-end transaction data related to their Indian operations in a **system located in the country.**
- Companies had to comply with these rules **within six months.**
- The reason was to protect the **privacy of Indian users** and also to address **national security concerns.**
- Governments also believe that mandating foreign companies to set up local infrastructure can **boost their local economies.**
- The central bank wanted a single common data source to have an effective data storage system in the wake of growing digital transactions and frauds.
- All such card companies had to file a **compliance report and an audit compliance report**.

477. Itat e-dwar

In News: The Union Minister for Law & Justice, Communications and Electronics & IT, recently launched the Itat e-dwar

Key Points:

- Itat e-dwar is the e-filing portal of Income Tax Appellate Tribunal (ITAT)
- It would enable the parties to file their Appeals, Miscellaneous Applications, documents, paper books, etc., electronically.
- It provides **digital courtroom, virtual hearings and Mobile Application** providing Judicial Information.
- The portal will enhance the **accessibility,** in the day to day working of the ITAT.
- It would not only result in economization of the use of paper, savings in costs but also rationalization of the fixation of cases leading to quicker disposal of cases

About Income Tax Appellate Tribunal (ITAT):

- ITAT is a **quasi judicial institution** set up in **January, 1941**.
- It is specialized in dealing with appeals under the **Direct Taxes Acts.**
- It was constituted by virtue of **section 5A of the Income Tax Act, 1922**.
- Its **motto 'Nishpaksh Sulabh Satvar Nyay'**.
- It is the oldest Tribunal in the country.
- The orders passed by the ITAT are final, an **appeal lies to the High Court only** if a substantial question of law arises for determination.
- Starting in 1941 with six Members constituting three Benches - one each at Delhi, Kolkata (Calcutta) and Mumbai (Bombay), the numbers of Benches have progressively increased and presently ITAT has 63 Benches at 27 different stations covering almost all the cities having a seat of the High Court.

478. Independent Directors

In news: The Securities and Exchange Board of India (SEBI) has approved stricter norms related to appointment of independent directors.

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

About independent directors:

- An Independent director (also sometimes known as an outside director) is a **non-executive director.**
- S/he does not have **any kind of relationship**, material or financial, with the company.
- Their role is to take a stand unambiguously and independently to have a check and balance on the whims of majority shareholders that may expose the company to unwarranted risks. This means they usually represent minority stakeholders
- The **Companies Act, 2013** has mandated all **listed public companies to have at least one-third** of the total Directors to be independent.
- Their role requires them to be clinical while businesses expect them to be practical, that's the tight rope they walk on.
- A larger say for independent directors can prevent fraud, mismanagement, and mis-governance.

Key Points of recent SEBI Norms

- Independent directors can be appointed only through a special resolution passed by shareholders. A special resolution requires 75% of votes in favour to be passed.
- The regulator has also elaborated and strengthened the disclosure requirements for the skills required to be an independent director.
- The nomination and remuneration committee of the board of directors, which decides on appointments and compensation, and the audit committee should have two-thirds independent directors compared to a simple majority now.
- Also, a listed company will be required to disclose the resignation letter of an independent director.

- Also, there will be a one-year cooling period for an independent director transitioning to a whole-time director in the same company/holding/subsidiary/associate company or any company belonging to the promoter group.

Significance of new norms:

- The changes seek to strengthen the corporate governance practices as well as attract more investors.
- It will help maintain the interest of minority shareholders in the corporate boardroom where their representation is minimal.
- This should hopefully result in truly 'independent' independent directors and not those with merely a semblance of independence.

479. Sovereign Gold Bonds

In News: The Government of India, in consultation with the Reserve Bank of India (RBI), has decided to issue Sovereign Gold Bonds in six tranches from May 2021 to September 2021.

About Sovereign gold bonds:

- Sovereign gold bonds are issued by the **RBI on behalf of the government.**
- They are government securities denominated in **grams of gold** which are substitutes for holding physical gold.
- In 2015, sovereign gold bond scheme was launched with an objective to reduce the demand for physical gold.
- Gold bonds bear interest at a fixed rate of **2.50% per annum** on the amount of initial investment which will be credited semi-annually.
- If gold prices rise, the investor will get the **higher prices plus the 2.5% interest** and vice-versa.
- The minimum investment will be **1 gram**, with a maximum limit of subscription of 4 kg for individuals, 4 kg for Hindu Undivided Family (HUF) and 20 kg for trusts.
- **Term:** The gold bonds come with a maturity period of eight years, with an option to exit the investment after the first five years.
- **Issue Price:** Gold bond prices are linked to the price of gold of 999 purity (24 carats) **published by India Bullion and Jewellers Association (IBJA), Mumbai.**
- Bonds are sold through Commercial banks, Stock Holding Corporation of India Limited (SHCIL), designated post offices and recognised stock exchanges viz., National Stock Exchange of India Limited and Bombay Stock Exchange, either directly or through agents.
- **Eligibility:** The bonds are restricted for sale to resident individuals, Hindu Undivided Families (HUFs), trusts, universities and charitable institutions.

Other important facts:

- They can be **used as collateral** for loans from banks, financial Institutions and non-banking financial companies (NBFC).
- Interest on the bonds will be taxable as per the provisions of the **Income-Tax Act, 1961** (43 of 1961).
- But the **capital gains tax arising** on redemption of SGB to an individual has been exempted.
- Indexation benefits will be provided to long-term capital gains arising to any person on transfer of bonds.
- Though **TDS is not applicable on the bonds**, but it is the responsibility of the holder to comply with tax laws.

- The bond will **be tradable on exchanges**, if held in demat form and can also be transferred to any other eligible investor.

480. Uday Kotak Committee on Corporate governance

In News: In the wake of COVID 19 Uday Kotak recommends for 1991 like reforms

About Kotak Committee

- It was constituted in 2017 under the chairmanship of Uday Kotak
- For Improving **standards concerning corporate governance of listed companies in India.**

Key recommendations of the committee

- Reduction in the **maximum number of directorships** in listed entities from 10 to 8.
- Expanding the eligibility criteria for **independent directors.**
- Enhanced role of the **audit committee, nomination and remuneration committee and risk management committee.**
- Disclosure of utilization of funds from **QIP/preferential issue.**
- Disclosures of auditor credentials, audit fee, reasons for the resignation of auditors.
- Disclosure of **expertise/skills of directors.**
- Enhanced disclosure of **related party transactions (RPTs).**
- Mandatory disclosure of **consolidated quarterly results** with effect from FY20.
- Enhanced obligations on the listed entities with respect to **subsidiaries.**
- **Secretarial Audit** to be mandatory for listed entities and their material unlisted subsidiaries.
- Minimum six directors in the top 1,000 listed entities by market capitalization.
- At least one **woman independent director** in the top 500 listed entities by market capitalization.
- **Separation of CEO/MD and Chairperson** to be initially made applicable to the top 500 listed entities by market capitalization.
- Top 100 entities to hold **AGMs** within 5 months after the end of FY 2018-19 i.e. by August 31, 2019
- Webcast of AGMs will be compulsory for top 100 entities by market capitalization a w.e.f. FY19
- Shareholder approval for **Royalty/brand payments** to related party exceeding 2% of consolidated turnover (instead of the proposed 5%)

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481. Lead Bank Scheme

About

- The genesis of the Lead Bank Scheme (LBS) can be traced to the Study Group headed by Prof. D. R. Gadgil (Gadgil Study Group) on the Organizational Framework for the Implementation of the Social Objectives, which submitted its report in October 1969.
- The Lead Bank Scheme, introduced towards the end of 1969, envisages assignment of lead roles to individual banks (both in public sector and private sector) for the districts allotted to them.
- A bank having a relatively large network of branches in the rural areas of a given district and endowed with adequate financial and manpower resources has generally been entrusted with the lead responsibility for that district. Accordingly, all the districts in the country have been allotted to various banks.
- The lead bank acts as a leader for coordinating the efforts of all credit institutions in the allotted districts to increase the flow of credit to agriculture, small-scale industries and other economic activities included in the priority sector in the rural and semi-urban areas, with the district being the basic unit in terms of geographical area.

Objectives of The Lead Bank Scheme

- To identify those regions which are unbanked and underbanked in districts and also to evaluate their physiographic, agro climatic end Socio-economic conditions through economic survey.
- To help in removing regional imbalances through appropriate credit deployment.
- To extend banking facilities to unbanked areas.

Area Approach

- The basic idea was to have an "area approach" for targeted and focused banking.
- The banker's committee, headed by S. Nariman, concluded that districts would be the units for area approach and each district could be allotted to a particular bank which would perform the role of a Lead Bank.

Usha Thorat Committee Recommendations

- High-Power Committee headed by Mrs Usha Thorat, Deputy Governor of the RBI, to suggest reforms in the LBS.
- The committee recommended enhancing the scope of the scheme and suggested a sharper focus on facilitating financial inclusion rather than a mere review of the government sponsored credit schemes.

482. Chandler Good Government Index (CGGI)

- **In News:** In the Chandler Good Government Index (CGGI) , India was recently ranked 49th.
- The Chandler Institute of Governance (CIG) is an international non-profit organisation, headquartered in **Singapore.**
- The Index classifies 104 countries in **terms of government capabilities and outcomes.**
- Each country is measured across over 50 open data points.

- The index focuses on seven pillars
    1) Leadership and foresight.
    2) Robust laws and policies.
    3) Strong institutions.
    4) Financial stewardship.
    5) Attractive marketplace.
    6) Global influence and reputation.
    7) Helping people rise.
- The Chandler Good Government Index (CGGI) demonstrates why investing in strong government capabilities is critical for people and companies to achieve positive outcomes.

Key takeaways of the 2021 index

- Seven of the top ten countries are in Europe, but there are four continents represented in the top ten, with Singapore first in Asia, New Zealand leading Oceania, and Canada foremost in the Americas.
- All of the top ten countries are high-income, as defined by the World Bank.
- India has been ranked 49th with a score of 0.516.
- The BRICS countries ranking are
    - China (40th)
    - Russia (48th)
    - India (49th)
    - Brazil (67th)
    - South Africa (70t)
- The ranking among the South Asian nations are:
    - India (49th)
    - Nepal (92nd)
    - Pakistan (90th)
    - Sri Lanka (74th)

483. FICN Coordination Group (FCORD)

- Fake Indian Currency Notes (FICN) network is one of the channels of terror financing in India.
- FICN Coordination Group (FCORD) has been formed in the Ministry of Home Affairs .
- Aim to share intelligence/information amongst the different security agencies of state/centre to counter the menace of circulation of fake currency within the country.
- Collaboration with Ministry of Finance, Reserve Bank of India, Security and Intelligence Agencies of the Centre and States.

Terror Funding and Fake Currency Cell (TFFC)

- It is constituted under National Investigation Agency (NIA) with the aim to investigate terror funding and fake currency cases.
  - The NIA was set up in 2009 in the wake of the 2008 Mumbai attacks. NIA Act empowers the agency to investigate offences under eight special laws, including the UAPA.

484. NPCI caps market share for UPI apps

In News: In March 2021**,** National Payment Corporation of India (NPCI) has caped market share for UPI apps at 30 percent of overall payment volumes.

- To bring parity in India's digital payments ecosystem and prevent market dominance by any single player, the NPCI has issued detailed guidelines capping permissible volume that any Unified Payments Interface (UPI) app can process a**t 30% of the overall market.**
- The move is among the first by a regulatory agency in India to likely prevent Big Tech firms from market monopolisation in the fast-growing digital payments sector
- The new rules, effective from the quarter beginning January 2021, also provide existing players with dominant market shares with a window of two years for compliance, in order to minimize friction for customers
  - Walmart's PhonePe and Google Pay-- with a market share of around 40% each at the end of December 2020-- will have to now "moderate" new customer acquisition and reduce transaction volume to within prescribed limits by the end of 2022.
  - While for other UPI apps such as Paytm, Amazon Pay and Facebook's WhatsApp Pay, the revised guidelines will come into force from the ongoing quarter itself.
- Under the new rules, all UPI payment apps will be subject to a three-level threshold monitoring by NPCI .
  - An app that has breached 25% of market share will receive an "alert" from NPCI, which it must "acknowledge".
  - On exceeding the 27% market cap, the app must provide "evidence" to NPCI about its plans to bring down volume
  - Finally, if it breaches the permissible 30% cap, the app must stop new onboarding and provide an undertaking to NPCI.
- Further there will be a provision to exempt the players up to six months on "case-by-case" basis when the volume cap is reached, so that it does not create sudden disruption in the market.
  - Even after such exemptions the cited UPI app must provide a plan to NPCI on its action to bring down volumes within five days of the breach notification.
- The apps have been asked to inform customers about the reasons for stalling the onboarding of new customers, when it breaches the prescribed limits.
- Payment Service Providers (PSPs) or the banks that facilitate UPI transactions on behalf of the apps through the multi-bank model, will be charged with ensuring compliance.
- Indian law treats UPI apps or TPAPs such as Google Pay, PhonePe, Amazon Pay and others as third-party intermediaries rather than as licensed payment system providers.
- These apps have regulatory constraints barring them from managing customer funds as they are not directly regulated by the Reserve Bank of India. Their role is more to facilitate transactions on UPI.

National Payments Corporation of India (NPCI)

- It is an **umbrella organisation for all retail payments systems** in India.
- It was set up with the guidance and support of the **Reserve Bank of India** (RBI) and **Indian Banks' Association** (IBA).
- **Objectives:**
  - To consolidate and integrate the existing multiple systems into a nation-wide uniform and standard business process for all retail payment systems.
  - To facilitate an affordable payment mechanism to benefit the common man across the country and propel financial inclusion.

485. Ponzi Scheme

- A Ponzi scheme is a fraudulent investing scam which generates returns for earlier investors with money taken from later investors.
- The scheme leads victims to believe that profits are coming from product sales or other means, and they remain unaware that the later investors are the source of their returns.
- The scheme traces its origin to a person named Charles Ponzi, who became notorious for using the technique in the 1920s.

Understanding Ponzi Schemes

- A Ponzi scheme is an investment fraud in which clients are promised a large profit at little to no risk.
- Companies that engage in a Ponzi scheme focus all of their energy into attracting new clients to make investments.
- This new income is used to pay original investors their returns, marked as a profit from a legitimate transaction.
- Ponzi schemes rely on a constant flow of new investments to continue to provide returns to older investors.
- When this flow runs out, the scheme falls apart.
- **Some of the Characteristics of Ponzi scheme are**
  - High investment returns with little or no risk
  - Overly consistent returns
  - Unregistered investments
  - Unlicensed sellers
  - Secretive or complex strategies
  - Difficulty receiving payments

Regulation of Deposit Schemes in India

- The oversight and regulation of deposit-taking schemes is undertaken by multiple authorities depending on the types of deposit schemes.
  - Currently regulators include the RBI, SEBI, National Housing Bank, EPFO, IRDAI, PFRDAI, The Central Registrar, Multi-State Co-operative Societies, the Ministry of Corporate Affairs (MCA), and State & UT governments.
- Each authority oversees different types of deposit-taking schemes, with the RBI overseeing deposits taken by non-banking financial companies (NBFCs), and Sebi overseeing mutual funds.
- Any deposit-taking scheme must be registered with the relevant authority, based on the category it falls under, and only then is its operation legal.

486. Oxfam Commitment to Reducing Inequality (CRI) Index 2020

- **In News:** Recently, Indian government alleged that the rank assigned to India and methodology adopted in CRI index is not clear because it did not take into account provisions of the four new labour codes

About Oxfam Commitment to Reducing Inequality (CRI) Index 2020

- This is the third edition of the CRI Index, which ranks 158 governments across the world on their **commitment to reducing inequality**
- The Index is a joint project by Development Finance International and Oxfam International who have come together to launch this powerful tool in the fight against inequality.
- The index ranked countries measuring their policies and actions in three areas that it said are proven to be directly related to reducing inequality
    - Public services including health, education and social protection
    - Taxation and
    - Workers' rights.
- **Each pillar now contains three levels of indicator:**
    - **Policy commitment indicators**: these measure the commitment of governments through their policies (which may not always be implemented in practice)
    - **Coverage or implementation indicators**: these look at who is covered (or not) as a result of policy actions, or how well a government puts policies on paper into practice
    - **Impact indicators**: these measure the impact of policy actions on levels of inequality

COUNTRY	PUBLIC SERVICES RANKING	TAX RANKING	LABOUR RANKING	CRI RANKING
Norway	14	21	1	1
Denmark	8	28	2	2
Germany	5	17	11	3
Belgium	7	37	8	4
Finland	2	61	4	5

COUNTRY	PUBLIC SERVICES RANKING	TAX RANKING	LABOUR RANKING	CRI RANKING
South Sudan	158	155	154	158
Nigeria	156	127	158	157
Bahrain	102	158	131	156
Chad	157	113	145	155
Liberia	129	150	132	154

India's Performance

- Overall, India ranked 129 in the CRI index out of 158 countries on government policies, and actions in areas of public services of education, health, social protection, taxation, and workers' rights.
- As per the Index, India spent just 4 percent of its budget on health going into the pandemic — fourth lowest in the world
- India has fared poorly in protecting labour rights and has slipped to rank 151 among 158 countries

- Highest presence of the informal sector for men was in Uttar Pradesh at 86.9 per cent and for women was in Andhra Pradesh at 73.6 percent.
- In terms of its public services, it ranked 141.
- The CRI index also ranked India eight from the bottom of top 10 lowest scorers with respect to measures for trade unions, legal protection for women workers and minimum wages
- The index added that only half of India's population have access to even the most essential health services while over 70 per cent of health spending is being met by people themselves.

About Oxfam International

- Oxfam International was formed in 1995 by a group of independent non-governmental organizations.
- They joined together as a confederation to maximize efficiency and achieve greater impact to reduce global poverty and injustice.
- The name "Oxfam" comes from the Oxford Committee for Famine Relief, founded in Britain in 1942.
- The group campaigned for food supplies to be sent through an allied naval blockade to starving women and children in enemy-occupied Greece during the Second World War.
- After the war, Oxfam continued its work, sending materials and financial aid to groups aiding poor people throughout Europe. As the situation in Europe improved, Oxfam's attention shifted to the needs of people in developing countries

Member organizations

There are 19 member organizations of the Oxfam International confederation. They are based in Australia, Belgium, Brazil, Canada, Denmark, France, Germany, Great Britain, Hong Kong, Ireland, India, Italy, Mexico, The Netherlands, New Zealand, Quebec, South Africa, Spain and the United States

487. Domestic support and subsidy boxes of WTO

- Domestic support refers to the government subsidies that guarantee Minimum Price (or Input subsidies) which are provided at the domestic level either directly or product-specific or both.

Domestic Subsidies are generally categorized into 3 boxes

Green Box Subsidies

- Green Box Subsidies don't distort free trade or distort the free trade at a very minimal or negligible level.
- Example of this Subsidies are publicly funded government programmes including expenditure on agriculture research and development, agricultural training, subsidies under environmental programmes etc.
- Green box subsidies are non–price supportive thus are exempted from the calculation of Aggregate Market Support **(AMS).**

Blue Box Subsidies

- Blue box subsidies are direct payments under production limiting programmes. According to the WTO, the Blue Box is the "amber box subsidy with conditions" attached.
- The Blue box subsidies aim towards limiting production, by imposing production quotas or requiring farmers to set aside part of their land.
- Blue Box subsidies are also exempted from calculation of AMS.

Amber Box Subsidies

- These are the subsidies that are trade-distorting in nature and need to be curbed at any cost.
- The Amber Box contains the category of domestic subsidy that is scheduled to reduce based on the formula called "Aggregate Measure of Support" (AMS).
- The AMS is the amount of money spent by governments on agricultural production, except the money spent in the Blue Box, Green Box and 'de minimis' level.
- Thirty-two WTO members have commitments to reduce their trade-distorting domestic supports in the Amber Box (i.e. to reduce the "total aggregate measurement of support" or AMS).

AMS = (Total amount of money spent in agricultural production) – (Total amount of blue, green box subsidies) – (De minimis level prescribed in AoA)

AoA = Agreement On Agriculture by WTO is aimed to remove trade barriers and to promote transparent market access and integration of global markets.

De minimis' level: The minimum level prescribed in AoA towards product specific and non-product specific (Amber box) subsidies. For Developed countries the de minimis level is 5% and for developing countries it is 10%.

Special and Differential Box subsidies

- This is a special and differential box that does not apply to developed countries but applicable to developing and Least Developed Countries.
- These are the subsidies provided by the government to encourage agricultural and rural development activities in the country.

Agreement on agriculture stands on three pillars:

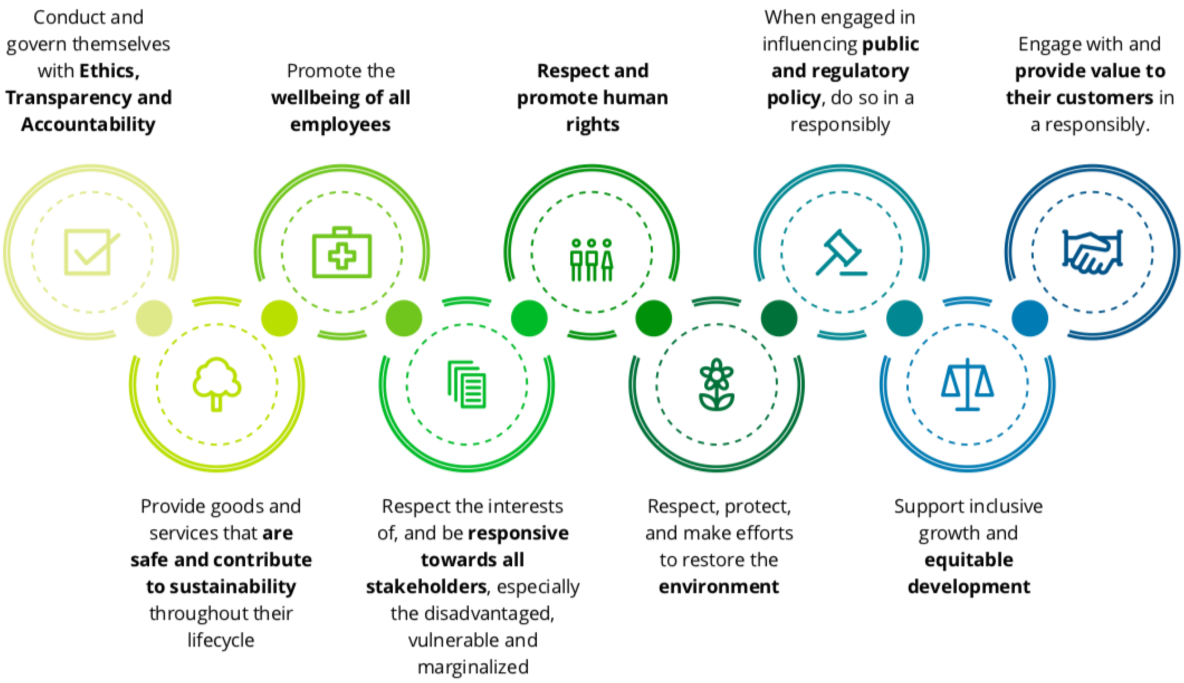
- **Domestic Support:** It calls for reduction in domestic subsidies that distorts free trade and fair price. Under this provision, the Aggregate Measurement of Support (AMS) is to be reduced by 20% over a period of 6 years by developed countries and 13% over a period of 10 years by developing countries.
- **Market Access:** Market access for goods in the WTO means the conditions, tariff and non-tariff measures, agreed by members for the entry of specific goods into their markets. The market access requires that tariffs fixed (like custom duties) by individual countries be cut progressively to allow free trade. It also required countries to remove non-tariff barriers and convert them to Tariff duties.
- **Export Subsidy:** Subsidy on inputs of agriculture, making export cheaper or other incentives for exports such as import duty remission etc. are included under export subsidies. These can result in dumping of highly subsidized (and cheap) products in other countries and damage the domestic agriculture sector of other countries.

488. Business Responsibility and Sustainability Report (BRSR)

In News: Business Responsibility and Sustainability Report (BRSR) to be mandatory from the financial year 2021-22

- Disclosure requirements have leapfrogged globally in the last decade, holding companies accountable for their identification of Environment, Social and Governance (ESG) responsibilities and their transparent incorporation in annual disclosures.
- In line with these global developments, the Securities and Exchange Board of India (SEBI), in its continued efforts to enhance disclosures on ESG standards, introduced new requirements for sustainability reporting by listed companies.

- The new reporting format named, Business Responsibility and Sustainability Report (BRSR), aims to establish links between **the financial results of a business with its ESG performance.**
- This can make it easier for regulators and investors, and allied stakeholders to obtain a fair estimate of overall business stability, growth and sustainability (hitherto based on financial disclosures alone).
- SEBI has mandated that the BRSR will be applicable to the top 1,000 listed entities (by market capitalisation) for reporting on a voluntary basis for FY2021–22 and on a mandatory basis from FY2022–23.
- The BRSR requirements are based on the National Guidelines for Responsible Business Conduct (NGRBC), which mandate that businesses:



- Though BRSR may be perceived as a compliance requirement, it has several positive implications for businesses. Globally, ESG disclosures have demonstrated several benefits, some of which include:
  - Increased value creation
  - Access to markets & better customer engagement
  - Attracting and retaining talent
  - Reduced financial risk
  - Aligned with Sustainable Development Goals

489. Serious Fraud Investigation Office (SFIO)

- The Government of India had set up a Committee on Corporate Governance in 2002 under the Chairmanship of Shri Naresh Chandra, former Cabinet Secretary. The Naresh Chandra Committee inter-alia recommended the setting up of a Corporate Serious Fraud Office.
- Serious Fraud investigation (SFIO) was initially set up by the Government of India by way of a resolution dated 2nd July, 2003. At that time SFIO did not enjoy a formal legal status.
- Section 211 of the **Companies Act, 2013**, has accorded **statutory status to SFIO**
- SFIO is a multi-disciplinary organization under the **Ministry of Corporate Affairs**, consisting of experts in the field of accountancy, forensic auditing, law, information technology, investigation, company law, capital market and taxation for detecting and prosecuting or recommending for prosecution white-collar crimes/frauds.
- The SFIO is involved in major fraud probes. It coordinates with the Income Tax Department and the Central Bureau of Investigation (CBI) for fraud investigation.

- As per the resolution of 2nd July 2003, SFIO is to take up only the investigation of frauds characterized by:
  - Complexity, having inter-departmental and multi-disciplinary repercussions.
  - Significant involvement of public interest to be judged by size, either in terms of monetary malpractice or in terms of the persons affected.
  - The potential of investigations leading to, or assisting towards, a clear improvement in systems, laws or procedures.
- Process
  - SFIO starts an investigation only after receiving an order from the Union government in this respect which means, it cannot take up cases on their own initiative.
  - Once a case has been assigned by the Central Government to the SFIO for investigation under the Indian Companies Act, 2013 no other investigating agency of the Central Government or any State Government can commence the investigation in such cases.
  - In case any such investigation has already been initiated, it cannot be proceeded further with, and the concerned agency has to transfer the relevant documents and records in respect of such offences to the Serious Fraud Investigation Office.
- An investigation into the affairs of a company can be initiated by the Central Government and entrusted to SFIO under the following circumstances:
  - on receipt of a report of the Registrar or inspector under section 208 (Report on Inspection made) of the Companies Act, 2013.
  - on intimation of a special resolution passed by a company that its affairs are required to be investigated.
  - in public interest.
  - on request from any Department of the Central Government or a State Government
- SFIO has powers to arrest people for the violation of the Company law.

490. UN TAX Committee

In News: On July 3, 2018, India became yet again the only country in the world to contribute money to the United Nation's Trust Fund for International Cooperation in Tax Matters.

- The **'Trust Fund'** was setup in 2006
- It supports the activities of the **UN's Committee of Experts on International Cooperation in Tax Matters.**
- It consists of 25 experts from developed and developing countries
- And it sets norms on various aspects of international taxation and helps with their execution.
- However, the committee is **not a political body**, it consists of experts who represent themselves, not their countries.
- India and the developing world have been demanding to transform the UN tax committee into an intergovernmental tax commission.
- This would create a genuinely global tax authority like **WTO.**

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Index

571. WPI and CPI

Wholesale Price Index (WPI)

- WPI measures the changes in the prices of goods sold and traded in bulk by wholesale businesses to other businesses. In other words, WPI tracks **prices at the factory gate** before the retail level.
- The numbers are released by the **Ministry of Commerce and Industry**
- **Base year is 2011-12.** The new base year aligns with the base year of other indicators like the GDP and IIP.
- Even as the WPI is used as a key measure of inflation in some economies, the RBI no longer uses it for policy purposes, including setting repo rates.
- Provisional figures of WPU are released on 14th of every month (or next working day) with a time lag of two weeks of the reference month and compiled with data received from institutional sources and selected manufacturing units across India.

Major Group / Group	*Weight*		*No. of items*	
	2004–05	*2011–12*	*2004–05*	*2011–12*
All Commodities	100.00	100.00	676	697
Primary Articles	20.12	22.62	102	117
Fuel & Power	14.91	13.15	19	16
Manufactured Products	64.97	64.23	555	564

- WPI was revised in 2017 and key highlights are
  - WPI continues to constitute three major groups—Primary Articles, Fuel and Power, and Manufactured Products.
  - The **number of items has been increased** from 676 to 697—in all 199 new items have been added and 146 old items have been dropped.
  - The prices used for compilation **do not include *indirect taxes*** in order to remove impact of fiscal policy. This is in consonance with international practices and will make the new WPI conceptually closer to Producer Price Index (PPI).
  - Item level aggregates for new WPI have been compiled using **Geometric Mean (GM**) following international best practice.
  - A **new *Wholesale Food Price Index* (WPFI)** has been introduced—combining the *Food Articles* (belonging to the group Primary Articles) and *Food Products* (belonging to the group Manufactured Products).
- Major criticism for this index is that the general public does not buy products at wholesale price.

Consumer Price Index (CPI) – Retail Inflation

- It is an index measuring retail inflation in the economy by collecting the change in prices of most common goods and services used **by consumers.**
- It is released by **Central Statistics Office** (CSO) under Ministry of Statistics and Programme implementation
- In April 2014, the RBI had adopted the **CPI as its key measure of inflation**
- At the national level, there are four Consumer Price Index (CPI) numbers. These are:

CPI Type	Basket	Base Year	Utility
CPI for Industrial Workers (IW)	260 items (plus the services)	2001	• The wages/salaries of the central government employees are revised on the basis of the changes occurring in this index, the dearness allowance (DA) is announced *twice* a year. • When the Pay Commission recommends pay revisions, the base is the CPI (IW).

CPI for Agricultural Labourers (AL)	260 commodities collected in 600 villages with a monthly frequency and has three weeks time lag.	1986–87	• This index is used for revising minimum wages for agricultural labourers in different states. • Centre and states remain vigilant regarding the changes in this index as it shows the price impact on the most vulnerable segment of the society, this segment spends almost 75 per cent of its total income on the purchase of food articles.
CPI for Rural Labourers (RL)	260 commodities collected in 600 villages with a monthly frequency and has three weeks time lag.	1983	• The agricultural and rural labourers in India create an overlap, i.e., the same labourers work as the rural labourers once the farm sector has either low or no employment scope. • Probably, due to this reason this index was dropped by the government in 2001–02. • But after the government change at the Centre the index was revived again.
CPI for Urban Non-Manual Employees (UNME).	146–365 commodities in the basket for which data is collected at 59 centres in the country	1984–85	• This price index has limited use and it is basically used for determining dearness allowances (DAs) of employees of some foreign companies operating in India (i.e., airlines, communications, banking, insurance, embassies and other financial services). • It is also used under the Income Tax Act to determine *capital gains.* • Since the publication of the CPI (U) started the index **was discontinued with from January 2011.**

- While the first three are compiled and released by **the Labour Bureau in the Ministry of Labour**, the fourth one (CPI-UNME) is released by the Central Statistical Organisation(CSO) in the Ministry of Statistics and Programme Implementation
- In 2011, CSO introduced three new CPI's
  - CPI – Urban
  - CPI – Rural
  - CPI – Combined
- **The National Statistical Office (NSO)**, Ministry of Statistics and Programme Implementation is releasing Consumer Price Index (CPI) on **Base year 2012.**
- CPI measure assigns **nearly 36% weightage on services** and includes price changes in housing, education, healthcare, transport and communication, personal care and entertainment

Group Description	Old Series of CPI (Weights computed on the basis CES 2004–05)			Revised Series of CPI (Weights computed on the basis CES 2011–12)		
	Rural	Urban	Combd.	Rural	Urban	Combd.
Food and beverages	56.39	35.81	47.58	34.18	36.29	45.86
Pan, tobacco and intoxicants	2.72	1.34	2.13	3.26	1.36	2.35
Clothing and Foodwear	5.36	3.91	4.73.	7.36	5.57	6.53
Housing	–	22.54	9.77	–	21.67	10.07
Fuel and Light	10.42	8.40	9.49	7.94	5.50	6.84
Miscellaneous	24.91	28.00	26.31	27.26	29.53	28.32
Total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Difference between WPI & CPI

- WPI, tracks inflation at the **producer level** and CPI captures changes in prices levels at the **consumer level.**
- Both baskets measure inflationary trends (the movement of price signals) within the broader economy, the two indices differ in which **weightages are assigned to food, fuel and manufactured items.**
- WPI does not capture changes in the **prices of services,** which CPI does.

Headline Retail Inflation Vs Core Inflation

- **Headline inflation** is the raw inflation figure reported through the Consumer Price Index (CPI) that is released by CSO. The headline figure is not adjusted for seasonality or for the often-volatile elements
- **Core inflation** removes the CPI components that can exhibit large amounts of volatility from month to month, which can cause unwanted distortion to the headline figure. The most commonly removed factors are those relating to the cost of food and energy.

572. Weightage of Core Industries in IIP

- The Index of Industrial Production (IIP) is an indicator that measures the changes in the volume of production of industrial products during a given period.
- IIP's current **base year is 2011-12.**
- The **Central Statistical Organization (CSO)** under the "Ministry of Statistics and Program Implementation" compiles the Index of Industrial Production (IIP).
- IIP is published monthly, six weeks after the reference month ends.
- IIP is a **composite indicator** that measures the growth rate of industry groups classified under:
  - **Broad sectors,** namely, Mining, Manufacturing, and Electricity.
  - **Use-based sectors,** namely Basic Goods, Capital Goods, and Intermediate Goods.
- The **eight core industries of India** represent about 40% of the weight of items that are included in the IIP.
- Eight Core sectors and their corresponding weight in the core sectors are:
  - Coal production (weight: 10.33 per cent)
  - Crude Oil production (weight: 8.98 per cent)
  - Natural Gas production (weight: 6.88 per cent)
  - Petroleum Refinery Products production (weight: 28.04 per cent)
  - Fertilizer's production (weight: 2.63 per cent)
  - Steel production (weight: 17.92 per cent)
  - Cement production (weight: 5.37 per cent)
  - Electricity generation (weight: 19.85 per cent)

Sector	Base year 2011-12	
	Weights (%)	Item groups
Mining	14.373	1
Manufacturing	77.633	405
Electricity	7.994	1
Total	100	407

New Series (base 2011-12)	Item groups	Weights (%)
Primary goods	15	34.05
Intermediate goods	110	17.22
Capital goods	67	8.22
Infrastructure/ construction goods	29	12.34
Consumer durables	86	12.84
Consumer nondurables	100	15.33
TOTAL	407	100

Significance of IIP :

- IIP is the **only measure** on the **physical volume of production.**
- It is **used** by **government agencies** including the Ministry of Finance, the Reserve Bank of India, etc, for **policy-making purposes.**
- IIP remains extremely relevant for the **calculation of the quarterly and advance GDP estimates.**

573. Different Types of Bank Accounts

Savings Account	• The **bank pays interest** for opening this type of account with them. • There is no limit to the number of deposits but there is a restriction **on withdrawal.** • There is **no minimum balance** that needs to be maintained for this type of an account • Savings bank account is further divided into two types: **Basic Savings Bank Deposit Account (BSBDA)** and the other one is **Basic Saving Bank Deposit Accounts Small Scheme(BSBDS)**
Current Account	• **No restrictions** on number of deposits or withdrawal from such accounts. • Overdraft facility is available for **current bank accounts.** • There is no interest that is paid on such accounts
Recurring Deposit Account	• Here the account holder needs to deposit a **fixed amount every month** until it reaches the fixed maturity date. • **Any individual or an Institution** can open a recurring deposit account either separately or jointly • The interest is paid for the amount. • Premature withdrawal of the amount is permitted, provided a sum of amount is deducted **as penalty.**
Fixed Deposit Account	• It is a **one time deposit and one time take away account.** • Banks pay interest on the fixed deposit account. • The rate of interest depends upon the **amount** you deposit and for the time **duration of the FD.** • Full repayment of the amount is available before the maturity date of FD.
DEMAT Account	• It can be opened only in **National Securities Depository Limited and Central Depository Services Limited.** • This helps facilitate easy trade of bonds and shares. • **KYC** is required for opening the DEMAT Account. • Transaction cost is deducted.
NRI Account	• **NRO (Non-Resident Ordinary Rupees) Account –** This is an FD/RD/Current/Savings account. • **NRE (Non-Resident External Rupees) Account –** This account can be jointly opened with an Indian resident • **FCNR (Foreign Currency Non-Resident) Account –** It can only be in the form of Term deposit and can be withdrawn after the maturity period only.

574. Assets and Liabilities of RBI

RESERVE BANK OF INDIA BALANCE SHEET AS ON MARCH 31, 2021

Liabilities	2019-20	2020-21
Capital	5.00	5.00
Reserve Fund	6,500.00	6,500.00
Other Reserves	232.00	234.00
Deposits	11,75,859.89	14,91,537.70
Risk Provisions		

Contingency Fund	2,64,033.94	2,84,542.12
Asset Development Fund	22,874.68	22,874.68
Revaluation Accounts	11,24,390.72	9,24,454.99
Other Liabilities	1,05,321.81	1,50,657.97
Liabilities of Issue Department		
Notes Issued	26,35,574.66	28,26,862.67
Total Liabilities	**53,34,792.70**	**57,07,669.13**

(Amount in ₹ crore)

Assets	2019-20	2020-21
Assets of Banking Department		
Notes, Rupee Coin, Small Coin	12.59	12.02
Gold - BD	1,42,874.67	1,43,582.87
Investments-Foreign-BD	10,23,399.50	12,29,940.41
Investments-Domestic-BD	11,72,027.28	13,33,173.90
Bills Purchased and Discounted	0.00	0.00
Loans and Advances	3,22,207.95	1,35,118.91
Investment in Subsidiaries	1,963.60	1,963.60
Other Assets	36,732.45	37,014.75
Assets of Issue Department (ID) (As backing for Notes Issued)		
Gold - ID	1,13,145.92	1,04,140.13
Rupee Coin	784.83	743.40
Investments-Foreign-ID	25,21,643.91	27,21,979.14
Investments-Domestic-ID	0.00	0.00
Domestic Bills of Exchange and other Commercial Papers	0.00	0.00
	26,35,574.66	28,26,862.67
Total Assets	**53,34,792.70**	**57,07,669.13**

RESERVE BANK OF INDIA INCOME STATEMENT FOR THE YEAR ENDED MARCH 31, 2021			
			(Amount in ₹ crore)
INCOME	Schedule	2019-20	2020-21
Interest	13	1,09,333.40	69,057.09
Other Income	14	40,339.06	64,215.66
Total		1,49,672.46	1,33,272.75
EXPENDITURE			
Printing of Notes		4,377.84	4,012.09
Expenditure on Remittance of Currency		87.19	54.80
Agency Charges	15	3,876.08	3,280.06
Employee Cost		8,928.06	4,788.03
Interest		1.34	1.10
Postage and Telecommunication Charges		116.74	105.46
Printing and Stationery		20.03	17.00
Rent, Taxes, Insurance, Lighting, etc.		136.39	122.24
Repairs and Maintenance		87.72	76.49
Directors' and Local Board Members' Fees and Expenses		2.02	0.36
Auditors' Fees and Expenses		6.00	4.90
Law Charges		9.22	8.57
Depreciation		206.11	200.09
Miscellaneous Expenses		1,071.19	765.44
Provisions		73,615.00	20,710.12
Total		92,540.93	34,146.75
Available Balance		57,131.53	99,126.00
Less:			
(a) Contribution to:			
i) National Industrial Credit (Long Term Operations) Fund		1.00	1.00
ii) National Housing Credit (Long Term Operations) Fund		1.00	1.00
(b) Transferable to NABARD:			
i) National Rural Credit (Long Term Operations) Fund[1]		1.00	1.00
ii) National Rural Credit (Stabilisation) Fund[1]		1.00	1.00
(c) Others			
Surplus payable to the Central Government		57,127.53	99,122.00
1. These funds are maintained by the National Bank for Agriculture and Rural Development (NABARD).			

- The balance sheet of the Reserve Bank plays a critical role in the functioning of the country's economy, largely reflecting the activities carried out in pursuance of its currency issue function as well as monetary policy and reserve management objectives.
- The size of the balance sheet increased by ₹3,72,876.43 crore, i.e., 6.99 per cent from ₹53,34,792.70 crore as on June 30, 2020 to ₹57,07,669.13 crore as on March 31, 2021.
- The increase on the asset side was mainly due to increase in foreign and domestic investments by 11.48 per cent and 13.75 per cent, respectively.
- On the liability side, the increase was due to increase in Deposits, Notes Issued and Other Liabilities by 26.85 per cent, 7.26 per cent and 43.05 per cent, respectively.
- Domestic assets constituted 26.42 per cent while the foreign currency assets and gold (including gold deposit and gold held in India) constituted 73.58 per cent of total assets as on March 31, 2021 as against 28.75 per cent and 71.25 per cent, respectively, as on June 30, 2020.
- A provision of ₹20,710.12 crore was made and transferred to Contingency Fund (CF). No provision was made towards Asset Development Fund (ADF).

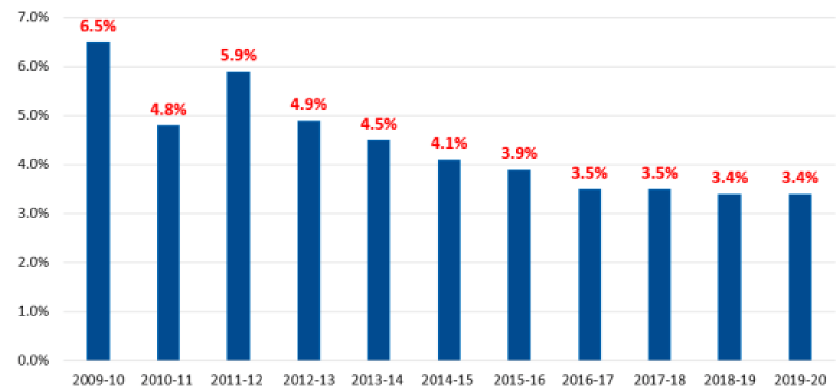
575. Different Types of Money

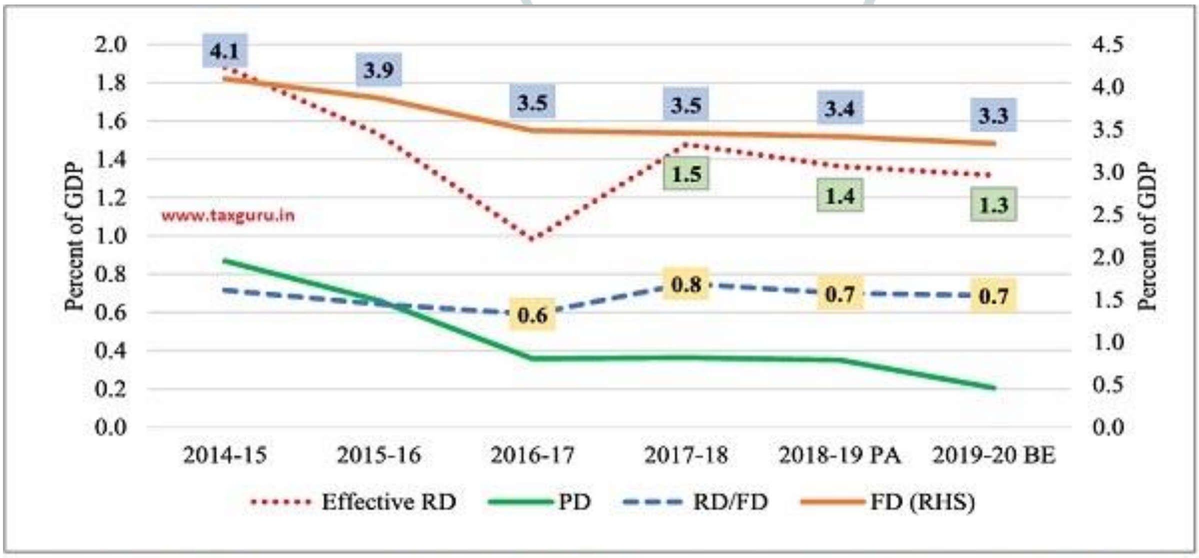
M1	**It includes** • Currency with public • Demand deposit in all banks (e.g. current account, savings account) • Other deposits with RBI **It excludes** • India's deposits with IMF, World bank, Foreign Government etc.

	• Interbank deposits
M2	• M2= M1 + Post office bank savings • Only Post office savings not recurring deposit account and time deposit account.
M3 (Broad Money)	• Also called Money aggregate • M3 = M1 + Time deposits with commercial banks (Fixed deposits, Recurring deposits).
M4	• M4= M3 + total post office deposits. • Including Post Office "time deposits" and "recurring deposits".

576. Trends of fiscal deficit

India's Fiscal Deficit as % of GDP





Source: Union Budget Documents & CGA BE: Budget Estimate, PA: Provisional Actuals FD: Fiscal Deficit; RD: Revenue Deficit; PD: Primary Deficit.
Note: RD/FD has no units.

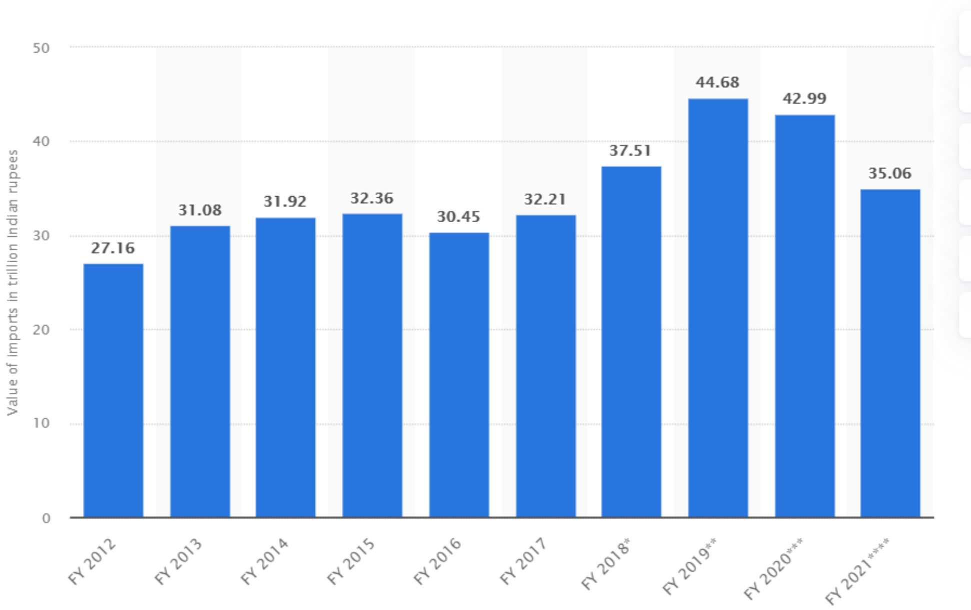
In News: The government's fiscal deficit has increased to Rs. 11.58 lakh crore or 145.5% of the Budget Estimate (BE) at the end of December 2020 (accounting for the first nine months of the year 2020-21) mainly on account of lower revenue realisation.

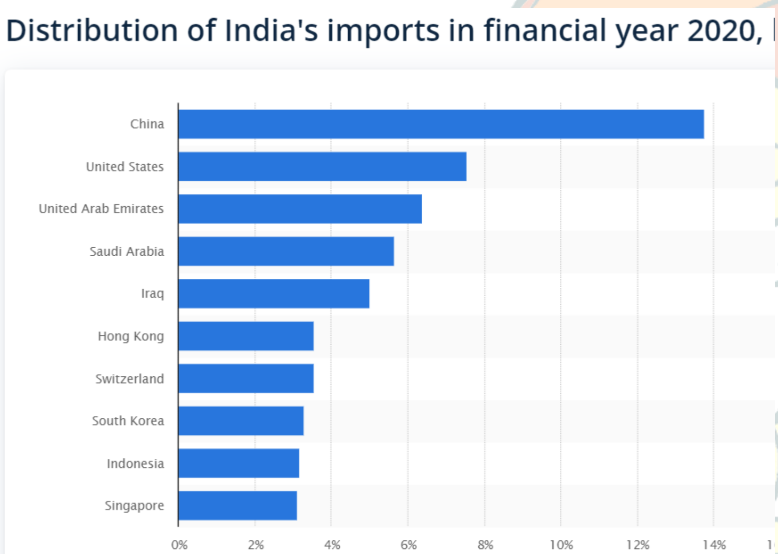
- Fiscal Deficit = Total **expenditure** of the government (capital and revenue expenditure) – Total **income** of the government (Revenue receipts + recovery of loans + other receipts).
    - **Expenditure component:** The government in its Budget allocates funds for several works, including payments of salaries, pensions, etc. **(revenue expenditure)** and creation of assets such as infrastructure, development, etc. **(capital expenditure).**
    - **Income component:** The income component is made of two variables, **revenue generated from taxes** levied by the Centre and the **income generated from non-tax variables.**
        - The taxable income consists of the amount generated from corporation tax, income tax, Customs duties, excise duties, **GST**, among others.
        - Meanwhile, the non-taxable income comes from external grants, interest receipts, dividends and profits, receipts from Union Territories, among others.
- Fiscal Deficit is **different from revenue deficit** which is only related to revenue expenditure and revenue receipts of the government.
- The government **meets the fiscal deficit by borrowing money**. In a way, the total borrowing requirements of the government in a financial year is equal to the fiscal deficit in that year.
- A **high fiscal deficit can also be good** for the economy if the money spent goes into the creation of productive assets like highways, roads, ports and airports that boost economic growth and result in job creation.
- The **Fiscal Responsibility and Budget Management Act, 2003** provides that the Centre should take appropriate measures to limit the **fiscal deficit upto 3% of the GDP by 31st March, 2021.**
- The **NK Singh committee (set up in 2016)** recommended that the government should target a fiscal deficit of 3% of the GDP in years up to 31st March, 2020, cut it to 2.8% in 2020-21 and to 2.5% by 2023.

Key Points

- **Fiscal Deficit Target Fixed for 2020-21:** The Centre had pegged the fiscal deficit at Rs. 7.96 lakh crore or 3.5% of the Gross Domestic Product (GDP).
- **Fiscal Deficit in 2019-2020:** According to the data released by the Controller General of Accounts (CGA), the fiscal deficit at the end of December in the previous fiscal year was 132.4% of the BE of 2019-20.
- **Reasons for High Fiscal Deficit:**
    - **Lower Revenue Realisation:** Because of disruptions in normal business activity following the coronavirus pandemic and lockdowns.
    - **Higher Expenditure:** There has been a notable increase in revenue expenditure in food and public distribution and rural development which could be attributed to the government's pandemic relief programs.

577. Data on Imports





India's import purchases during 2020:

1. Mineral fuels including oil: US$104.4 billion (28.4% of total imports)
2. Electrical machinery, equipment: $42.9 billion (11.7%)
3. Gems, precious metals: $41 billion (11.2%)
4. Machinery including computers: $35.2 billion (9.6%)
5. Organic chemicals: $18.2 billion (4.9%)
6. Plastics, plastic articles: $12 billion (3.3%)
7. Animal/vegetable fats, oils, waxes: $10.6 billion (2.9%)
8. Optical, technical, medical apparatus: $8.2 billion (2.2%)
9. Iron, steel: $7.6 billion (2.1%)
10. Fertilizers: $7.2 billion (2%)

- India's top 10 imports accounted for almost **four-fifths (78.1%)** of the overall value of its product purchases from other countries.

- Imported animal or **vegetable fats, oils and waxes posted the sole increase** in value among India's top 10 import categories, up 7.8% from 2019 to 2020.
- Leading the **declining product categories** were iron or steel (down -36%), mineral fuels including oil (down -31.6%) and gems and precious metals (down -30.3%).

578. Data on Exports

Context: India exported merchandise worth $32.21 billion in May 2021, 67% higher on a year-on-year basis and almost 8% more than May 2019's pre-pandemic shipments.

- The country's merchandise trade deficit shrank to an eight-month low.
- Imports grew 68.6% to $38.53 billion, compared with May 2020, but were 17.5% lower than the same month in 2019

Details about India's Foreign Trade

Merchandise Trade: In the year 2020-21, there was decline in both exports and imports. However, the decline in imports was higher than decline in exports. Due to this reason, the trade deficit (Exports-Imports) in 2020-21 was lower in comparison to previous financial years.

Current Account Balance: The lower trade deficit was accompanied by increase in the export of software services increased from India. On account of these reasons, Current Account was set to register surplus for the first time in the last 17 years.

Top 3 Export commodities: Petroleum Products, Drug Formulations, Pearls and Precious Stones.

Top 3 Export Destinations for India: USA, China, UAE.

Top 3 Import Commodities: Crude Oil, Petroleum products and Gold

Top 3 Import sources: China, USA, UAE

India's top trading partners

India's merchandise trade balance for major countries for the period of 2020-21 (April-November) as compared to 2019-20 (April-November) shows that India had the most favourable trade balance with USA followed by Bangladesh and Nepal.

The highest trade deficit is with China followed by Iraq and Saudi Arabia during April-November, 2020-21 and April-November, 2019-20.

579. Data on remittances

- **In News:** According to the latest edition of the World Bank's Migration and Development Brief, despite Covid-19, remittance flows remained resilient in 2020, registering a smaller decline than previously projected.

Remittance

- **A remittance is money** sent to another party, usually one in another country.
- The sender is typically an **immigrant** and the **recipient a relative back home.**
- Remittances represent one of the largest sources of income for people in low-income and developing nations. It often exceeds the amount of direct investment and official development assistance.
- Remittances help families **afford food, healthcare, and basic needs.**
- India is the world's biggest recipient of remittances. Remittances bolsters India's foreign exchange reserves and helps fund its current account deficit.

Remittance Inflow of India:

- India being at top, received over USD 83 billion in remittances in 2020 despite a pandemic that devastated the world economy.
  - In 2019, India had received USD 83.3 billion in remittances.
- India's remittances fell by just 0.2% in 2020 compared to previous year, with much of the decline due to a 17% drop in remittances from the United Arab Emirates, which offset resilient flows from the United States and other host countries.
- China is second in terms of global remittances as it received USD 59.5 billion in remittances in 2020.
- India and China are followed by Mexico, the Philippines, Egypt, Pakistan , France and Bangladesh**.**

Remittance outflow:

- Remittance outflow was the maximum from the United States (USD 68 billion), followed by UAE, Saudi Arabia, Switzerland, Germany, and China.

Reason for the Steady Flow of Remittances:

- Fiscal stimulus that resulted in better-than-expected economic conditions in host countries.
- Shift in flows from cash to digital and from informal to formal channels.
- Cyclical movements in oil prices and currency exchange rates.

580. Trends of FDI and FPI

Sector	FDI Limit	Entry Route & Remarks
Agriculture & Animal Husbandry	100%	Automatic
Mining	100%	Automatic
Petroleum & Natural Gas (exploration)	100%	Automatic
Petroleum & Natural Gas (refining)	49%	Automatic
Defense Manufacturing	100%	Automatic up to 74% Above 74% under Government route in cases resulting in access to modern technology in the country
Broadcasting	100%	Automatic
Broadcasting Content Services	49%	Government
Print Media	26%	Government
Civil Aviation – Airports	100%	Automatic
Civil Aviation – Air Transport Services	100%	Automatic up to 49% Above 49% under Government route 100% Automatic for NRIs
Telecom Services	100%	Automatic up to 49% Above 49% under Government route
E-commerce activities	100%	Automatic
Single Brand retail trading	100%	Automatic up to 49%

		Above 49% under Government route
Multi Brand Retail Trading	51%	Government
Railway Infrastructure	100%	Automatic
Asset Reconstruction Companies	100%	Automatic
Banking- Private Sector	74%	Automatic up to 49% Above 49% & up to 74% under Government route
Insurance	100%	Automatic
Pension Sector	49%	Automatic
Pharmaceuticals(Green Field)	100%	Automatic
Pharmaceuticals(Brown Field)	100%	Automatic up to 74% Above 74% under Government route
Food products manufactured or produced in India	100%	Government

Ranks	Country	2018-19 (April – March)	2019-20 (April – March)	2020-21 (April – March)	Cumulative Inflows (April, 00 - March,21)	%age to total Inflows (in terms of US $)
1.	MAURITIUS	57,139 (8,084)	57,785 (8,241)	41,661 (5,639)	837,602 (148,350)	28%
2.	SINGAPORE	112,362 (16,228)	103,615 (14,671)	129,227 (17,419)	738,789 (115,089)	22%
3.	U.S.A.	22,335 (3,139)	29,850 (4,223)	102,499 (13,823)	278,721 (43,602)	8%
4.	NETHERLANDS	27,036 (3,870)	46,071 (6,500)	20,830 (2,789)	229,152 (36,641)	7%
5.	JAPAN	20,556 (2,965)	22,774 (3,226)	14,441 (1,950)	210,546 (35,449)	7%
6.	U.K.	9,352 (1,351)	10,041 (1,422)	15,225 (2,043)	165,637 (30,254)	6%
7.	GERMANY	6,187 (886)	3,467 (488)	4,910 (667)	73,854 (12,863)	2%
8.	UAE	6,356 (898)	2,393 (339)	31,242 (4,203)	72,944 (11,193)	2%
9.	CYPRUS	2,134 (296)	6,449 (879)	2,839 (386)	60,833 (11,134)	2%
10.	CAYMAN ISLANDS	7,147 (1,008)	26,397 (3,702)	20,779 (2,799)	70,627 (10,335)	2%

Sector- wise FDI inflow

Ranks	Sector	2018-19 (April – March)	2019-20 (April – March)	2020-21 (April – March)	Cumulative Inflows (April, 00 - March, 21)	% age to total Inflows (In terms of US$)
1.	SERVICES SECTOR **	63,909 (9,158)	55,429 (7,854)	37,542 (5,060)	509,272 (87,063)	16%
2.	COMPUTER SOFTWARE & HARDWARE	45,297 (6,415)	54,250 (7,673)	194,291 (26,145)	470,298 (71,056)	13%
3	TELECOMMUNICATIONS	18,337 (2,668)	30,940 (4,445)	2,884 (392)	222,073 (37,663)	7%
4.	TRADING	30,963 (4,462)	32,406 (4,574)	19,349 (2,608)	195,353 (30,203)	6%
5.	CONSTRUCTION DEVELOPMENT: Townships, housing, built-up infrastructure and construction-development projects	1,503 (213)	4,350 (617)	3,117 (422)	127,081 (26,084)	5%
6.	AUTOMOBILE INDUSTRY	18,309 (2,623)	19,753 (2,824)	12,115 (1,637)	155,857 (25,848)	5%
7.	CONSTRUCTION (INFRASTRUCTURE) ACTIVITIES	15,927 (2,258)	14,510 (2,042)	58,240 (7,875)	166,622 (24,721)	5%
8.	CHEMICALS (OTHER THAN FERTILIZERS)	13,685 (1,981)	7,492 (1,058)	6,300 (847)	104,855 (18,487)	3%
9.	DRUGS & PHARMACEUTICALS	1,842 (266)	3,650 (518)	11,015 (1,490)	98,830 (17,991)	3%
10.	HOTEL & TOURISM	7,590 (1,076)	21,060 (2,938)	2,761 (369)	94,540 (15,658)	3%

State- wise FDI inflow

S. No.	STATE	2019-20 (October – March)	2020-21 (April – March)	Cumulative Inflows (October, 19 - March, 21)	%age to total Inflows (in terms of US$)
1	GUJARAT	18,964 (2,591)	1,62,830 (21,890)	1,81,794 (24,481)	30%
2	MAHARASHTRA	52,073 (7,263)	1,19,734 (16,170)	1,71,807 (23,432)	28%
3	KARNATAKA	30,746 (4,289)	56,884 (7,670)	87,631 (11,959)	14%
4	DELHI	28,487 (3,973)	40,464 (5,471)	68,951 (9,444)	11%
5	TAMIL NADU	7,230 (1,006)	17,208 (2,323)	24,439 (3,329)	4%
6	JHARKHAND	13,208 (1,852)	5,993 (792)	19,200 (2,644)	3%
7	HARYANA	5,198 (726)	12,559 (1,697)	17,757 (2,423)	3%
8	TELANGANA	4,865 (680)	8,618 (1,155)	13,483 (1,835)	2%
9	PUNJAB	698 (97)	4,719 (644)	5,417 (741)	1%
10	UTTAR PRADESH	1,738 (243)	3,123 (422)	4,861 (665)	1%

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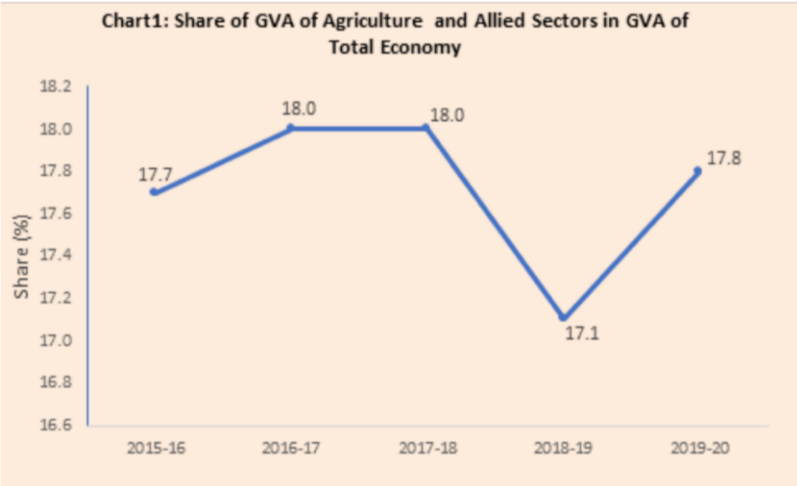
581. Trends of Agricultural Production

- Agriculture plays a vital role in India's economy. 54.6% of the total workforce is engaged in agricultural and allied sector activites (Census 2011)
- Also, Agriculture accounts for 17.8% of the country's Gross Value Added (GVA) for the year 2019-20 (at current prices), marginally higher than 17.7% in 2015-16.
- As per the Land Use Statistics 2016-17, the total geographical area of the country is 328.7 million hectares, of which 139.4 million hectares is the reported net sown area and 200.2 million hectares is the gross cropped area with a cropping intensity of 143.6%.
    - The net area sown works out to 42.4% of the total geographical area.
    - The net irrigated area is 68.6 million hectares.



	2015-16	2016-17	2017-18	2018-19	2019-20
GVA of Agriculture and Allied Sectors (**Rs. In Crore**)	22,27,533	25,18,662	27,96,908	29,22,846	32,57,443
Per cent to total GVA	17.7	18.0	18.0	17.1	17.8

Year	**Total Economy**	**Agriculture & Allied Sector**	**Crops**	**Livestock**	**Forestry & Logging**	**Fishing**
2015-16	8.0	0.6	-2.9	7.5	1.7	9.7
2016-17	8.0	6.8	5.3	10.0	5.5	10.4
2017-18	6.6	5.9	4.4	7.4	6.2	14.7
2018-19	6.0	2.4	-1.0	8.1	0.4	12.0
2019-20	3.9	4.0	To be released			

Area, production and yield of major crops

Crops	**Area (Lakh hectare)**			**Production (Million Tonnes)**			**Yield (kg/hectare)**		
	2017-18	**2018-19**	**2019-20***	**2017-18**	**2018-19**	**2019-20***	**2017-18**	**2018-19**	**2019-20***
Rice	437.7	441.6	437.8	112.8	116.5	118.4	2576	2638	2705
Wheat	296.5	293.2	314.5	99.9	103.6	107.6	3368	3533	3421
Nutri / Coarse cereals	242.9	221.5	240.2	47.0	43.1	47.5	1934	1944	1976
Pulses	298.1	291.6	283.4	25.4	22.1	23.2	853	757	817
Foodgrains	1275.2	1247.8	1275.9	285.0	285.2	296.6	2235	2286	2325
Oilseeds	245.1	247.9	270.4	31.5	31.5	33.4	1284	1271	1236
Sugarcane	47.4	50.6	45.7	379.9	405.4	355.7	80198	80105	77893

Cotton	125.9	126.1	133.7	32.8	28.0	35.5	443	378	451
Jute & Mesta	7.4	7.0	6.8	10.0	9.8	9.9	2435	2508	2641

Production in Kharif 2020-21 and Average (2014-15 to 2018-19) (in million tonnes)

Crop	2020-21 (Advance Estimates)	Average (2014- 15 to 2018-19)	Absolute Difference (2020-21 over average)	Percentage Increase/ decrease (+)/(-) in 2021 over average
Foodgrains	144.52	134.69	9.83	7.30
Oilseeds	25.73	19.83	5.90	29.75
Sugarcane	399.83	360.43	39.40	10.93
Cotton@	37.12	31.65	5.47	17.28
Jute& Mesta	9.66	10.49	-0.83	-7.91

582. Trends of MSP in India

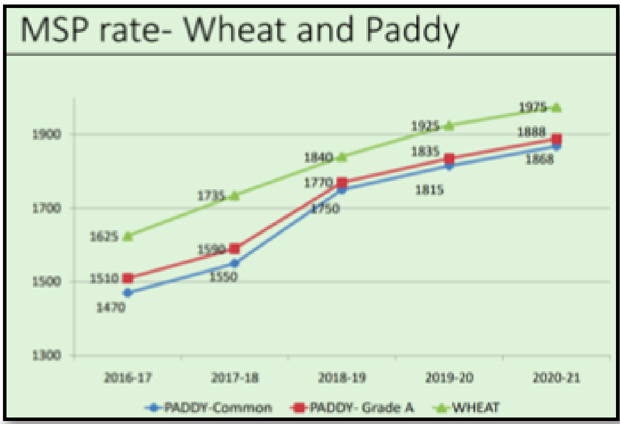
- MSP is the price set by the government to purchase crops from the farmers, whatever may be the market price for the crops.
- MSP is declared by Cabinet Committee on Economic Affairs before the sowing time on the basis of the recommendations of the **Commission for Agricultural Costs and Prices (CACP)**
- Support prices generally affect farmers' decisions indirectly, regarding land allocation to crops, quantity of the crops to be produced etc
- MSP assures farmers agricultural income besides providing a clear price signal to the market
- The major objectives are to support the farmers from distress sales and to procure food grains for public distribution.

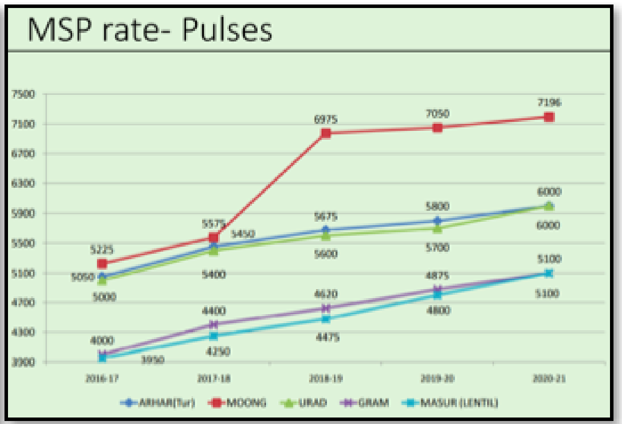
Is there any legal backing for MSP?

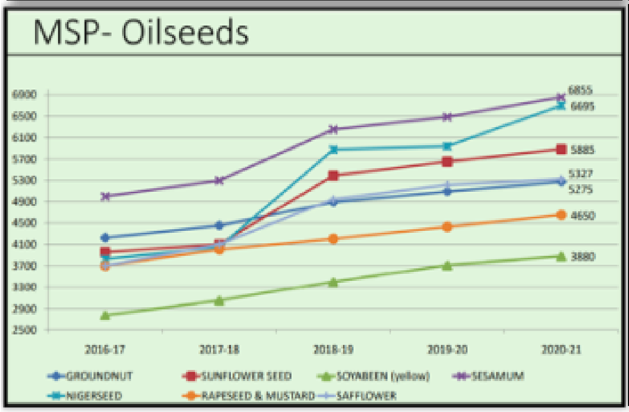
- The National Food Security Act, 2013 (NFSA), provides a legal basis for the public distribution system (PDS) that earlier operated only as a regular government scheme.
- The NFSA made access to the PDS a right, entitling every person belonging to a "priority household" to receive food grains at cheaper rates
- MSP, by contrast, is **devoid of any legal backing**. Access to MSP, unlike subsidised grains through the PDS, isn't an entitlement for farmers. They cannot demand it as a matter of right.
- The government can procure at the MSPs if it wants to. There is no legal compulsion. Nor can it force others (private traders, organised retailers, processors or exporters) to pay

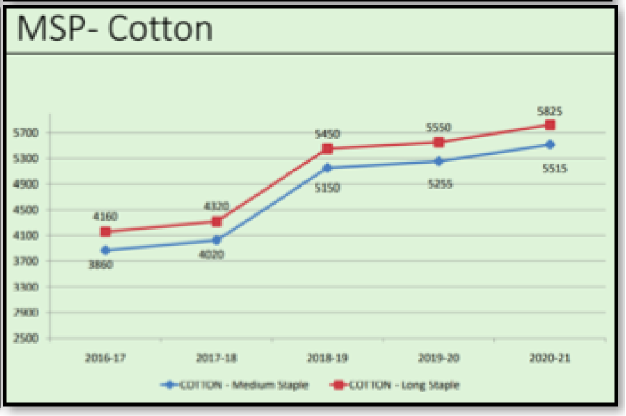
What is the basis of MSP then?

- It is only a government policy that is part of administrative decision-making.
- The government declares MSPs for crops, but there's no law mandating their implementation
- The Centre currently fixes MSPs for 23 farm commodities based on the CACP's recommendations —
    - **7 cereals** – paddy, wheat, maize, bajra, jowar, ragi and barley
    - **5 pulses** – chana, arhar/tur, urad, moong and masur
    - **7 oilseeds** – rapeseed-mustard, groundnut, soyabean, sunflower, sesamum, safflower and nigerseed
    - **4 commercial crops** – cotton, sugarcane, copra and raw jute
- CACP itself is not any statutory body but is an attached office of the Ministry of Agriculture and Farmers Welfare. It can recommend MSPs, but the decision on fixing (or even not fixing) and enforcement rests finally with the government.

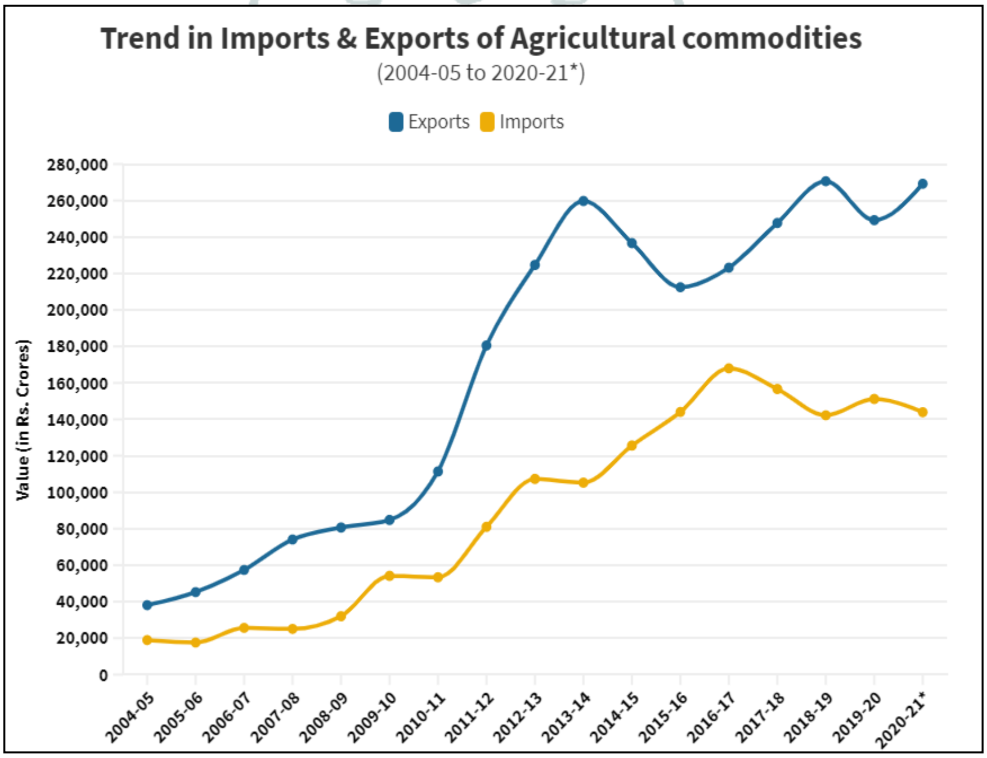


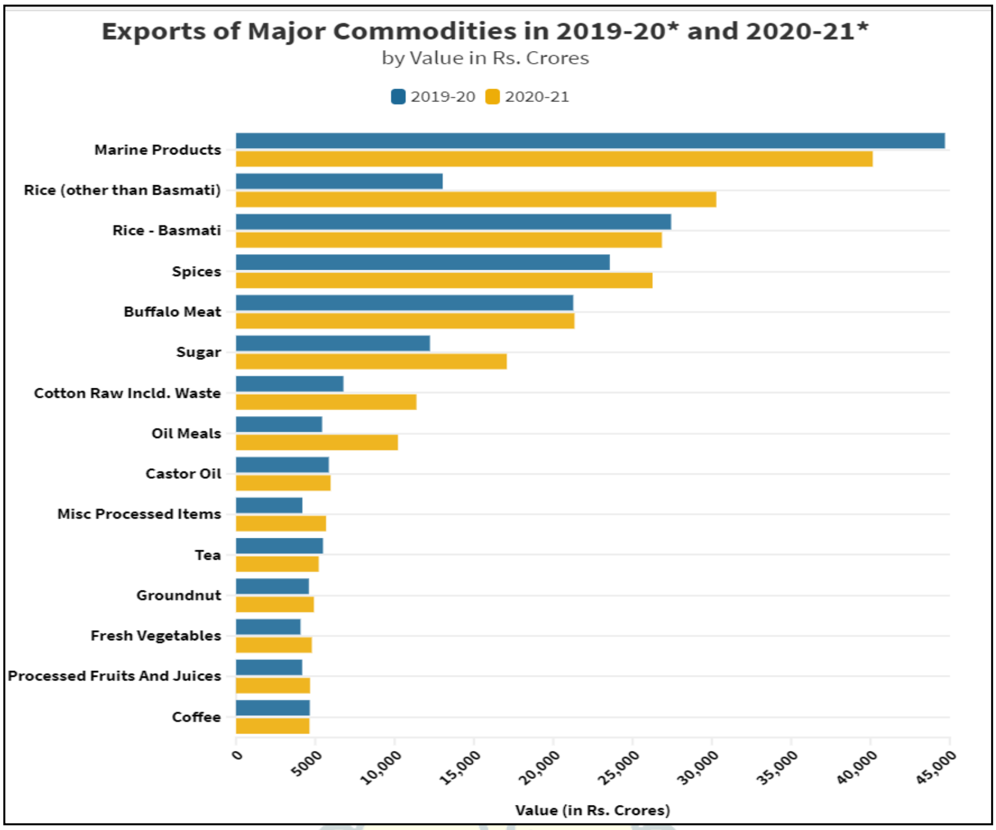


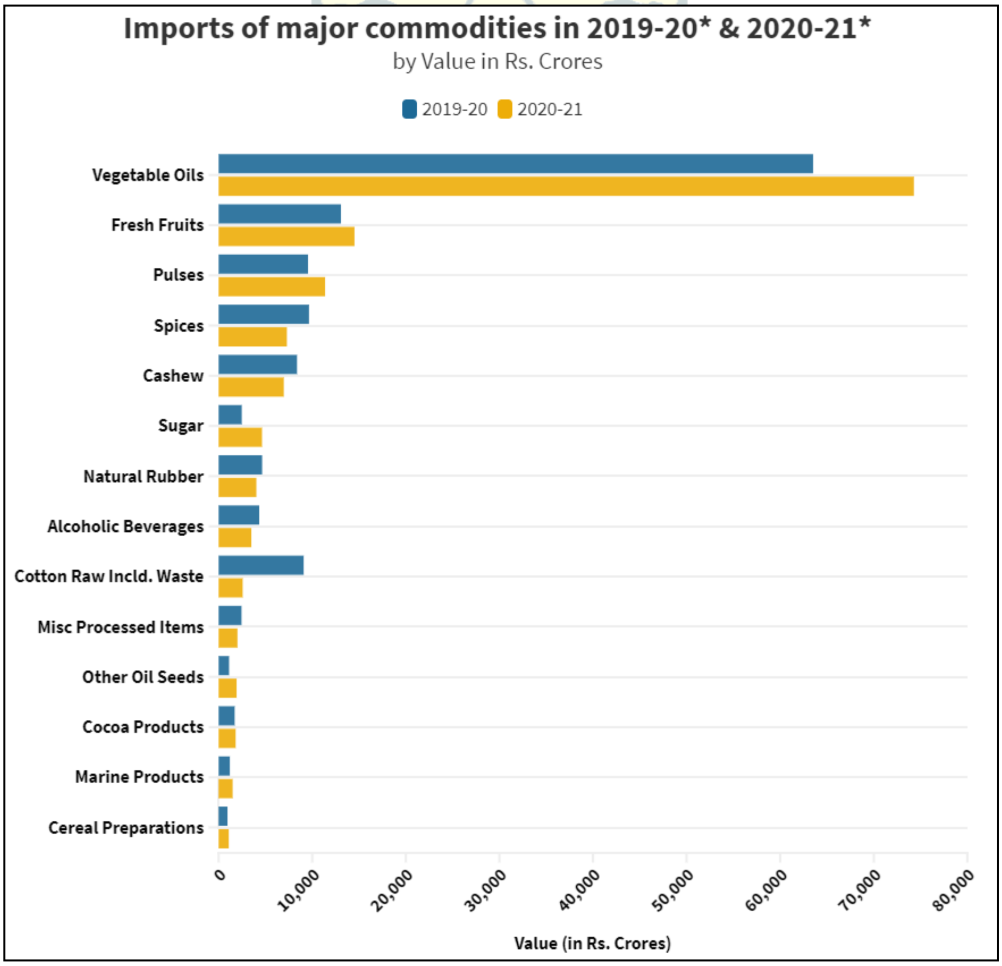




583. Agricultural Imports and Exports




Exports of Major Commodities in 2019-20* and 2020-21*
by Value in Rs. Crores
2019-20
2020-21
Marine Products
Rice (other than Basmati)
Rice - Basmati
Spices
Buffalo Meat
Sugar
Cotton Raw Incld. Waste
Oil Meals
Castor Oil
Misc Processed Items
Tea
Groundnut
Fresh Vegetables
Processed Fruits And Juices
Coffee
0
5000
10,000
15,000
20,000
25,000
30,000
35,000
40,000
45,000
Value (in Rs. Crores)


Imports of major commodities in 2019-20* & 2020-21*
by Value in Rs. Crores
2019-20
2020-21
Vegetable Oils
Fresh Fruits
Pulses
Spices
Cashew
Sugar
Natural Rubber
Alcoholic Beverages
Cotton Raw Incld. Waste
Misc Processed Items
Other Oil Seeds
Cocoa Products
Marine Products
Cereal Preparations
0
10,000
20,000
30,000
40,000
50,000
60,000
70,000
80,000
Value (in Rs. Crores)

584. Periodic Labor force survey

- **National Statistical Office (NSO)** had launched the Periodic Labor Force Survey (PLFS) in April 2017.
- It gives estimates of key indicators like the **labor force participation rate, worker population ratio, proportion unemployed and unemployment rate in rural households** annually and on a quarterly basis for the urban households.
- PLFS is constituted on the basis of a recommendation by a committee headed by **Amitabh Kundu.**
- Prior to PLFS, the NSSO used to bring the data related to employment and unemployment based on its **quinquennial (every 5 years) household socio-economic survey program.**
- **Dimensions of the Survey:**
    - Labor Force Participation Rate (LFPR)
    - Worker Population Ratio
    - Unemployed
    - Unemployment Rate

Unemployment Rate (UR): It is defined as the **percentage of persons unemployed** among the persons in the labour force.

Labour Force Participation Rate (LFPR): It is defined as the **percentage of persons in the labour force** (i.e. working or seeking or available for work) in the population.

Worker Population Ratio (WPR): It is defined as the percentage of employed persons in the population.

Activity Status:
- The activity status of a person is **determined on the basis of the activities pursued by the person** during the **specified reference period.**
- **Usual Status:** The activity status determined on the basis of the **reference period of the last 365 days**preceding the date of survey, it is known as the usual activity status of the person.
- **Current Weekly Status (CWS):** The activity status determined on the basis of a **reference period of the last 7 days** preceding the date of survey is known as the current weekly status (CWS) of the person.

all-India

Rates	Rural			Urban			Rural+Urban		
	male	female	person	male	female	person	male	female	person
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
PLFS 2019-20									
LFPR	56.3	24.7	40.8	57.8	18.5	38.6	56.8	22.8	40.1
WPR	53.8	24.0	39.2	54.1	16.8	35.9	53.9	21.8	38.2
UR	4.5	2.6	4.0	6.4	8.9	7.0	5.1	4.2	4.8

585. Trends on rural urban migration

- Human migration is the movement of people from one place in the world to another.
    - People can either choose to move **(voluntary migration)** or be forced to move **(involuntary migration).**
- **Types:** Internal migration in India is primarily of two types:
    - **Long term Migration,** resulting in the relocation of an individual or household.
    - **Short term Migration,** involving back and forth movement between a source and destination.
- **Key Source States:** Uttar Pradesh, Bihar, Rajasthan, Madhya Pradesh, Andhra Pradesh, Chhattisgarh.

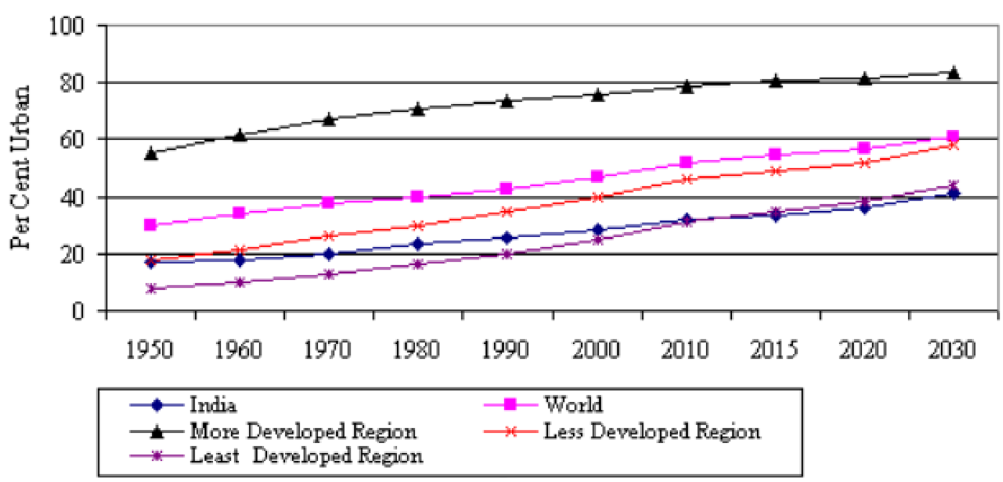
- **Key Destination States:** Delhi, Maharashtra, Gujarat, Haryana, Punjab and Karnataka.
- India has an estimated 600 million migrants. In other words, roughly half of India is living in a place where it wasn't born.
- An estimated 400 million Indians "migrate" within the district they live in. The next 140 million migrate from one district to another but within the same state.
- And only about 60 million — that is, just 10% of all internal migrants — move from one state to another.
- The most dominant form of migration is from rural to rural areas. Only about 20% of the total migration (600 million) is from rural to urban areas.
- 20% of the total migration is from one urban area to another urban area. As such, urban migration (rural to urban as well as urban to urban) accounts for 40% of the total migration.

Table 3: Distribution of Migration in different Streams, 1999-2000 and 2007-2008

Stream	Male		Female	
	1999-2000	2007-2008	1999-2000	2007-2008
Rural to Rural	32.3	27.1	70.3	70.0
Rural to Urban	34.3	39.0	14.4	14.8
Urban to Rural	10.7	8.9	5.2	4.9
Urban to Urban	22.6	24.8	10.1	10.3
Total	100.0	100.0	100.0	100.0

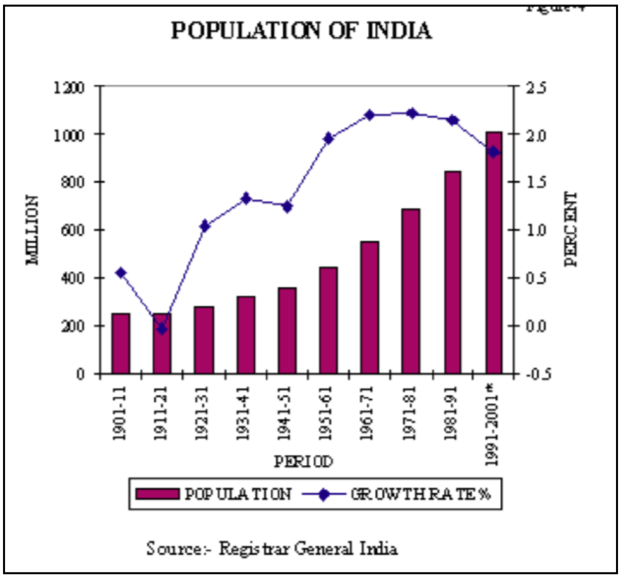
Figure-6

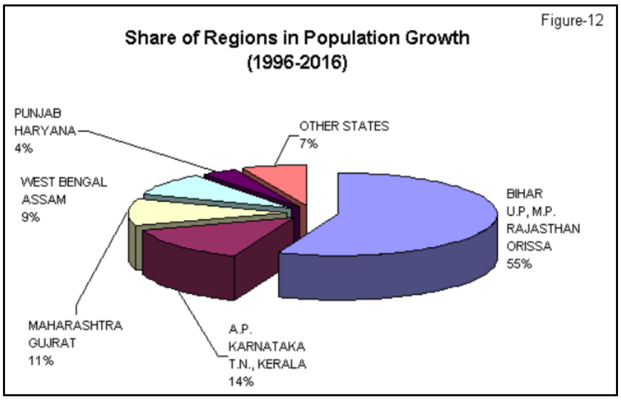
World Urbanisation Trends, 1950-2030



586. Trends on population stabilization

- **India in 2100** will be the **world's most populous country.**
- The number of **working-age adults** aged 20-64 in India is **projected to fall** from around 762 million in 2017 to around 578 million in 2100.
- However, India has been forecasted to have the **largest working-age population in the world by 2100.**





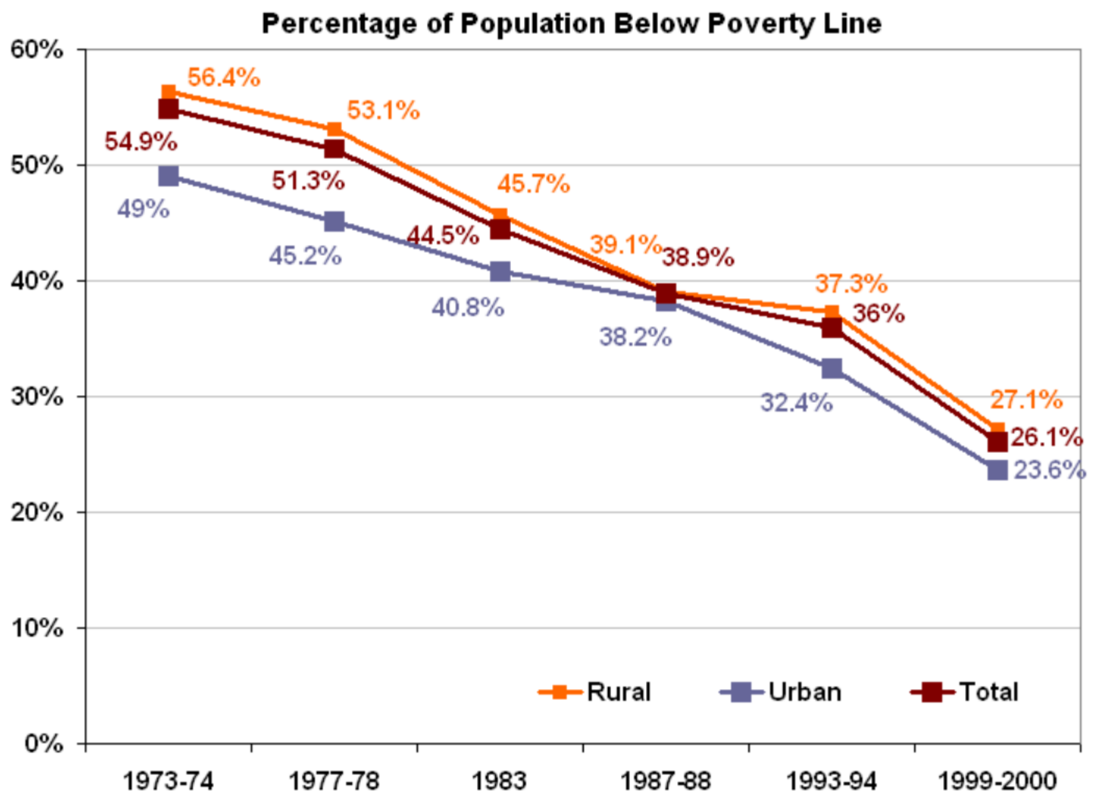
Population Indicators for India: 1990 to 2020

Indicator	1995	1997	2000	2020
POPULATION (thousands)				
Total country	933,252	966,783	1,016,118	1,334,914
Urban	250,111	266,832	290,610	551,319
Rural	683,140	699,951	725,508	783,594
Male, total country				
All ages	483,197	500,005	524,635	681,114
0 to 14	171,370	173,421	175,443	178,643
6 to 12	78,583	80,092	81,281	83,141
13 to 18	61,960	63,449	65,544	69,779
15 to 44	224,906	234,848	249,411	327,395
15 to 49	246,921	258,173	274,907	368,964
15 to 64	290,327	304,049	325,089	456,859
65 and over	21,500	22,536	24,103	45,613
Female, total country				
All ages	450,055	466,778	491,483	653,799
0 to 14	160,657	163,434	165,764	170,595
6 to 12	73,858	75,308	76,399	79,385
13 to 18	54,908	57,404	61,213	66,516
15 to 44	209,847	218,870	232,802	308,519
15 to 49	229,472	239,917	256,331	345,034
15 to 64	268,824	281,625	302,300	435,262
65 and over	20,573	21,719	23,419	47,942

587. Poverty in India

- A definition of poverty in terms of subsistence level describes poverty as lack of the income needed to acquire the minimum necessities of life.
- Poverty is an extremely complex phenomenon, which manifests itself in a range of overlapping and interwoven economic, political and social deprivations.
- These include lack of assets, low income levels, hunger, poor health, insecurity, physical and psychological hardship, social exclusion, degradation and discrimination, and political powerlessness and disarticulation

According to recent reports, more than a quarter of the population living in rural areas of India is below the poverty line. Out of the total population living in the **rural parts of India, 25.7% is living below the poverty line** whereas in the **urban areas, the situation is a bit better with 13.7% of the population living below the poverty line.**

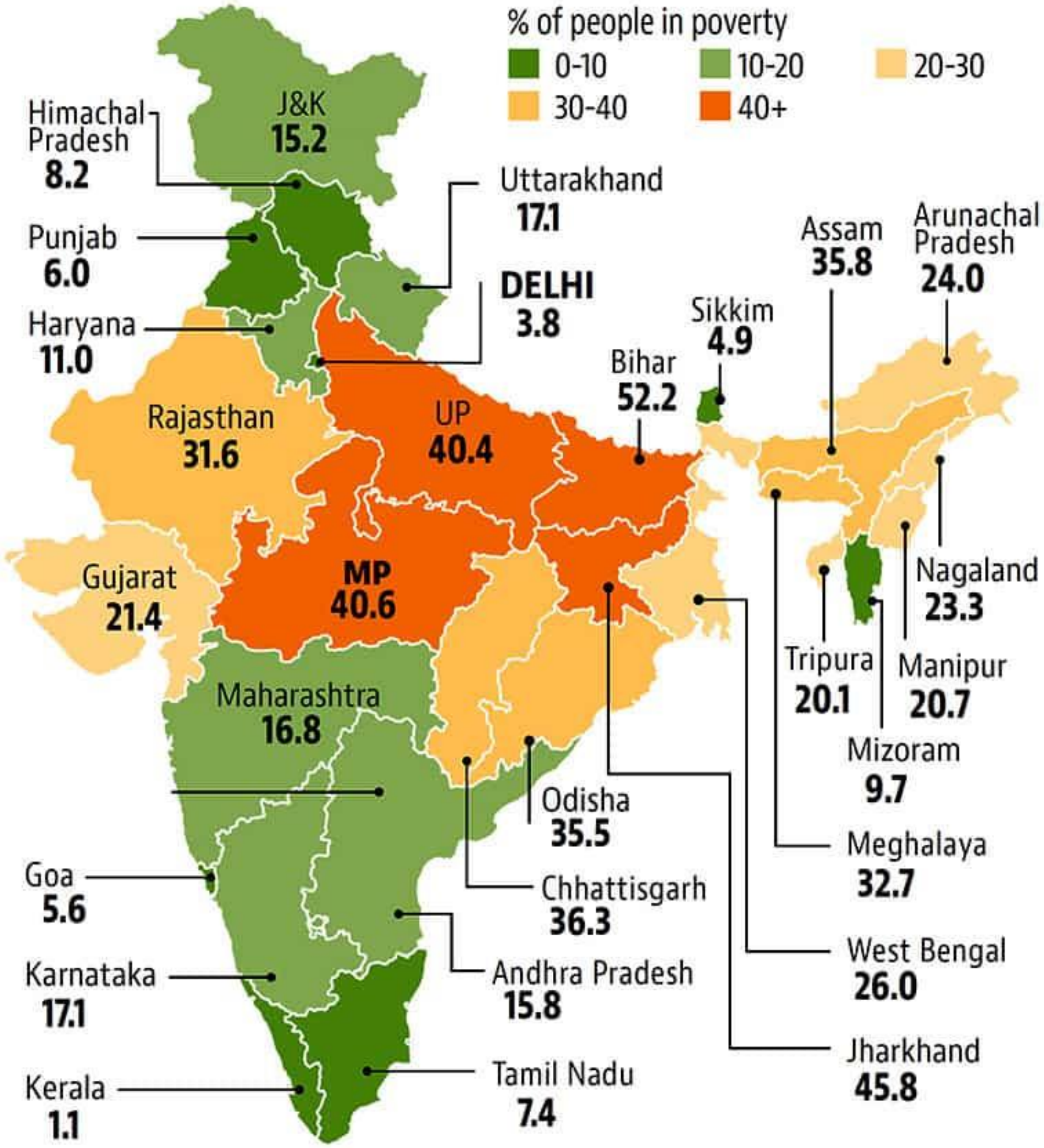


- **Absolute Poverty**: it is defined as condition characterized by severe deprivation of basic human needs.
- **Relative Poverty**: it is defined as condition in which people lack the minimum amount of income needed in order to maintain the average standard of living in the society in which they live.
- **Poverty line**: It is the amount of money needed for a person to meet his basic needs. It is defined as the money value of the goods and services needed to provide basic welfare to an individual. Poverty line differs from one country to another, depending upon the idea of poverty
- **Headcount ratio**: Percentage of population below poverty line to total population.
- **Poverty gap**: it is difference between the mean income among the poor and the poverty line. In other words, it is the average shortfall of the total population from the poverty line. This measurement is used to reflect the intensity of poverty. The concept of poverty gap was developed by the World Bank and is extensively used to measure the incidence of poverty in different countries.

COMMITTEES	METHODOLOGY OF POVERTY ESTIMATION
YK Alagh	First to come up with an official poverty line, based on calorie intake. 2100 calorie in Urban areas, 2400 calories in rural areas.
Tendulkar	• India currently follows this method • Changed calorie based estimation to expenditure based. • Introduce a new term Poverty Line Basket (PLB) which is the basket of all goods selected to determine poverty. • Consumption quantity fixed the same for both rural and urban people but price differs. Daily per capita expenditure for Rural- Rs. 27, Daily per capita expenditure for Urban- Rs. 33. • Estimated that 21.5% of the Indian population as poor.
Rangarajan	• Adopted the calorie-based approach which was used in past. • Monthly consumption expenditure per person or per household as a tool, Daily per capita expenditure for Rural- Rs. 33 and Daily per capita expenditure for Urban- Rs. 47 • Overall poverty- 29.5 Percent (in the year 2011-12) Rural- 30.9 Percent (in the year 2011-12) Urban- 26.4 Percent (in the year 2011-12)
SECC (Socio-Economic Caste Census)	• To estimate the BPL population, SECC followed a three step process: 1. Automatic Exclusion. 2. Automatic Inclusion. 3. Neither automatically included nor automatically excluded. • After applying above methodology, it was found that the percentage of people below the poverty line in 2011-12 was 30.95 percent in rural areas and 26.4 percent in urban areas. • Components: 1. Food component 2. Non-food component such as, Education Clothing, Conveyance, Rent, Behaviour related expenditures.

WHERE STATES STAND

Map shows % of poor people in Indian states in 2015-16



588. Literacy in India

In News: Recently, the report on 'Household Social Consumption: Education in India as part of 75th round of National Sample Survey - from July 2017 to June 2018' has been released.

- It is based on the **National Statistical Office (NSO) survey** and provides for state-wise **detail of literacy rate among the persons aged seven years and above.**
- The report comes before the **International Literacy Day** which is celebrated on **8th September** every year.

Data Analysis: India's **Overall Literacy Rate** is **77.7%.**

- Urban Areas: 87.7%.
- Rural areas: 73.5%.
- Male Literacy Rate: 84.7%.
- Female Literacy Rate: 70.3%.
- The **male literacy rate is higher than the female literacy** rate among all states with a considerable gap in the worst-performing states.
- **Best Performers:** Kerala > Delhi > Uttarakhand > Himachal Pradesh > Assam.
- **Worst Performers:** Andhra Pradesh < Rajasthan < Bihar < Telangana < Uttar Pradesh.
- **Digital Literacy:**
    - 23% of urban households and 4% of rural households possess computers.
    - Among persons of age 15-29 years, nearly 56% in urban areas and 24% in rural areas were able to operate a computer.
    - In the same age group, nearly 25% in rural areas and 58% in urban areas reported the use of the internet.

Do You Know?

- The international community is focusing on 2030 with Sustainable Development Goals (SDGs) and has aimed to "ensure inclusive and quality education for all and promote lifelong learning" within its goals of SDG 4.
- As per UNESCO, **India will achieve universal literacy by 2060.**

589. Trends of GST revenue collection

- **In News:** The gross GST revenue collected in the month of **April' 2021** is at a record high of Rs. **1,41,384 crore** of which
    - CGST is Rs. **27,837 crores**
    - SGST is Rs. **35,621 crores**
    - IGST is Rs **68,481 crores** (including Rs. 29,599 crore collected on import of goods)
    - Cess is Rs. **9,445 crores** (including Rs. 981 crore collected on import of goods).
- Despite the second wave of COVID-19 pandemic affecting several parts of the country, Indian businesses have once again shown remarkable resilience by not only complying with the return filing requirements but also paying their GST dues in a timely manner during the month.
- The GST revenues during April 2021 are the highest since the introduction of GST even surpassing collections in the last month (March'2021).
- Closer monitoring against fake-billing, deep data analytics using data from multiple sources including GST, Income-tax and Customs IT systems and effective tax administration have also contributed to the steady increase in tax revenue.

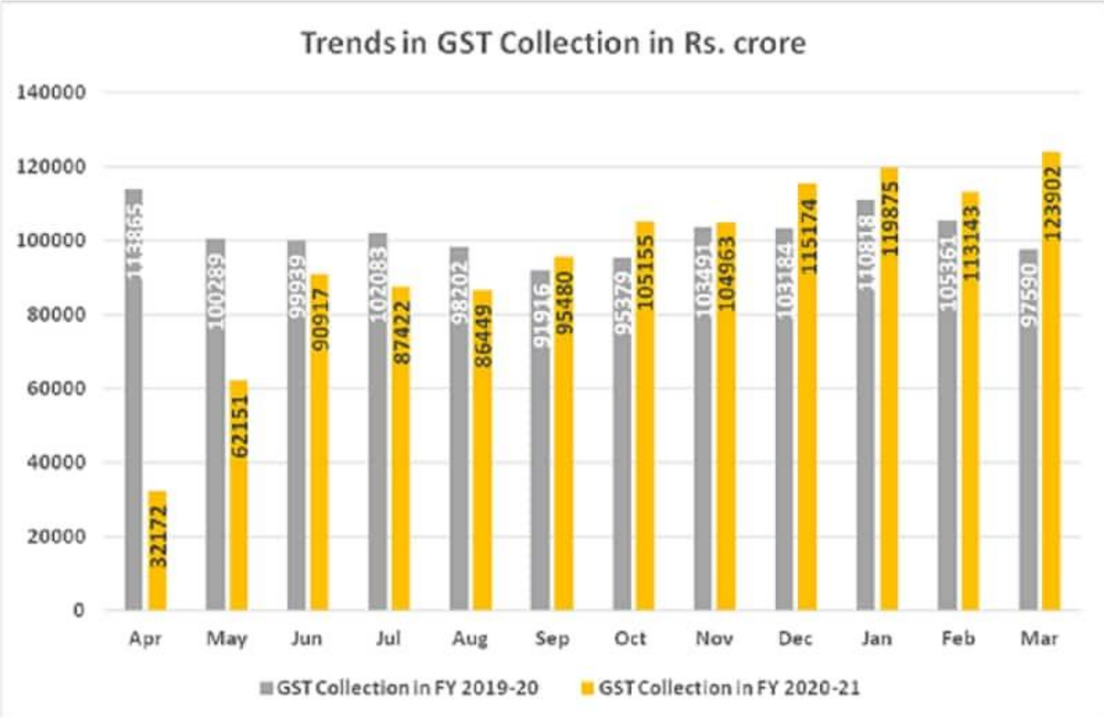


Figure 1: Composition of Central Taxes

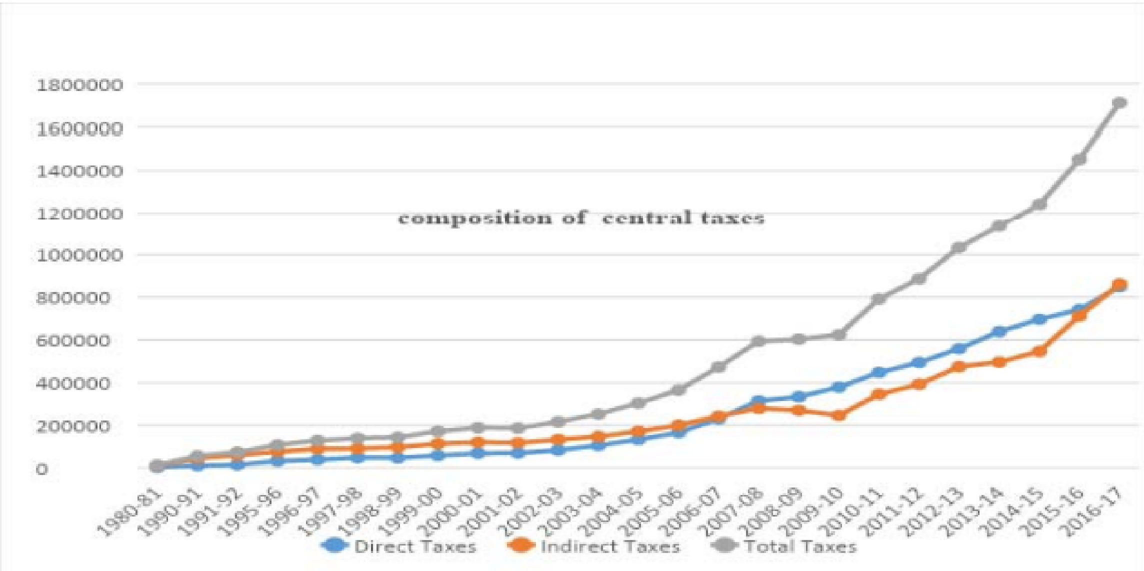
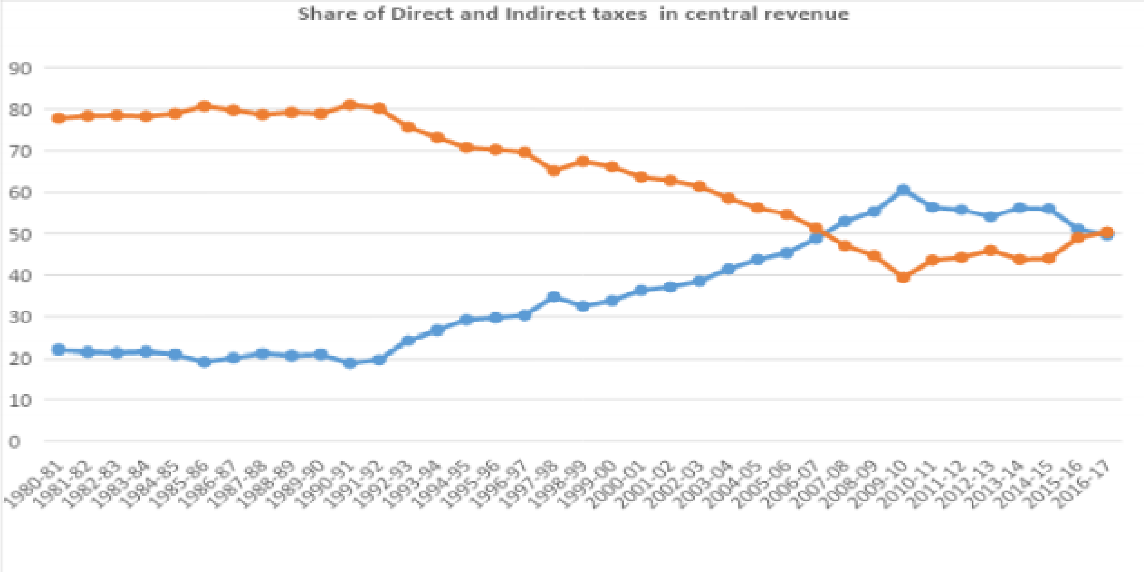
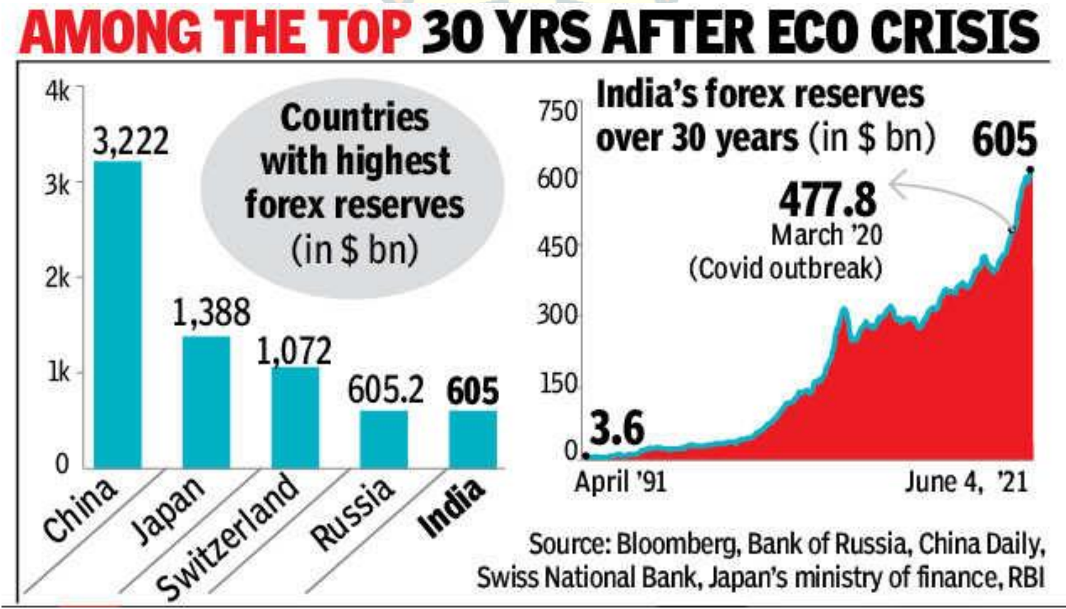


Figure 2: Trends of Direct and Indirect Taxes



590. Trends of Forex Reserves

- As per Reserve Bank of India, India's Foreign Exchange (Forex) Reserves surged by $ 5 billion to $ 609 billion in the week ended 25th June, 2021



About Forex

- Foreign exchange reserves are **assets held on reserve by a central bank in foreign** currencies, which can include bonds, treasury bills and other government securities.
- India's Forex Reserve include:
  - Foreign Currency Assets
  - Gold reserves
  - Special Drawing Rights
  - Reserve position with the International Monetary Fund (IMF)
- These reserves are used to back liabilities, influence exchange rate through RBI market intervention and influences monetary policy.

Foreign Exchange Reserves

Item	As on July 30, 2021		Week	
	₹ Cr.	US$ Mn.	₹ Cr.	US$ Mn.
	1	2	3	4
1 Total Reserves	4617303	620576	67930	9427
1.1 Foreign Currency Assets	4287317	576224	61905	8596
1.2 Gold	280086	37644	5522	760
1.3 SDRs	11545	1552	39	6
1.4 Reserve Position in the IMF	38355	5156	464	65

* Difference, if any, is due to rounding off

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671. & 672. MCQs

Q.1) Along with the Budget, the Finance Minister also places other documents before the Parliament which include "The Macro Economic Framework Statement'.

The aforesaid document is presented because this is mandated by
(a) Long standing parliamentary convention
(b) Article 112 and Article 110(1) of the Constitution of India
(c) Article 113 of the Constitution of India
(d) Provisions of the Fiscal Responsibility and Budget Management Act, 2003

Answer: (d)

Fiscal Responsibility and Budget Management (FRBM) became an Act in 2003. The objective of the Act is to ensure inter-generational equity in fiscal management, long run macroeconomic stability, better coordination between fiscal and monetary policy, and transparency in fiscal operation of the Government.

It requires for the presentation of the following documents before the Parliament - the Medium Term Expenditure Framework Statement (MTEF), Medium-Term Fiscal Policy Statement, Fiscal Policy Strategy Statement and **Macroeconomic Framework Statement.**

Q.2) A constitutional government by definition is a
(a) government by legislature
(b) popular government
(c) multi-party government
(d) limited government

Answer: (d)

Constitutional government is defined by the existence of a constitution—which may be a legal instrument or merely a set of fixed norms or principles generally accepted as the fundamental Law of the polity—that effectively controls the exercise of political power.

The essence of constitutionalism is the control of power by its distribution among several state organs or offices in such a way that they are each subjected to reciprocal controls and forced to cooperate in formulating the will of the state.

Constitutional government in essence is about constitutionalism which is about limited government. In many cases, constitutional government is used interchangeably with "constitutionally limited government" or "limited government".

Q.3) Other than the Fundamental Rights, which of the following parts of the Constitution of India reflect/reflects the principles and provisions of the Universal Declaration of Human Rights (1948)?
1. Preamble
2. Directive Principles of State Policy
3. Fundamental Duties

Select the correct answer using the code given below:
(a) 1 and 2 only
(b) 2 only
(c) 1 and 3 only
(d) 1, 2 and 3

Answer: (d)

Preamble and DPSP obviously reflect the equality principle of UDHR.

Additionally, Fundamental Duties also reflect the UDHR principles

Also, though they were added later by way of amendment, the fundamental duties enshrined in the Constitution of India, contained in Part IV A, are in consonance with Article 29 (1) of the Universal Declaration of Human Rights, which says, "everyone has duties to the community in which alone the free and full development of his personality is possible". 'We must reaffirm faith in recognition of the inherent dignity and inalienable rights of all citizens as the foundation of freedom, justice and peace in the world, which implies obligations and responsibilities.' Human rights, thus, go hand in hand with responsibilities. It is very necessary that all citizens should be made aware of the potential of Article 51A relating to fundamental duties as a means to ensure the protection of human rights.[10]

Q.4) In India, Legal Services Authorities provide free legal services to which of the following type of citizens?
1. Person with an annual income of less than Rs. 1,00,000
2. Transgender with an annual income of less than Rs. 2,00,000
3. Member of Other Backward Classes (OBC) with an annual income of less than Rs. 3,00,000
4. All Senior Citizens

Select the correct answer using the code given below:
(a) 1 and 2 only
(b) 3 and 4 only
(c) 2 and 3 only
(d) 1 and 4 only

Answer: (a)

The persons eligible for getting free legal services include:

- ✓ Women and children
- ✓ Members of SC/ST
- ✓ Industrial workmen
- ✓ Victims of mass disaster, violence, flood, drought, earthquake industrial disaster
- ✓ Disabled persons
- ✓ Persons in custody
- ✓ **Persons whose annual income does not exceed ₹1 lakh**
- ✓ Victims of trafficking in human beings or begar.

Therefore, statement 1 is correct.

Senior citizens' eligibility for free legal aid depends on the Rules framed by the respective State Governments in this regard. In Delhi for example, senior citizens are eligible for free legal aid subject to prescribed ceiling of annual income. Therefore, all senior citizens are not eligible for free aid. **Therefore, statement 4 is not correct**.

There is free aid to members of SC and ST community but not for OBCs**. Hence statement 3 is not correct.**
There is provision for free legal aid to transgenders upto 2 lakhs in Delhi. (But it is yet to be implemented at an all India level)

Hence, (a) seems to be the most appropriate option among the given list.

Q.5) Consider the following pairs International agreement/set-up Subject

1. Alma-Ata Declaration - Healthcare of the people
2. Hague Convention - Biological and chemical weapons
3. Talanoa Dialogue - Global climate change

4. Under2 Coalition - Child rights

Which of the pairs given above is/are correctly matched?
(a) 1 and 2 only

(b) 4 only

(c) 1 and 3 only

(d) 2, 3 and 4 only

Answer: (c)

The Alma Ata declaration on "Health for All" in 1978 set out a broad set of principles called the Primary Health Care (PHC) approach. It focussed on multi-dimensional, inter- sectoral healthcare, which was to be made available "closest to home". It required technology to be simple and low cost, while being effective and safe. Primary care, with secondary and tertiary levels also adopting PHC principles, was envisioned as the hub of this system. **Hence pair 1 is matched correctly.**
In 2016, the then Women and Child Development Minister Maneka Gandhi had said that India will not ratify the the **Hague Convention on the Civil Aspects of International Child Abduction** in the interest of women fleeing bad marriage and had set up the panel headed by Punjab and Haryana High Court judge Rajesh Bindal for detailed report and the panel in its 2018 report has not recommended signing the treaty. **Hence, pair 2 is not correct.**
The **Talanoa Dialogue of the UN Framework Convention on Climate Change,** beginning January 2018, will facilitate the parties to take stock of progress post-Paris. **Hence pair 3 is correct.**

The **Under2 Coalition**, a Memorandum of Understanding by subnational governments to reduce their greenhouse gas **(GHG) emissions** towards net-zero by 2050, is generating a unique precedent for bold climate leadership, with its member states and regions surpassing 200 in number. Currently, Telangana and Chhattisgarh are signatories to this pact from India, as compared to representations from the other top emitters: 26 subnational governments in China and 24 in the U.S. **Hence, pair 4 is not correct.**

673. E-RUPI

Why in news: Prime Minister launched e-RUPI, on August recently.

About e-RUPI:

- e-RUPI is a **cashless and contactless instrument for digital payment**.
- It is a **QR code or SMS string-based e-Voucher**, which is delivered to the beneficiaries.
- The users of this seamless one-time payment mechanism will be **able to redeem the voucher without a card, digital payments app** or **internet banking access**, at the service provider.
- It has been developed by National Payments Corporation of India on its UPI platform, in collaboration with the Department of Financial Services, Ministry of Health & Family Welfare and National Health Authority.

How will e-RUPI work?

- e-RUPI is basically a digital voucher which a beneficiary gets on his phone in the form of an SMS or QR code. It is a pre-paid voucher, which he/she can go and redeem it at any centre that accepts its.
- For example, if the Government wants to cover a particular treatment of an employee in a specified hospital, it can issue an e-RUPI voucher for the determined amount through a partner bank. The employee will receive an SMS or a QR Code on his feature phone / smart phone. He/she can go to the specified hospital, avail of the services and pay through the e-RUPI voucher received on his phone.
- e-RUPI will connect the **sponsors of the services** (govt) with the **beneficiaries** (BPL Card holder) and **service providers** (hospitals) in a digital manner without any physical interface.

- Thus e-RUPI is a one-time contactless, cashless voucher-based mode of payment that helps users redeem the voucher without a card, digital payments app, or internet banking access.

e-RUPI's Application in Vaccination

- Its immediate and first-use case can be to facilitate cashless service at paid Covid vaccination centres (CVCs).
- For instance, corporates and philanthropies can buy services in bulk to vaccinate employees and those in need.
- The intended beneficiaries will receive an SMS or QR code on their feature/smartphone, **redeemable for cashless vaccination at participating centres.**

e-RUPI's Application in PDS

- The inefficiency of the programme is rooted in high overhead costs, leakages, exclusion and inefficiencies.
- A food-specific e-RUPI voucher will allow beneficiaries to buy rations from an outlet of their choice.
- e-RUPI could make the PDS programme more efficient.
- One Nation, One Ration Card has the potential to make the redemption of the voucher at market price by merchants within and outside the PDS network.

674. SEZ

Why in news: Recently, Special Economic Zones touched new heights in terms of performance in Exports, Investment and Employment.

Key Features:

- It is a specifically delineated **duty-free enclave**, **deemed to be foreign territory** for the purposes of trade operations and duties and tariffs.
- Goods and services going into the SEZ area from Domestic Tariff Area (whole India except SEZ) shall be treated as exports and goods coming from the SEZ area into DTA shall be treated as imports.
- The **prime objective was** to enhance foreign investment and provide hassle free environment for exports.
- SEZs have access to **duty-free imports** of manufacturing inputs.
- **No license required for import.**
- Manufacturing or service activities allowed.
- Domestic sales are subject to **full customs duty and import policy in force.**
- SEZ units will have **freedom for subcontracting.**
- No routine examination by customs authorities of export/import cargo.
- SEZ Developers /Co-Developers and Units **enjoy tax benefits** as prescribed in the SEZs Act, 2005.

Administrative set up of SEZs

- The functioning of the SEZs is governed by **a three tier administrative set up.**
- The **Board of Approval** is the apex body and is headed by the Secretary, Department of Commerce.
- The **Approval Committee at the Zone level** deals with approval of units in the SEZs and other related issues.
- Each Zone is headed by a **Development Commissioner**, who is ex-officio chairperson of the Approval Committee.

Performance of SEZs

- Exports of **Rs. 22,840 Crore** in 2005-06 has increased to **Rs. 7,59,524** Crore in 2020-21.
- Investment of **Rs. 4,035.51** Crore in 2005-06 has increased to **Rs. 6,17,499** Crore (cumulative basis) by 2020-21 and
- Employment provided to **1,34,704** persons in 2005-06 has increased to **23,58,136** persons (cumulative basis) in 2020-21.

675. NIMZ

- National Investment & Manufacturing Zones (NIMZs) are one of the important instruments of National Manufacturing Policy, 2011.
- NIMZs are envisaged as large areas of developed land with the requisite eco-system for promoting world class manufacturing activity.
- The main objective of Special Economic Zones is promotion of exports, while NIMZs are based on the principle of industrial growth in partnership with States and focuses on manufacturing growth and employment generation.
  - NIMZs are different from SEZs in terms of size, level of infrastructure planning, governance structures related to regulatory procedures, and exit policies.
- **The NIMZs are envisaged as integrated industrial townships with:**
  - State of the art infrastructure.
  - Land use on the basis of zoning.
  - Clean and energy efficient technology.
  - Necessary social infrastructure.
  - Skill development facilities etc.
- **Facts about NIMZ:**
  - NIMZ can be proposed with a land area of at least **5000 hectares.**
  - The State Government will be responsible for selection of land suitable for development of the NIMZ including land acquisition if necessary. The land may constitute:
    - Government owned land;
    - Private lands falling within the proposed NIMZ, to be acquired by the State Government;
    - Land under existing industrial areas/estates/sick and defunct units including PSUs.
  - NIMZ will be managed by a **Special Purpose Vehicle**, headed by. Govt. officials and experts, including those of the environment.
  - After identification of the land, it will be the responsibility of the state government to get the **environmental impact study** conducted for a prospective NIMZ. DIPP in consultation with Ministry of Environment & Forests will notify designated agencies for conducting the study.
  - At least 30% of the total land area proposed for the NIMZ will be utilized for location of manufacturing units. The states may reserve a certain percentage of the land as **appropriate, in a zone, for MSMEs**.
  - The State Government will bear the cost of the **resettlement & rehabilitation** package for the owners of acquired lands, if any. An arrangement to recover the costs could be put in place in collaboration with the SPV.
  - To enable NIMZs to function as self-governing autonomous bodies, they will be declared by the state government as **industrial townships under Article 243 Q (c) of the constitution.**

Role of Central Government

- The Department of Industrial Policy and Promotion will act as the nodal agency for the central government in matters pertaining to the NIMZs.
- Each NIMZ will be **notified separately by DIPP**.
- The Central Government will bear the **cost of master planning** for the NIMZ;

- The Central Government will improve / provide external **physical infrastructure linkages to the NIMZs** including Rail, Road (National Highways), Ports, Airports, and Telecom, in a time bound manner.
- The Central Government through its institutions and schemes will provide **institutional infrastructure for productivity, quality** (testing facilities etc.) and design capabilities, encouraging innovation and skill development within the NIMZ;
- The Central Government will undertake, along with the State Government concerned, the promotion of domestic as well as **global investments in NIMZs;**

Central Government has accorded final approval for setting up of 4 NIMZs namely

- ✓ Prakasam District (Andhra Pradesh)
- ✓ Sangareddy District (Telangana)
- ✓ Kalinganagar, Jajpur District (Odisha)
- ✓ Hyderabad Pharma City NIMZ in Rangareddy District (Telangana).
- ✓ Also, Eight Investment Regions along the Delhi
- ✓ Mumbai Industrial Corridor (DMIC) project were declared as NIMZs.

About National Manufacturing Policy:

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

676. TRIPS

Why in news: The Biden administration announced it would support a "TRIPS waiver" of intellectual property protections related to COVID vaccines.

- **Trade-Related Aspects of Intellectual Property Rights is an agreement under WTO.**
- It deals with the protections for **intellectual property rights, from patents to copyrights.**
- Before this was negotiated, more than **50 countries did not recognize patent protection** on pharmaceutical products.

TRIPS include

- Minimum patent **period of 20 years;**
- Provision for **product patents;**

TRIPS PLUS Includes

- Extending the term of a patent longer than the twenty-year minimum.
- **Process Patenting – liberal provisions for evergreening.**
- Introducing provisions that limit the use of **compulsory licenses.**
- **Data exclusivity -** the protection to pharmaceutical test data from 'unfair commercial use'.

TRIPS waiver for COVID vaccines:

- The TRIPS waiver refers to a proposal to the World Trade Organization to **waive intellectual property rights protection for technologies needed to prevent, contain, or treat COVID-19.**

- This should be done until widespread **vaccination is in place globally**.
- And till the majority of the world's population has **developed immunity.**

USA stance on Waiver:

- The United States had been a major **holdout** to the proposal.
- In May 2021, the United States reversed its earlier stance and **announced support for** the waiver.

India and South Africa stance:

- The countries had asked the TRIPS Council to recommend, **"as early as possible",** a waiver on the implementation, application and enforcement of **four sections in the second part of the agreement.**
- These sections — 1, 4, 5, and 7 — pertain to **copyrights, industrial designs, patents, and the protection of undisclosed information.**

677. FAO

The Food and Agriculture Organization (FAO) is a **specialized agency of the United Nations** that leads international efforts to defeat hunger.

More About FAO

- In Quebec City, Canada, the first session of **United Nations** established the Food and Agriculture Organization (FAO) as a specialized UN agency.
- Its headquarters is in Rome.
- The **1961 Freedom From Hunger Campaign** is a milestone for FAO.
- After that it significantly contributed to **turning the organization from a technical agency into a development organization.**
- In **1963, FAO and the UN General Assembly** adopted parallel resolutions that established the **World Food Program** to deliver urgent food aid in real time to affected areas.
- In 1979, The 20th session of the FAO Conference took the unanimous decision of observing **World Food Day annually on the 16th October, in honor of the founding of FAO.**

Approach of FAO

- Working with countries to **develop and implement agreements**, codes of conduct and technical standards.
- Collecting, analyzing and **monitoring agricultural data** and information to support policy decisions.
- **Enabling policy dialogue** at global, regional and country levels.
- Working in **partnership with a wide range of institutions**, including international and regional organizations, universities, governments, civil society and the private sector.
- **Building the capacity of countries** to meet their agricultural development goals.
- Capturing and **sharing knowledge** internally and with partners.
- **Communicating** about the work.

Initiatives Taken:

- **FAO Food Price Index (FFPI)** is a measure of the monthly change in international prices of a basket of food commodities.
  - It measures changes for **a basket of cereals, oilseeds, dairy products, meat and sugar. Base Period:** 2014-16.
- **Globally Important Agricultural Heritage Systems (GIAHS).**
- Monitors the **Desert Locust situation** throughout the world.

- The **Codex Alimentarius Commission or CAC** is the body responsible for all matters regarding the implementation of the Joint FAO/WHO Food Standards Programme.
- The **International Treaty on Plant Genetic Resources for Food and Agriculture** was adopted by the Thirty-First Session of the Conference of the Food and Agriculture Organization in 2001.

Flagship Publications:

- The State of World Fisheries and Aquaculture (SOFIA).
- The State of the World's Forests (SOFO).
- **The State of Food Security and Nutrition in the World (SOFI).**
- The State of Food and Agriculture (SOFA).
- The State of Agricultural Commodity Markets (SOCO).

678. World Bank

- Founded in 1944 as the **International Bank for Reconstruction and Development.**
- Originally, its loans helped rebuild **countries devastated by World War II.**
- The World Bank is like a cooperative, made up of 189 member countries.
- These member countries, or shareholders, are represented by a **Board of Governors**, who are the ultimate policymakers at the World Bank.
- Generally, the governors are member countries' **ministers of finance or ministers of development.**
- The World Bank Group is a unique global partnership which consists of five development institutions.

Mission:

- **To end extreme poverty**: By reducing the share of the global population that lives in extreme poverty to **3 percent by 2030.**
- **To promote shared prosperity:** By increasing the incomes of the poorest **40 percent of people in every country.**

World Bank Group

- **International Bank for Reconstruction and Development (IBRD)** provides loans, credits, and grants.
- **International Development Association (IDA**) provides low- or no-interest loans to low-income countries.
- The **International Finance Corporation (IFC**) provides investment, advice, and asset management to companies and governments.
- **The Multilateral Guarantee Agency (MIGA)** insures lenders and investors against political risk such as war.
- **The International Centre for the Settlement of Investment Disputes (ICSID)** settles investment-disputes between investors and countries. India is not a member of ICSID**.**

679. International Monetary Fund

Why in news: IMF projected the growth rate of India for 2021 to be at 11.5 percent predicting India to be the fastest-growing economy in this fiscal year

History of IMF

- The IMF, also known as the Fund, was conceived at a **UN conference in Bretton Woods,** New Hampshire, United States, in July 1944.

- The 44 countries at that conference sought to build a framework for economic cooperation to avoid a repetition of the competitive devaluations that had contributed to the Great Depression of the 1930s.
- **Countries were not eligible for membership** in the International Bank for Reconstruction and Development (IBRD) **unless they were members of the IMF**.
- IMF, as per **Bretton Woods agreement** to encourage international financial cooperation, introduced a system of convertible currencies at fixed exchange rates, and replaced gold with the U.S. dollar (gold at $35 per ounce) for official reserve.
- After the **Bretton Woods system** (system of fixed exchange rates) **collapsed in the 1971,** the IMF has promoted the **system of floating exchange rates**. Countries are free to choose their exchange arrangement, meaning that market forces determine the value of currencies relative to one another. **This system continues to be in place today.**
- IMF was one of the key organisations of the international economic system; its design allowed the system to balance the rebuilding of international capitalism with the maximisation of national economic sovereignty and human welfare, also known as **embedded liberalism**.
- The IMF played a central role in helping the countries of the former Soviet bloc transition from central planning to market-driven economies.
- **In 1997,** a wave of **financial crises swept over East Asia,** from Thailand to Indonesia to Korea and beyond. The International Monetary Fund created **a series of bailouts (rescue packages)** for the most-affected economies to enable them to avoid default, tying the packages to currency, banking and financial system reforms.
- **Global Economic Crisis (2008)**: IMF undertook major initiatives to strengthen surveillance to respond to a more globalized and interconnected world. These initiatives included
    - revamping the legal framework for surveillance to cover spill-overs (when economic policies in one country can affect others),
    - deepening analysis of risks and financial systems,
    - stepping up assessments of members' external positions,
    - responding more promptly to concerns of the members.

Governance

- **Board of Governors:** It consists of one governor and one alternate governor for each member country. Each member country appoints its two governors.
    - It is responsible for electing or appointing executive directors to the Executive Board.
    - Approving quota increases, Special Drawing Right allocations,
    - Admittance of new members, compulsory withdrawal of member,
    - Amendments to the Articles of Agreement and By-Laws.
    - Board of Governors is advised by **two ministerial committees,** the **International Monetary and Financial Committee (IMFC)** and the **Development Committee**.
    - Boards of Governors of the IMF and the World Bank Group normally meet once a year, during the IMF–World Bank Annual Meetings, to discuss the work of their respective institutions.
- **Executive Board:** It is 24-member Executive Board elected by the Board of Governors.
    - **It conducts the daily business of the IMF** and exercises the powers delegated to it by the Board of Governors & powers conferred on it by Articles of Agreement.
    - It discusses all aspects of the Fund's work, from the IMF staff's annual health checks of member countries' economies to policy issues relevant to the global economy.

- **IMF Members:** Any other state, **whether or not a member of the UN,** may become a member of the IMF in accordance with IMF Articles of Agreement and terms prescribed by the Board of Governors.
    - **Pay a quota subscription:** On joining the IMF, each member country contributes a certain sum of money, called a quota subscription, which is based on the country's wealth and economic performance **(Quota Formula)**.
        - It is a weighted average of GDP (weight of 50 percent)
        - Openness (30 percent),
        - Economic variability (15 percent),
        - International reserves (5 percent).
        - GDP of member country is measured through a blend of GDP—based on market exchange rates (weight of 60 percent) and on PPP exchange rates (40 percent).

Functions of the IMF:

- **Regulatory functions:** IMF functions as a regulatory body and it also focuses on administering a code of conduct for exchange rate policies and restrictions on payments for current account transactions.
- **Financial functions:** IMF provides financial support and resources to the member countries to meet short term and medium term Balance of Payments (BOP) disequilibrium.
- **Consultative functions:** IMF is a center for international cooperation for the member countries. It also acts as a source of counsel and technical assistance.

680. Asian Development Bank(ADB)

Why in News: According to the report Asian Development Outlook (ADO) 2021, the second wave of Covid-19 can put India's economic recovery at "risk".

- ADO is a series of annual economic reports on the Developing Member Countries (DMCs) of the Asian Development Bank (ADB).

About ADB

- It is a **regional development bank established in 1966.** It has **68 members.** India is a founding member.
    - **49 are from within Asia** and the Pacific and 19 outside.
- As of 31st December 2019, ADB's **five largest shareholders are**
    - **Japan** and the **USA** (each with 15.6% of total shares)
    - **China** (6.4%)
    - **India** (6.3%)
    - **Australia** (5.8%).
- **Aim:** To promote **social and economic development in Asia and the Pacific.**
- **Headquarters:** Manila, Philippines.
- It provides assistance to its developing member countries, **the private sector, and public-private partnerships.**
- Assistance is provided through **grants, loans, technical assistance**, and equity investments to promote development.

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681. & 682. MCQs

Q.1) With reference to the history of India, consider the following pairs:

1. Aurang - In -charge of treasury of the State
2. Banian -Indian agent of the East India Company
3. Mirasidar - Designated revenue payer to the State

Which of the pairs given above is/are correctly matched?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 3 only
(d) 1, 2 and 3

Answer: (b)

Statement 1 – Aurang is a Persian term for a warehouse – a place where goods are collected before being sold. The word also refers to a workshop for finished goods.

Statement 2 – The banian acted as an agent for individual EIC managers, and performed a range of functions including, bookkeeping, interpreting, and brokerage, as well as managing his household and personal business activities.

Statement 3 – Thalkari or Mirasdar paid land revenue, but were not officials and formed a large part of the village community, and were hereditary owners of the land. Mirasdar is an Arabic word (Miras=Inherit) for Thalkari.

Q.2) With reference to the religious history of India, consider the following statements:

1. Sthaviravadins belong to Mahayana Buddhism.
2. Lokottaravadin sect was an offshoot of Mahasanghika sect of Buddhism.
3. The deification of Buddha by Mahasanghikas fostered the Mahayana Buddhism.

Which of the statements given above is/are Correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 3 only
(d) 1, 2 and 3

Solution (b)

Statement 1is incorrect – Sthaviravadins is associated with Theravada. It is an early school of Buddhism. Buddhism is majorly divided into Mahayana and Hinayana Sects. Hinayana, also called as Theravadins, accept as authoritative the Pali canon of ancient Indian Buddhism and trace their sectarian lineage back to the Elders (Sanskrit: Sthaviras; Pali: Theras), who followed in the tradition of the senior monks of the first Buddhist sangha, or community. Thus, Theravada is also called Sthaviravada.

Statement 2 is correct – The Mahāsaṅghikas believed in a plurality of buddhas who are supramundane (lokottara) and held that what passed for Gautama Buddha in his earthly existence was only an apparition. The school was first located in the area of Vaiśālī and spread also to southern India, with centres at Amarāvatī and Nāgārjunakoṇḍa. Its texts were written in Prākrit. It further divided into several subsects, of which the best known was the Lokottaravāda (so called because of its views on lokottara).

Statement 3 is correct – Mahāsaṅghika, (from Sanskrit mahāsaṅgha, "great order of monks"), early Buddhist school in India that, in its views of the nature of the Buddha, was a precursor of the Mahāyāna tradition. (https://www.britannica.com/topic/Mahasanghika)

Q.3) Which of the following statements correctly explain the impact of Industrial Revolution on India during the first half of the nineteenth century?
(a) Indian handicrafts were ruined.
(b) Machines were introduced in the Indian textile industry in large numbers.
(c) Railway lines were laid in many parts of the country
(d) Heavy duties were imposed on the imports of British manufactures

Answer: (a)

Cheap and machine-made imports flooded Indian Market and Indian products found it difficult to penetrate the Indian market. This Industrial revolution ruined the Indian Handicrafts.

Q.4) Consider the following events in the history of India:
1.Rise of Pratiharas under King Bhoja
2.Establishment of Pallava power under Mahendravarman-I
3.Establishment of Chola power by Purantaka
4.Pala dynasty founded by Gopala

What is the correct chronological order of the above events, starting from the earliest time?
(a) 2-1-4-3
(b) 3-1-4-2
(c) 2-4-1-3
(d) 3-4-1-2

Solution (c)

EXPLANATION:

- Rise of Pratiharas under King Bhoja – 830s
- Establishment of Pallava power under Mahendravarman – I – 600s
- Establishment of Chola Parantaka – I – 910s
- Pala dynasty founded by Gopala – 750s

Q.5) Which of the following phrases defines the nature of the Hundi' generally referred to in the sources of the post Harsha period?

(a) An advisory issued by the king to his subordinates
(b) A diary to be maintained for daily accounts
(c) A bill of exchange
(d) An order from the feudal lord to his subordinates

Solution (c)

EXPLANATION:

Hundis are an informal mode of instrument or bill of exchange; thus it has no place in the legal system and the Negotiable Instruments Act does not regulate or cover them. They are a bill of exchange and were used in a manner in which cheques are used today in common parlance.

REFERENCE:

https://www.rbi.org.in/scripts/ms_hundies.aspx

683. New Development Bank (NDB)

- It was established by the **BRICS countries.**
- The purpose of NDB is to fund sustainable development projects in the **BRICS countries and other developing countries and emerging markets.**
- The NDB is projected to **complement** World Bank and the International Monetary Fund, rather than as a challenge to them.
- The idea behind the NDB was mooted by India at the **4th BRICS Summit in New Delhi in 2012.**
- The formation treaty was signed in 2014 in the sixth **BRICS Summit in Fortaleza, Brazil.**
- In 2018, the NDB achieved 'Observer' status at the United Nations General Assembly.
- It is headquartered in Shanghai, China. There are regional offices in all other member countries except in India.

NDB Governance

- The NDB is governed by a **Board of Governors.**
- The Board comprises the **finance ministers of the BRICS nations.**
- The voting power is based on each **member's shareholding in the NDB.**
- Currently, all the members have **equal voting rights.**
- Membership to the Bank is open to all members of the UN but the share of the BRICS nations can never be less than **55% of voting power.**
- The President of the NDB is elected from among the member countries.
- There are four vice presidents who are from the remaining members.
- The first President of the NDB was India's K. V. Kamath. The second and current President is Brazil's Marcos Prado Troyjo (since 2020).
- **India is the Chair of the BRICS grouping for 2021.**

684. Asian Infrastructure Investment Bank (AIIB)

- AIIB started operations in 2016 by the terms of the AIIB Articles of Agreement.
- **It is headquartered in Beijing**
- It is a **development bank** with a mission to improve the economic and social outcomes **in Asia**.
- It focuses on investment in sustainable infrastructure and developmental projects.

Governance of Asian Infrastructure Investment Bank

- Membership in the AIIB is open to all members of the World Bank or the Asian Development Bank and is divided into regional and non-regional members.
    - Regional members are those located within areas classified as Asia and Oceania by the United Nations.
- Unlike other MDBs (multilateral development bank), the AIIB **allows for non-sovereign entities** to apply for AIIB membership, assuming their home country is a member.
    - Thus, sovereign wealth funds (such as the China Investment Corporation) or state-owned enterprises of member countries could potentially join the Bank.
- The Board of Governors of the bank consists of a **governor and an alternate governor of each member country.**
- These Governors and Alternate Governors can further hand over the powers and responsibilities to the **Board of Directors.**

Finances of AIIB

- The initial total capital of **AIIB is 100 billion dollars.**
- **China** is the largest contributor to the Bank, contributing **USD 50 billion**, half of the initial subscribed capital.
- **India** is the second-largest shareholder, contributing **USD 8.4 billion.**

Voting Rights

- **China is the largest shareholder with 26.61** % voting shares in the bank followed by **India (7.6%),** Russia (6.01%) and Germany (4.2 %).
- The regional members hold 75% of the total voting power in the Bank.
- The AIIB has a governance structure similar to other MDBs (multilateral development bank), with two key differences:
    - it does **not have a resident board of executive directors** that represents member countries' interests on a day-to-day basis; and
    - the AIIB gives **more decision making authority to regional countries** and the largest shareholder, China.
- **The recipients of AIIB financing** may include **member countries** (or agencies and entities or enterprises in member territories), as well as **international or regional agencies** concerned with the economic development of the Asia-Pacific region.
- The Bank can lend outside Asia provided that it supports connectivity with Asia or it is for a global public good and that the loan significantly benefits Asia.
    - **The ceiling for non-regional loans is 25%.**

AIIB and India

- India holds 7.6% of shares in the bank.
- India is the largest beneficiary of AIIB financing for infrastructure projects.
- The projects in India span a range of sectors such as energy, water, transport, etc. including the **Bangalore Metro Rail.**
- The bank has also given approval for $500 million for a COVID-19 Emergency Response Fund and Health Systems Preparedness Project.

New Development Bank	Asian Infrastructure Investment Bank
Members: 5	Members: 103
HQ: Shanghai, China	HQ: Beijing, China
Formed: 2014	Formed: 2006
Each member has one vote. Votes are based on the members' shareholding.	Votes are based on the size of each member country's economy (GDP in PPP terms).
Membership is open to all UN members.	Membership is open to all members of the Asian Development Bank or the World Bank.

685. Vodafone case

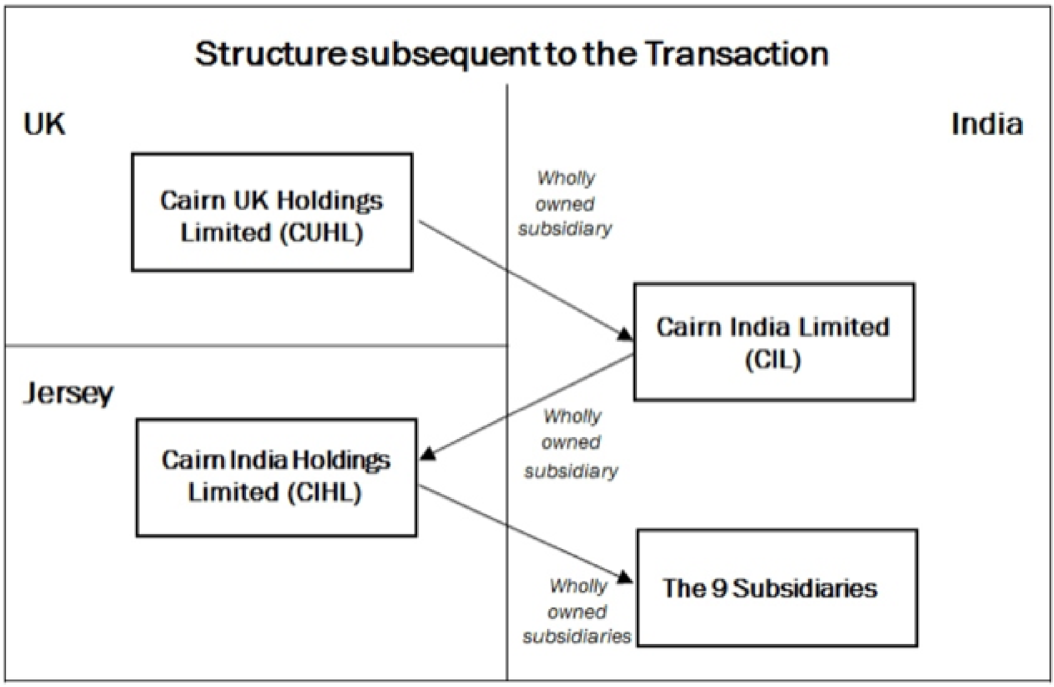
- UK-based Vodafone acquired the company Hutchison Essar, which was offering telecom services in India, for a consideration of $11 billion.
- Although the deal did not happen in India, Vodafone was slapped with a huge income tax demand. The India government for the first time raised a demand of **Rs 7,990 crore in capital gains from Vodafone.**
- Vodafone challenged the demand notice in the Bombay High Court, which ruled in favor of the Income Tax Department.
- After a protracted legal battle, Vodafone was given relief by the Supreme Court of India, which ruled that **Indian authorities could not tax a deal executed in the Cayman Islands.**
- It was this verdict which led to the 2012 changes to India's Income Tax Act, which brought such indirect corporate transactions into the country's tax net.
    - If an Indian asset was held by a foreign company and an acquirer bought this holding company, such a transaction was deemed to be taxable in India because the underlying asset was located in India.
    - More importantly, this change was made **retrospectively applicable from 1962**, a decision that clearly sought to make the Vodafone transaction taxable, apart from other such deals.
    - The retrospective applicability of this provision met with sharp criticism. No less than then-UK Prime Minister Gordon Brown raised his country's concerns with India
- Vodafone Group then invoked Clause 9 of the Bilateral Investment Treaty (BIT) signed between **India and the Netherlands** in 1995 and filed a case against India at the Permanent Court of Arbitration (PCA) at the Hugue, Netherlands.
- The PCA ruled in favour of Vodafone and also directed the Indian government to pay Vodafone an excess of 4 million pounds, being 60% of the company's costs for legal representation and assistance.
- On 5 August,2021 the ghost of this retrospective tax was laid to rest. The government introduced The Taxation Laws (Amendment) Bill, 2021, to undo the insidious provision from the Finance Bill of 2012
    - The government will not be raising tax demands in any such case if the transaction occurred before 28 May 2012. Any demand already raised will be withdrawn and the principal amount of any taxes collected will be paid back.

686. Cairn India Dispute

In News: In December 2020, the Permanent Court of Arbitration (PCA) ruled against India in retrospective tax dispute between the Indian Government and Cairn Energy PLC.

Cairn Tax Dispute with India Background

- Before 2006 (listing in BSE), the India operations of Cairn Energy were owned by a company called Cairn India Holdings Ltd (CIHL) incorporated in Jersey, UK.
- Initially, Cairn Energy's assets in India were owned by **Cairn India Holdings Ltd,** which was a fully-owned subsidiary of **Cairn UK Holdings (CUHL),** which in turn, was fully owned by **Cairn Energy PLC.**
    - Cairn India Holdings Ltd was based in the UK.
    - Cairn Energy PLC is an oil and gas company headquartered in the UK and listed on the London Stock Exchange.



- In 2006, **Cairn India Ltd. (CIL)** acquired the entire share capital of Cairn India Holdings (CIHL) from Cairn UK Holdings (CUHL). In exchange, 69 per cent of the shares in CIL were issued to Cairn UK Holdings (CUHL).
    - Hence, Cairn Energy (CPLC), through Cairn UK Holdings (CUHL), held 69 per cent in Cairn India Ltd.
- This transaction, according to the Indian tax authorities, gave Cairn Energy Plc capital gains of ₹24,500 crores. This was the basis on which the tax was demanded by India.
- Later, in 2011, Cairn Energy sold Cairn India to mining billionaire Anil Agarwal's Vedanta group, barring a minor stake of 9.8 per cent. It wanted to sell the residual stake as well but was barred by the I-T department from doing so. The government also froze payment of dividend by Cairn India to Cairn Energy.
- In 2012, government introduces retrospective tax amendment in finance bill and in 2014 the IT authorities launches a retrospective tax probe into transactions undertaken prior to IPO.

Retrospective Taxation

- In 2012, India amended its **Income Tax Act, 1961** to ensure that a transfer of shares that takes place outside India can also be taxed if the value of the shares is based on assets in India. And, this was applied retrospectively.

Appeals by the Company

- The **ITAT ruled against the company** while the case is still pending in the High Court.
- Then, the company initiated arbitration proceedings in the **Permanent Court of Arbitration** under the U.K.-India Bilateral Investment Treaty.

Cairn's Arguments

- Until the amendments were made to tax retrospectively, there was no tax levied on indirect transfers, i.e.., transfer of shares by a non-resident in non-Indian companies which indirectly owned assets in India.
- They said that this taxation breached the UK-India Bilateral Investment Treaty.

India's defence

- India contended that "Indian law **has long permitted taxation where a transaction** has a strong economic nexus with India".

PCA Ruling

- India had **breached the UK-India Bilateral Investment Treaty.**
- It ordered the Indian Government to pay **compensation to Cairn to the tune of about $1.2 billion** (about Rs.10000 crore).

687. Aircel- Maxis Case

- Aircel is an Indian network operator, while Maxis Berhad is Malaysian communications service provider.
- In 2006, Maxis had taken over Aircel by acquiring a **74% stake.**
- In 2011 when Aircel owner C Sivasankaran lodged a complaint with the **Central Bureau of Investigation (CBI)** alleging he had been pressured to sell his stake to Maxis.
- Siva Sankaran also alleged that former Union minister Dayanidhi Maran and his industrialist brother Kalanithi received kickbacks in the form of Maxis group's investments (through the Astro network) in Sun TV Network, which is owned by the Dayanidhi Maran family.
- On October 10, the CBI registered a case. The following year, the Enforcement Directorate registered a **money-laundering** case against the Maran brothers for allegedly receiving illegal compensation of about Rs 5.5 billion in the Aircel-Maxis deal.

Chidambaram's role:

- BJP leader and advocate Subramanian Swamy had alleged that a company controlled by Karti Chidambaram, the son of former finance minister P Chidambaram, had in 2006 received a 5 per cent stake in Aircel in return for getting Maxis to pay Rs 40 billion for 74 per cent shares of Aircel.
- According to Swamy, Chidambaram withheld **Foreign Investment Promotion Board (FIPB)** clearance of the deal until his son received the five-per cent share in Sivasankaran's company.
-

688. SWIFT

SWIFT (Society for Worldwide Interbank Financial Telecommunication)

Context: The Reserve Bank of India (RBI) had been warning lenders on the possible misuse of SWIFT; it has fined 36 banks for negligence.

SWIFT:

- SWIFT is the **global messaging software** and is headquartered in Brussels, Belgium.
- It allows financial entities to send and receive messages about financial transactions in a secure, standardized and reliable environment.
- Its core role is to provide a secure transmission channel so that Bank A knows that its message to Bank B goes to Bank B and no one else. Bank B, in turn, knows that Bank A, and no one other than Bank A, sent, read or altered the message en route. Banks, of course, need to have checks in place before actually sending messages.
- It is a global **member-owned cooperative.**
- It was founded in 1973 to develop a secure electronic messaging service and common standards to facilitate cross-border payments.
    - Prior to SWIFT, the only reliable means of message confirmation for **international funds transfer was Telex.** It was discontinued due to a range of issues such as **low speed, security concerns, and a free message format.**

- The **messages are encrypted** to protect confidentiality.
- SWIFT does not facilitate funds transfer: rather, it sends payment orders, which must be settled by correspondent accounts that the institutions have with each other.
- SWIFT neither holds funds on its own nor manages external client accounts.

Do You Know?

- One of its biggest failures in the PNB case was the missing link between SWIFT and the bank's backend software.
- This allowed fraudsters to use **letters of understanding or a loan request** to another bank through the SWIFT network to transfer funds.

689. RCEP

Context: 15 countries came together and signed the Regional Comprehensive Economic Partnership (RCEP) on the sidelines of an online ASEAN summit hosted by Vietnam on 15th Nov 2020.

- Even as India opted to stay out after walking out of discussions, RCEP has made it clear that the door will remain open for India to return to the negotiating table.

What is RCEP?

- 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.
- **Objective**: The purpose of the deal is to create an **"integrated market"** spanning all 16 countries. It would make it easier for products and services of each of these countries to be available across this region.
- **Mega Trade deal:** It was described as the "largest" regional trading agreement as the countries involved account for almost half of the world's population, contribute over a quarter of world exports, and make up around 30% of the global GDP.
- Negotiations to chart out this deal had been on since 2013, and India was expected to be a signatory until its decision in November 2019 to stay out of the deal.

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

Why did India walk out?

- **Unfavourable Balance of Trade:** 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.
- **Fear of Dumping of Chinese Goods:** India has already signed FTAs with all the countries of RCEP except China. This is the major concern for India, as after signing RCEP cheaper products from China would have flooded the Indian market.
- **Non-acceptance of Auto-trigger Mechanism:** In order to deal with the imminent rise in imports, India had been seeking an auto-trigger mechanism that would have allowed India to raise tariffs on products in instances where imports cross a certain threshold. However, other countries in RCEP were against this proposal.
- **Lack of Consensus on Rules of Origin:** Rules of origin are the criteria used to determine the national source of a product. India was concerned about a "possible circumvention" of rules of origin. The deal did not have sufficient safeguards to prevent routing of the products.
- **Protecting domestic industries:** Throughout the negotiations, the dairy industry demanded protection as the industry was expected to face stiff competition from Australia and New Zealand when the deal was signed. Similarly, steel and textiles sectors have also demanded protection.
- **MFN Status:** India wanted RCEP to exclude most-favoured nation (MFN) obligations from the investment chapter, as it did not want to hand out, especially to countries with which it has border disputes, the benefits it was giving to its strategic allies
- **Issue of Market Access:** RCEP also lacked clear assurance over market access issues in countries such as China and non-tariff barriers on Indian companies.
- **Lack of Commitment to resolve above issues:** India had been "consistently" raising "fundamental issues" and concerns throughout the negotiations and was prompted to take this stand as they had not been resolved by the deadline to commit to signing the deal.
- **No deal better than bad agreement**: India's stance was based on a "clear-eyed calculation" of the gains and costs of entering a new arrangement, and that no pact was better than a "bad agreement".

690. Basel Norms

- Basel norms or Basel accords are the **international banking regulations issued by the Basel Committee on Banking Supervision.**
- The Basel norms is an effort to coordinate banking regulations across the globe, with the **goal of strengthening the international banking system.**
- It is the **set of the agreement by the Basel committee of Banking Supervision (BCBS)** which focuses on the risks to banks and the financial system.
  - BCBS was **established by the Central Bank governors of the Group of Ten countries in 1974.**
  - The committee expanded its membership in 2009 and then again in 2014. The BCBS **now has 45 members from 28 Jurisdictions,** consisting of Central Banks and authorities with responsibility of banking regulation.
  - It provides a forum for regular cooperation on banking supervisory matters.
  - Its objective is to enhance understanding of key supervisory issues and **improve the quality of banking supervision worldwide.**

Basel-I

- It was introduced in 1988.
- It **focused almost entirely on credit risk.**

  - Credit risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. Traditionally, it refers to the risk that a lender may not receive the owed principal and interest.
- The minimum capital requirement was fixed a**t 8% of risk weighted assets (RWA).**
  - RWA means assets with different risk profiles.
- **India adopted Basel-I guidelines in 1999.**

Basel-II

- In 2004, Basel II guidelines were published by BCBS.
- The guidelines were **based on three parameters,** which the committee calls it as pillars.
  - **Capital Adequacy Requirements:** Banks should maintain a minimum capital adequacy requirement of 8% of risk assets
  - **Supervisory Review:** According to this, banks were needed to develop and use better risk management techniques in monitoring and managing all the three types of risks that a bank faces, viz. credit, market and operational risks.
  - **Market Discipline:** This needs increased disclosure requirements. Banks need to mandatorily disclose their CAR, risk exposure, etc to the central bank.
- Basel II norms in India and overseas are yet to be fully implemented though India follows these norms**.**

Basel III

- In 2010, Basel III guidelines were released.
- These guidelines were introduced in response to the financial crisis of 2008.
- A need was felt to further strengthen the system as banks in the developed economies were under-capitalized, over-leveraged and had a greater reliance on short-term funding.
- It was also felt that the quantity and quality of capital under Basel II were deemed insufficient to contain any further risk.
- The norms focuses on four vital banking parameters **viz. capital, leverage, funding and liquidity.**

1. Capital adequacy ratio is to be maintained at 12.5%.
   - Common Equity Tier 1 must be at least 4.5% of risk-weighted assets (RWA)
   - Tier 1 capital must be at least 6%.
   - The total minimum capital adequacy ratio of both tiers, also including the capital conservation buffer, is 10.5%.
   - In addition, banks have to maintain a **capital conservation buffer of 2.5%.**
   - **Counter-cyclical buffer** is also to be maintained at 0-2.5%.

2. **Leverage:** The leverage rate has to be at least 3 %. The leverage rate is the ratio of a bank's tier-1 capital to average total consolidated assets.
   - The **liquidity coverage ratio (LCR)** will require banks to hold a buffer of high-quality liquid assets sufficient to deal with the cash outflows.
3. **& 4: Funding & Liquidity**
   - Basel-III created **two liquidity ratios: LCR and NSFR.**
   - The **liquidity coverage ratio (LCR)** will require banks to hold a buffer of high-quality liquid assets sufficient to deal with the cash outflows encountered in an acute short term stress scenario as specified by supervisors.
   - This is to prevent situations like **"Bank Run".** The goal is to ensure that banks have enough liquidity for a 30-days stress scenario if it were to happen.

- The **Net Stable Funds Rate (NSFR)** requires banks to maintain a stable funding profile in relation to their off-balance-sheet assets and activities. NSFR requires banks to fund their activities with stable sources of finance (reliable over the one-year horizon).
- The minimum NSFR requirement is 100%. Therefore, LCR measures short-term (30 days) resilience, and NSFR measures medium-term (1 year) resilience.

The **deadline for the implementation** of Basel-III was March 2019 in India. It was postponed to March 2020. In light of the coronavirus pandemic, the RBI decided to defer the implementation of Basel norms by further 6 months.

Do You know?

- **Bank run** occurs when a large number of customers of a bank or other financial institution withdraw their deposits simultaneously over concerns of the bank's solvency. As more people withdraw their funds, the probability of default increases, prompting more people to withdraw their deposits.

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771. & 772. MCQs

Q.1) With reference to Trade-Related Investment Measures (TRIMS), which of the following statements is/are correct?

1. Quantitative restrictions on imports by foreign investors are prohibited.
2. They apply to investment measures related to trade in both goods and services.
3. They are not concerned with the regulation of foreign investment.

Select the correct answer using the code given below:

a. 1 and 2 only
b. 2 only
c. **1 and 3 only**
d. 1, 2 and 3

Solution (c)

EXPLANATION:

This Agreement, negotiated during the Uruguay Round, applies only to measures that affect trade in goods. Recognizing that certain investment measures can have trade-restrictive and distorting effects, it states that no Member shall apply a measure that is prohibited by the provisions of GATT Article III (national treatment) or Article XI (quantitative restrictions).

Q.2) If the RBI decides to adopt an expansionist monetary policy, which of the following would it not do?

1. Cut and optimize the Statutory Liquidity Ratio
2. Increase the Marginal Standing Facility Rate
3. Cut the Bank Rate and Repo Rate

Select the correct answer using the code given below:

a. 1 and 2 only
b. **2 only**
c. 1 and 3 only
d. 1, 2 and 3

Solution (b)

EXPLANATION:

When expansionist monetary policy has to be enforced, in simple terms it means money flow in the market should be increased, for that RBI takes several Qualitative and quantitative measures such as decreasing Repo Rate, SLR etc.

REFERENCE:

https://www.economicsdiscussion.net/reserve-bank/monetary-policy-of-rbi-policy-of-credit-expansion-control-with-evaluation/31364

https://iasbaba.com/2020/05/rbi-new-announcement-to-boost-economy-all-india-radio-air-ias-upsc/

Q.3) With reference to the Indian economy after the 1991 economic liberalization, consider the following statements:

1. Worker productivity (per worker at 2004 — 05 prices) increased in urban areas while it decreased in rural areas.

2. The percentage share of rural areas in the workforce steadily increased.
3. In rural areas, the growth in the non-farm economy increased.
4. The growth rate in rural employment decreased.

Which of the statements given above is/are correct?

a. 1 and 2 only
b. **3 and 4 only**
c. 3 only
d. 1, 2 and 4

Solution (b)

EXPLANATION:

Statement 1: Workers productivity increase in both Urban and Rural areas but the rate of increase was high in Urban compared to Rural areas.

Statement 2: The percentage share of rural areas in the workforce increased for male but reduced for females.

Statement 3: In rural areas, the growth in the non-farm economy increased.

Statement 4: Growth rate was positive but the rate of growth got increased after 1992 liberalization.

Plans	Annual GDP Growth Rate (at constant price)	Growth of Employment
I Plan (1951-56)	3.7	0.39
II Plan (1956-61)	4.2	0.85
III Plan (1961-66)	2.8	2.03
IV Plan (1969-74)	3.4	1.99
V Plan (1974-79)	5.0	1.84
VI Plan (1979-84)	5.4	1.89
VII Plan (1987-92)	5.5	1.38
VIII Plan (1992-97)	6.6	1.13
IX Plan (1997-02)	5.5	1.14
X Plan (2002-07)	7.9	0.96

Q.4) Consider the following statements:

1. In terms of short-term credit delivery to the agriculture sector, District Central Cooperative Banks (DCCBs) deliver more credit in comparison to Scheduled Commercial Banks and Regional Rural Banks
2. One of the most important functions of DCCBs is to provide funds to the Primary Agricultural Credit Societies.

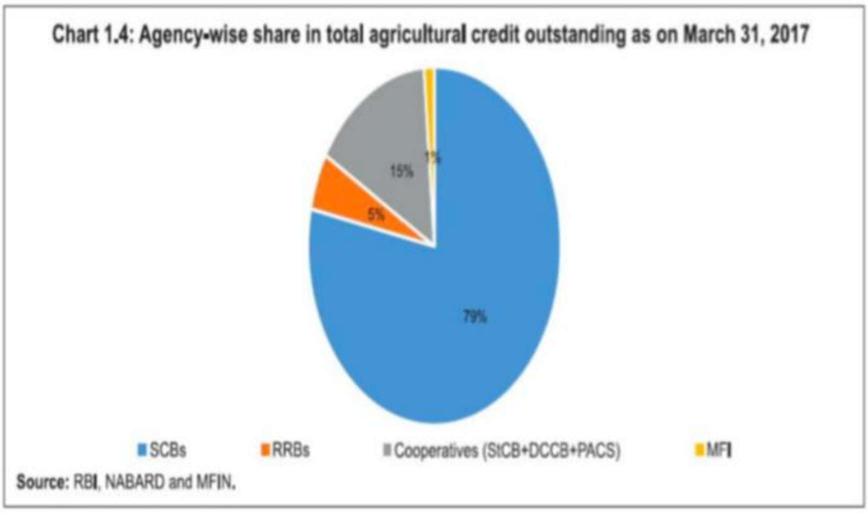
Which of the statements given above is/are correct?

a. 1 only
b. **2 only**
c. Both 1 and 2
d. Neither It nor 2

Solution (b)

Explanation:

In institutional sources, for the agricultural credit, it includes commercial banks, co- operative credit institutions, regional rural banks. Under institutional sources, commercial bank entered this field very recently. The co- operative institutions play an important role in providing credit to agricultural sector.



The district central co-operative bank occupies a key position in the co-operative credit structure. But the District Central Cooperative Banks (DCCBs) does not provide quantitatively more credit in comparison to Scheduled Commercial Banks and Regional Rural Banks. **So, statement 1 is not correct.**

Although statement 1 is not correct, the above pie-chart demonstrates share of total agricultural credit and not short-term credit. In short-term credit, share of SCBs is around 60% and that of Cooperative Banks is around 30%.

The most significant functions of the district central co-operative bank is to provide financial support to the primary co-operative societies that are affiliated to it in the district . These societies belong to highly diverse categories like the primary agricultural credit societies, the producers' cooperative societies, handloom and handicrafts co-operative societies, salary earners co-operative societies consumers co-operative societies, primary urban co-operative banks etc. However, one of the most significant roles of the district central co-operatives bank is to support and develop the primary agricultural credit societies. **So, statement 2 is correct.**

Q.5) In India, under cyber insurance for individuals, which of the following benefits are generally covered, in addition to payment for the loss of funds and other benefits?

1. Cost of restoration of the computer system in case of malware disrupting access to one's computer
2. Cost of a new computer if some miscreant wilfully damages it, if proved so
3. Cost of hiring a specialized consultant to minimize the loss in case of cyber extortion
4. Cost of defence in the Court of Law if any third party files a suit

Select the correct answer using the code given below:

a. 1, 2 and 4 only
b. **1, 3 and 4 only**
c. 2 and 3 only
d. 1, 2, 3 and 4

Solution (b)

Cyber Insurance is designed to guard businesses from the potential effects of cyber-attacks. It helps an organisation mitigate risk exposure by ofsetting costs, after a cyber-attack/breach has happened. To simplify, cyber Insurance is designed to **cover the fees, expenses and legal costs associated with cyber breaches that occur after an organisation** has been hacked or from theft or loss of client/employee information. In India, cyber insurance covers (generally) the following:

- Identity theft
- Cyber-bullying and cyber-stalking Cyber extortion
- **Malware intrusion**
- Financial loss due to unauthorized and fraudulent use of bank account, credit card and mobile
- Wallets
- **Legal expenses arising out of any covered risk**
- Social Media Cover
- Phishing Cover
- E-mail Spoofing
- Media Liability Claims Cover
- Cyber Extortion Cover
- Privacy Breach and Data Breach by Third Party.

Hence only options 1, 3 and 4 are correct.

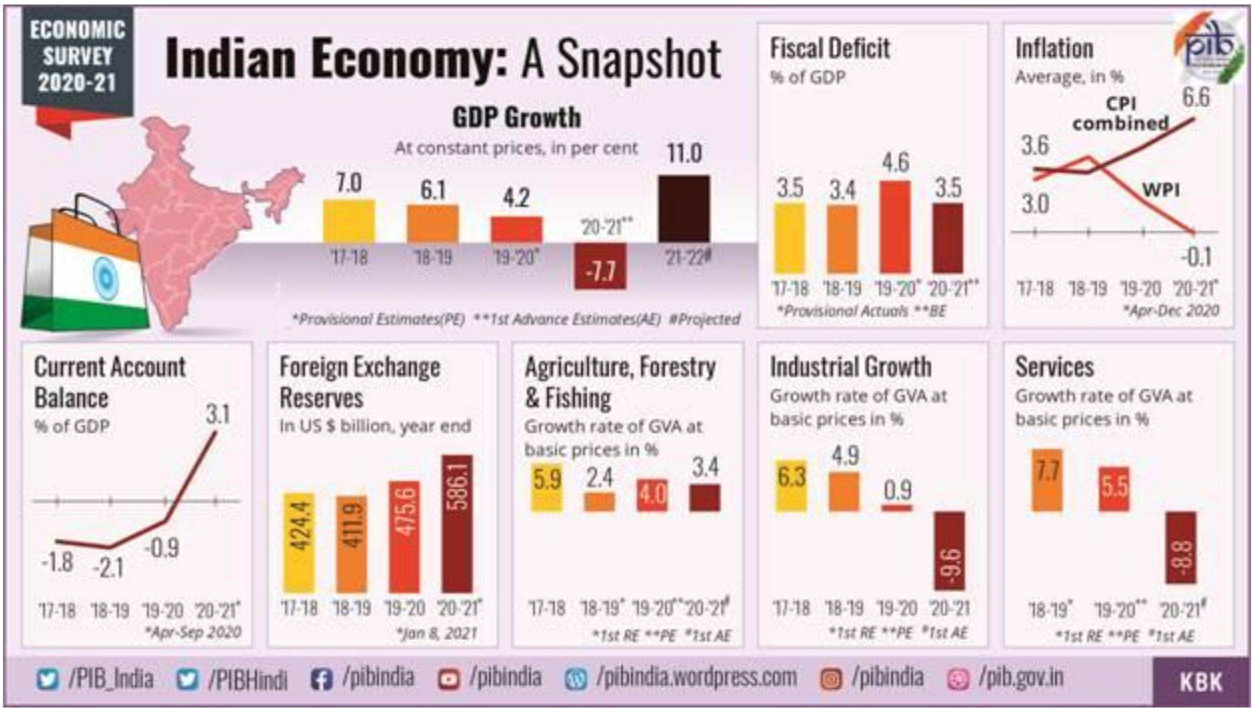
773. About economic survey

- It is an **annual document released by the Ministry of Finance,** Government of India.
- In this government presents on the **state of the economy in the past one year,** the key challenges it anticipates.
- The Economic Survey document is **prepared by the Economics Division of the Department of Economic Affairs (DEA)** under the guidance of the **Chief Economic Advisor.**
  - The **first Economic Survey in India** was presented in the **year 1950-51.**
  - Up to 1964, it was **presented along with the Union Budget.**
  - The survey was de-linked from the Budget in the year 1964 and circulated in advance so that a context of the Budget can be provided.
  - The Economic Survey is presented normally a day before the presentation of the Union Budget in the Parliment by the Finance Minister
- The Economic Survey is at once a government document and also an opportunity for the Chief Economic Adviser to provide a disinterested, economic objective analysis
- It is **not binding** on the Government to present the Economic Survey. It is nowhere mentioned in the constitution. However, it is now part of the Government Practice to present Economic Survey every year before the budget.
- Most of the developed and emerging countries in the world follow the tradition of bringing out the Economic Surveys. USA, Scandinavian nations and EU etc publish their own Economic Survey.
- **Significance:**
  - Bringing citizens close to economic policy making by providing data and analysis in a comprehensible manner is one of the services and the challenges of the Economic Survey.
  - Citizen awareness and participation are key to democratize policies and economic decision making. For this reason, the Chief Economic Adviser and the Economic Division conduct extensive outreach to disseminate the Survey.

774. Economy and Covid 19

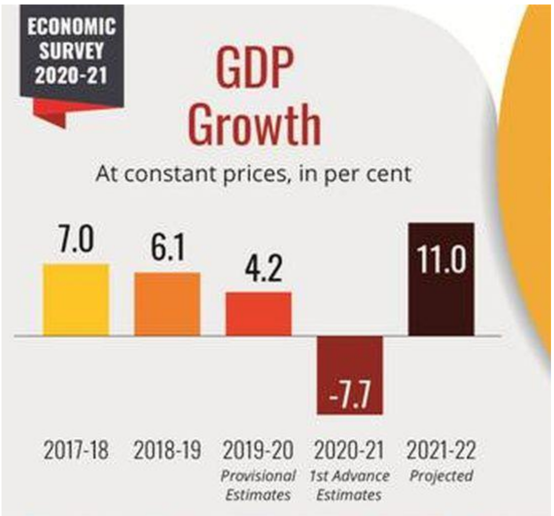
Strategy to face the pandemic:

- One of the key insights was that **pandemic spreads faster in higher and denser population** and intensity of lockdown matters most at the beginning of the pandemic.
- India adopted a unique **four-pillar strategy of containment, fiscal, financial, and long-term structural reforms.**
    - A **favorable monetary policy** ensured abundant liquidity.
    - **Cushioning the vulnerable** in the lockdown and **boosting consumption and investment** while unlocking.
    - The **Rs. 1.46-lakh crore Production Linked Incentive (PLI) scheme** is expected to make India an integral part of the global supply chain.
    - **National Infrastructure Pipeline** launched to accelerate the demand push and further the recovery.
- Starting July 2020, a resilient V-shaped recovery is underway.



775. GDP estimation

- India's **real GDP** to record a growth of **11% in 2021-22 and nominal GDP** by 15.4% - the highest since independence.
    - These projections are in line with **International Monetary Fund estimates**.
- India's GDP is estimated to **contract by 7.7%** in the **Financial Year (FY)** 2020-21.
- Sector-wise, **agriculture has remained the silver lining.**
- While **contact-based services, manufacturing, construction were hit hardest,** and have been recovering steadily.
- The **external sector provided an effective cushion to growth** with India recording a **Current Account Surplus of 3.1% of GDP** in the first half of FY 2020-21.



776. External Sector

- India's forex reserves at an all-time high of US$ 586.1 billion as on January 08, 2021.
- Balance on the capital account is buttressed by robust FDI and FPI inflows:
    - Net FDI inflows of US$ 27.5 billion in April-October 2020: **14.8% higher** as compared to first seven months of FY2019-20.
    - Net FPI inflows of **US$ 28.5 billion in April-December 2020 as against US$ 12.3 billion** in corresponding period of last year.
- **External debt stood at US$ 556.2 billion at the end of September 2020, a decrease of US$ 2.0 billion (0.4%) as compared to end-March 2020.**

777. Debt Sustainability and Growth

- **Growth leads to debt sustainability** in the Indian context but not necessarily vice-versa.
- Debt sustainability **depends on the 'Interest Rate Growth Rate Differential' (IRGD),** i.e., the difference between the interest rate and the growth rate.
- **Negative IRGD in India** – not due to lower interest rates but much higher growth rates.
- Fiscal policy that provides an impetus to growth will lead to **lower debt-to-GDP ratio.**
- Given India's growth potential, **debt sustainability is unlikely to be a problem** even in the worst scenarios.
- Desirable to use **counter-cyclical fiscal policy** to enable growth during economic downturns.

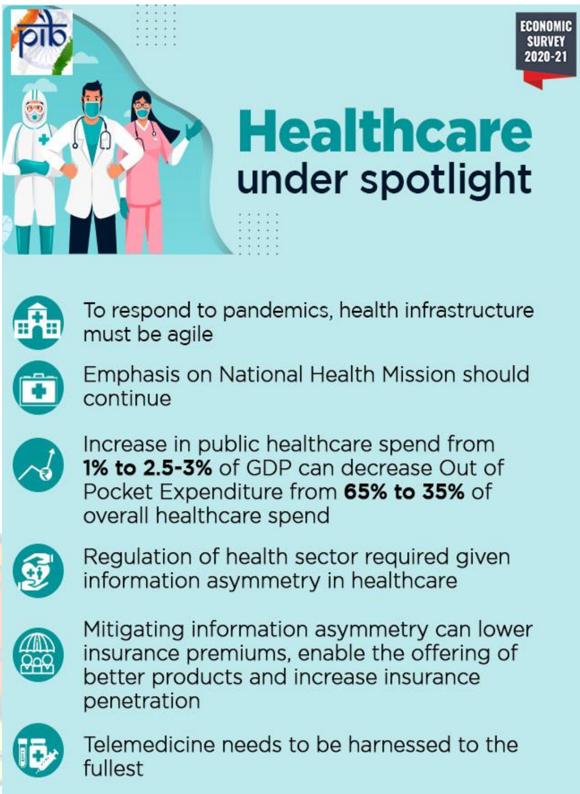
778. Service sector

- The services sector **accounts for over 54% of India's Gross Value Added (GVA)** and nearly four-fifths of total **Foreign Direct Investments (FDI)** inflow into India.
- Services sector accounts for 48% of total exports, outperforming goods exports in recent years.
- Key indicators such as **Services Purchasing Managers' Index**, rail freight traffic, and port traffic, are all displaying a V-shaped recovery after a sharp decline during the lockdown.
- **Start Up:** The Indian **start-up ecosystem has been progressing** well amidst the Covid-19 pandemic,
- India being home to 38 unicorns - adding a record number of 12 start-ups to the unicorn list last year.
- **Space Sector:** India's **space sector** has grown exponentially in the past six decades.

779. Health and Education

Healthcare:

- **PM-JAY** contributed to improvement in many health outcomes in States that implemented the ambitious program.



National Health Mission (NHM):

- **NHM** played a critical role in mitigating inequity as the access of the poorest to pre-natal/post-natal care and institutional deliveries increased significantly.
- The scheme should be given prominence under **Ayushman Bharat**.

Government Spending:

- An increase in government spending on the healthcare sector – from the current 1% to 2.5-3% of GDP – as envisaged in the **National Health Policy 2017** could reduce out-of-pocket expenditures.

Education

- India has attained **a literacy level of almost 96% at the elementary school level.**
- As per **National Sample Survey (NSS)**, the **literacy rate of persons of age 7 years and above at the All India level stood at 77.7%**.
- Female literacy remained below the national average among social groups of SC, ST, OBC, including religious groups of Hinduism and Islam.
- The **percentage of enrolled children** from government and private schools owning a smartphone increased **enormously** from **36.5% in 2018 to 61.8% in 2020 in rural India.**
- **PM eVIDYA** is a comprehensive initiative related to digital/online/on-air education.
- Around 92 courses have started and 1.5 crore students are enrolled under **Swayam Massive Open Online Courses (MOOCs) .**
- **PRAGYATA** guidelines on digital education have been developed.
- The **MANODARPAN** initiative for psychological support has been included in Atmanirbhar Bharat Abhiyan.

Vocational Courses and Skill Development:

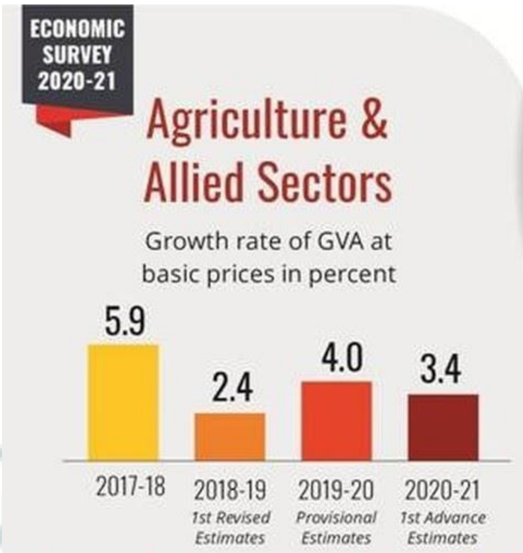
- Vocational courses will be introduced phase-wise in schools for classes 9 to 12.
- As part of the Centre's flagship skilling scheme **Pradhan Mantri Kaushal Vikas Yojana 3.0.**
    - Merely **2.4% of India's workforce in the age group of 15-59 years have received formal vocational** or technical training.
    - While another 8.9% obtained training through informal sources.

- Out of the 8.9% workforce who received non-formal training, the largest chunk is contributed by **on-the-job training** (3.3%), followed by **self-learning (2.5%) and hereditary sources (2.1%)** and other sources (1%).
- Among those who received formal training, the **most opted training course** is IT-ITeS among both males and females.
- The Unified Skill Regulator- **National Council for Vocational Education and Training (NCVET)** was operationalized recently.

780. Agriculture

Growth:

- The Agriculture and Allied activities clocked a growth of **3.4%.**
- As per the Provisional Estimates of **National Income** released by **Central Statistical Organization**, the share of Agriculture and Allied Sectors in **Gross Value Added (GVA)** of the country at current prices is **17.8% for the year 2019-20.**



Export:

- In 2019-20, the major agricultural and allied export destinations were the **USA, Saudi Arabia, Iran, Nepal and Bangladesh.**
- The top agriculture and related products exported from India were **marine products, basmati rice, buffalo meat, spices, non-basmati rice, cotton raw, oil meals, sugar, castor oil and tea.**

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RaRe Notes

DAY 109 - ECONOMY

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Index

781. & 782. MCQs

Q.1) With reference to cultural history of India consider the following pairs:

1 Parivrajaka :: Renunciant and Wanderer
2 Shramana :: Priest with a high status
3 Upasaka :: Lay follower of buddhism

Which of the pairs given above are correctly matched?

a) 1 and 2 only
b) 1 and 3 only
c) 2 and 3 only
d) 1,2 and 3

Solution (b)

REFERENCE:

ILP Value Add Notes-Ancient India: All three were covered in VAN- Direct Hit

ILP 2020-ANCIENT IND...

- **Pravrajya:** Ceremony to mark a person's going forth from home into homelessness (in Buddhism)
- **Parajika**: It includes four most serious offences involving expulsion from the Sangha i.e Sexual intercourse, killing someone, making false claim of spirirual attainment and taking what is not given. (in Buddhism)
- **Upasakas:** Male followers who have taken refuge in the Buddha, Dhamma and Sangha but who have not taken monastic vows. (Upasika is for female followers)
- **Pavarana:** It is a Buddhist holy day celebrated on Aashvin full moon of the lunar month. It marks the end of rainy season, also called Buddhist Lent.
- **Uposatha/Upavasatha:** Ceremony held on full moon and new moon for act of confession (Buddhism)
- **Paribbajaka/Parivarajaka:** Wandered
- **Samana/Shramana:** One who strives to realize the truth.

Q.2) With reference to Indian elephants, consider the following statements:

1. The leader of an elephant group is a female
2. The maximum gestation period can be 22 months.
3. An elephant can normally go on calving till the age of 40 years only.
4. Among the States in India, the highest elephant population is in kerala.

Which of the statements given above is/ are correct?

a) 1 and 2 only
b) 2 and 4 only
c) 3 only
d) 1,3 and 4 only

Solution (a)

EXPLANATION:

Statement 1: Elephant families have a matriarchal head, meaning that an older, experienced lady elephant leads the herd. A family usually consist of a mother, her sisters, daughters their babies (calves). Occasionally, non-related elephants join to form families. Female family units range from three to twenty five elephants.

Statement 2: The Gestation period of African elephant is 22 months and for Asian elephants it is between 18-22 months.

Statement 3: Elephants can reproduce till the age of 45-60 years.

Statement 4: Karnataka has the highest Elephant population in India.

Q.3) Which of the following Protected Areas are located in the Cauvery basin?

1. Nagarhole National park
2. Papikonda National park
3. Sathyamangalam Tiger Reserve
4. Wayanad Wildlife sanctuary

Select the correct answer using the code given below:

a) 1 and 2 only
b) 3 and 4 only
c) **1,3 and 4 only**
d) 1,2,3 and 4

Solution (c)

EXPLANATION:

Papikonda comes in Godavery Basin rest all comes under Cauvery Basin.

Q.4)With reference to India's biodiversity, Ceylon frogmouth, Coppersmith barbet, Gray-chinned minivet and White- throated redstart are

a) Birds
b) Primates
c) Reptiles
d) Amphibians

Solution (a)

EXPLANATION:

Ceylon frogmouth, Coppersmith barbet, Gray-chinned minivet and White- throated redstart are birds found in India.

REFERENCE:Babapedia and also covered in Current Affairs Sessions

Brown-headed barbet

- It is an Asian barbet species native to the Indian subcontinent, where it inhabits tropical and subtropical moist broadleaf forests.
- It is widespread from the Terai in both Nepal and India to Sri Lanka, and listed as Least Concern on the IUCN Red List.
- It is an arboreal species of gardens and wooded country which eats fruit and insects. It is fairly tolerant of humans and often seen in city parks.
- The species is purely arboreal, living high from the ground in heavy foliage, making it hard to spot. Thus, like several other birds in India, this Barbet is exceedingly well known to many people only by sound and not by sight.

19th November – Sri Lankan Frogmouth

IASbaba | Posted on November 19, 2018

News: It was sotted in Chinnar Wildlife Sanctuary. Its presence was noticed on the eastern side of the Western Ghats for the first time

About

- It is found in the Western Ghats of south India and Sri Lanka.
- It is usually confined to its habitation in the western side of the Western Ghats forests

Q.5) Which one of the following protected areas is well-known for the conservation of a sub-species of the Indian swamp deer (Barasinga) that thrives well in hard ground and is exclusively graminivorous?

a) Kanha National Park
b) Manas National Park
c) Mudumalai Wildlife Sanctuary
d) Tal Chhapar Wildlife Sanctuary

Solution (a)

EXPLANATION:

The hard ground swamp deer, popularly known as Barasingha in India, which was once close to extinction in Kanha National Park in Madhya Pradesh, has been saved through a successful breeding program and conservation practices. After five decades of dedicated and efficient conservation work, the population of swamp deer in Kanha National Park is 800.

REFERENCE:Babapedia:

News: Kanha has become the first tiger reserve in India to officially introduce a mascot — Bhoorsingh the Barasingha — to present the hard ground swamp deer as the spirit of the reserve and spread awareness to save it from possible extinction

Highlights

- Barasingha, or swamp deer, is the state animal of Madhya Pradesh.
- The Kanha tiger reserve, spread over Mandla and Balaghat districts, is the only place in the world where the species exists.

783. Regulation in India

- The survey highlighted **excessive regulation in the country.**
- India **over-regulates the economy** resulting in regulations being ineffective.
- The root cause of the problem of **overregulation is an approach that attempts to account for every possible outcome.**
- The solution is to **simplify regulations** and invest in greater supervision which, by definition, implies greater discretion.
- Regulatory forbearance for banks after the Global Financial Crisis involved **relaxing the norms for restructuring assets, where restructured assets were no longer required to be classified as Non-Performing Assets**.

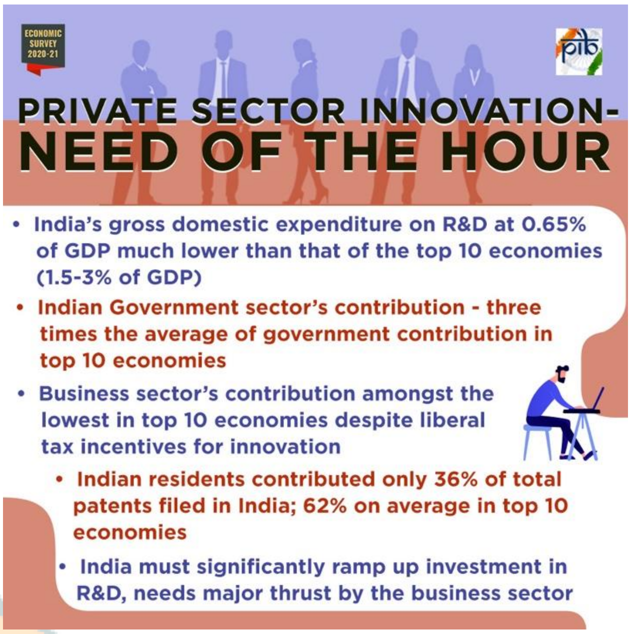
Suggestions:

- Instead of continuing regulatory forbearance for years, **policymakers should lay out thresholds of economic recovery** at which such measures will be withdrawn.

784. Innovation in India and Fiscal Numbers

India and Innovation:

- India **entered the top-50 innovating countries for the first time in 2020** since the inception of the **Global Innovation Index** in 2007,
- Ranking first in Central and South Asia, and third amongst lower middle-income group economies
- India's **Gross Domestic Expenditure on Research and Development (GERD)** is **lowest amongst top ten economies.**
- India's aspiration must be to compete on innovation with the top ten economies.



India and Sovereign Credit Ratings:

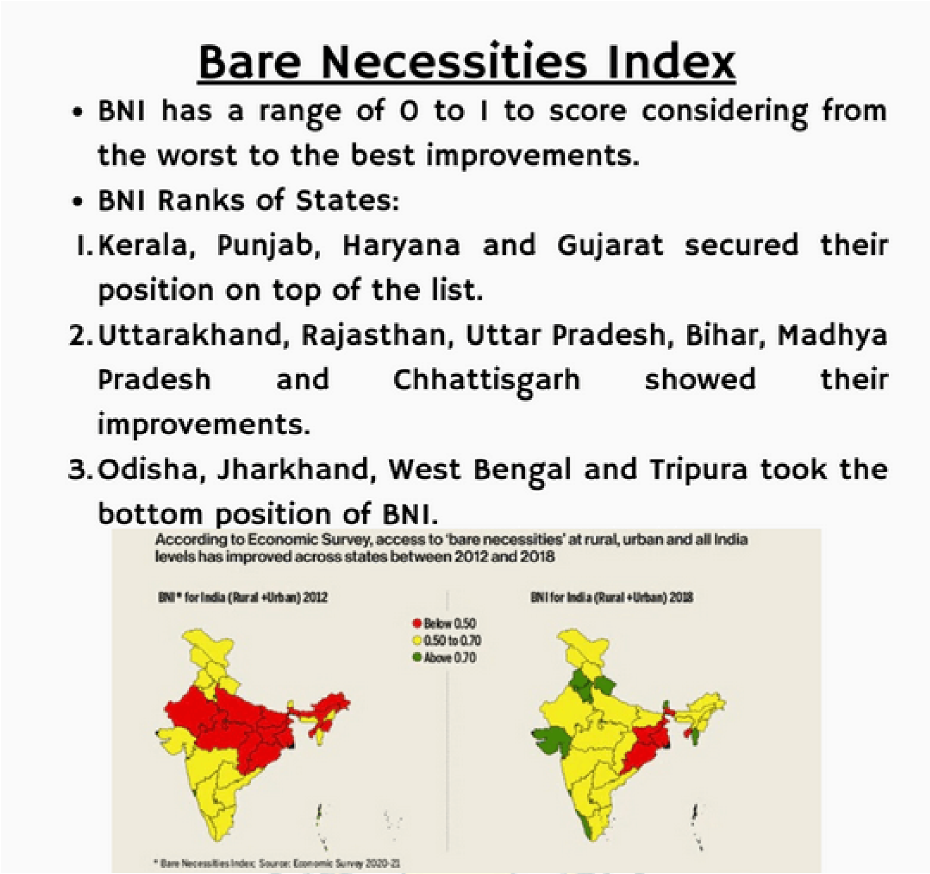
- India's **sovereign credit ratings do not reflect the economy's fundamentals** and the **global agencies should become more transparent and less subjective** in their ratings.

Fiscal Numbers

- As a percentage of GDP, government expenditure will fall to 15.6% for the current fiscal against 17.7% in the previous fiscal.
- Fiscal Deficit stood at **9.5% for FY21 and is pegged to be reduced to 6.8%** in FY22.
- With a steady decline over a period, the fiscal deficit target of 4.5% of GDP will be met by 2025-26
  - 15th FC has recommended reducing the FD to 4% by FY26.
  - The FRBM had set a target of **3% of GDP by FY21** (as per the amendment in 2018).
- Revenue deficit has been revised for FY21 to **7.5% and for FY22 to 5.1%.**
- The FD for the current fiscal will be the highest since liberalization reforms began in 1991.
- Govt had budgeted an FD target of 3.5% for the FY21 but the **pandemic inflicted twin shocks** to the balance sheet.
  - Contraction in the nominal GDP, reducing the tax revenues
  - Greater spending

785. Social Sector

- **Bare Necessities Index (BNI)** can be constructed for all/targeted districts to assess the progress on access to bare necessities.
  - The BNI summarises 26 indicators on **five dimensions** viz., water, sanitation, housing, micro-environment, and other facilities.
- Bare necessities have improved across all States in the country in 2018 as compared to 2012.



Inequality and Growth:

- **Economic growth has a greater impact on poverty alleviation than inequality.**
- India **must continue to focus on economic growth** to lift the poor out of poverty.
- **Redistribution in a developing economy is feasible** only if the size of the economic pie grows.

Social Infrastructure, Employment and Human Development:

- The **combined (Centre and States) social sector expenditure as % of GDP has increased in 2020-21** compared to last year.
- India's **rank in Human development Index (HDI) 2019 was recorded at 131,** out of a total 189 countries.
- Government's incentive to boost employment through **Aatmanirbhar Bharat Rozgar Yojana** is yielding results**.**

Low level of female Labor Force Participation Rate (LFPR) in India:

- Females spending disproportionately **more time on unpaid domestic and caregiving services** (Time Use Survey, 2019).
- **Need to promote non-discriminatory practices at the workplace** like pay and career progression.
- To improve work incentives, including medical and social security benefits for female workers.

786. Environment Protection

Sustainable Development and Climate Change:

- **Voluntary National Review (VNR)** presented to the **United Nations** High-Level Political Forum (HLPF) on Sustainable Development.
- **Localisation of SDGs** is crucial to any strategy aimed at achieving the goals.
- **Eight National Missions under the National Action Plan on Climate Change (NAPCC)** focused on the objectives of adaptation, mitigation and preparedness on climate risks.
- **Nationally Determined Contributions (NDC)** states that finance is a critical enabler of climate change action.
- **The International Solar Alliance (ISA)** launched two new initiatives –
    - **'World Solar Bank'** and **'One Sun One World One Grid Initiative' –** poised to bring about a solar energy revolution globally.

787. Budget Highlights

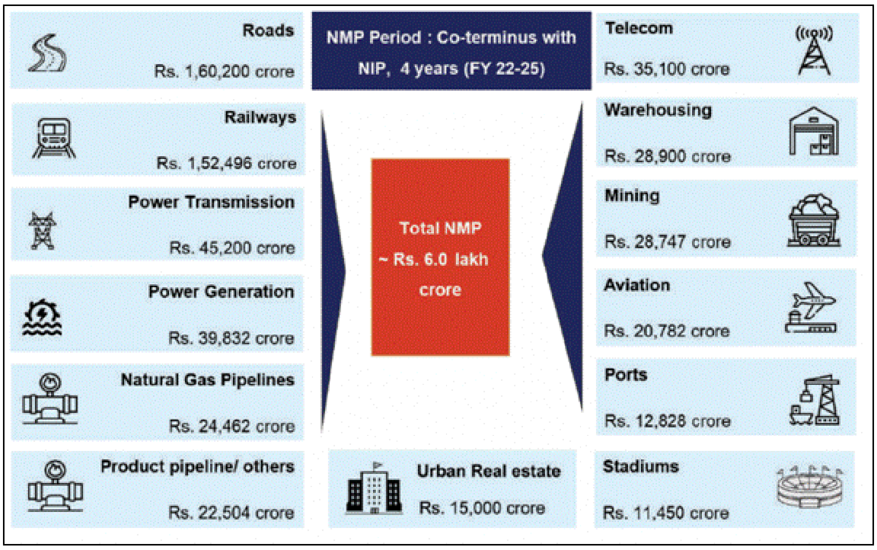
- Fiscal deficit stands at **9.5% of GDP which is estimated to be 6.8%** in the current Financial Year.
- State borrowings have been increased **up-to 4% of Gross State Domestic Product (GDSP).**
- The FDI limit in the insurance sector has been increased **from 49% to 74% under** the automatic route.
- The government expects to raise **Rs. 1 lakh crore from dis-investment** in public sector banks and financial institutions.
    - The **allocated capital budget for Defence has been fully utilized since 2016-17,** reversing the previous trends of surrender of funds.
- Budget **for MSMEs has been doubled** from the previous year to Rs.15, 700 crore.
- Dividend Income has now been made **taxable in the hands of recipient.** Earlier, the companies were paying a tax of 15% on dividends distributed by it to shareholders.
- Budget of Rs. 2,23,846 Crore has been allocated to the **Health care sector which ups 137%** compared to Rs. 94,452 Crore in previous year.
- **Vehicle scrapping policy** has been announced to phase out old and unfit vehicles.
- Further, all vehicles have to undergo a fitness test.

788. National Monetization Pipeline

In news Union finance minister recently launched the National Monetisation Pipeline (NMP), through which the government aims to raise $81 **billion by leasing out state-owned infrastructure assets over the next four years (**from FY22 to FY25)

What is asset monetisation?

- Asset Monetization involves the creation of new sources of revenue by unlocking of the value of existing unutilized or underutilized public assets.
- Many public sector assets are sub-optimally utilized and could be appropriately monetized by involving private sector (leasing or selling) to create better value from the assets.



Key features of the National Monetisation Plan

- The NMP's roadmap has been **formulated by NITI Aayog** in consultation with infrastructure line ministries, under the 'Asset Monetisation' mandate of the Union Budget 2021-22.
    - NITI Aayog has a Public Private Partnership Cell and has engaged transaction advisors to handhold any ministry for any support it needs in pursuing the monetisation roadmap.
- **The sectors in which assets** are being identified to monetise include roads, ports, airports, railways, power generation and transmission, telecom, warehousing, gas & product pipeline, mining, stadium, hospitality and housing.
- For now, the government has only included the assets of infrastructure line ministries and Central Public Sector Enterprises (CPSEs) working in the infrastructure sectors.
- Monetisation through disinvestment and monetisation of non-core assets **have not been** included in the NMP.
- The framework for monetisation of core asset monetisation has three key imperatives:
    a. **Monetisation of rights not ownership** which means the assets will have to be handed back at the end of transaction life. The overall transaction will be structured around revenue rights.
    b. **Brownfield de-risked assets:** There is no land here, this entire (NMP) is about brownfield projects where investments have already been made and there is a completed asset which is either languishing or it is not fully monetised or is under-utilised.
    c. **Structured partnerships** under defined contractual frameworks & transparent competitive bidding, where Contractual partners will have to adhere to Key Performance Indicators and Performance Standards.
- The assets and transactions identified under the NMP are expected to be rolled out **through a range of instruments.**
    - These include direct contractual instruments such as public private partnership concessions and capital market instruments such as Infrastructure Investment Trusts (InvIT) among others.
    - **For Ex:** Under the plan, private firms can invest in projects for a fixed return using the InvIT route as well as operate and develop the assets for a certain period before transferring them back to the government agency.
    - The choice of instrument will be determined by the sector, nature of asset, etc.
- NMP aims to provide a **medium term roadmap** of the programme for public asset owners; along with visibility on potential assets to the private sector.
- The NMP will run co-terminus with the **National Infrastructure Pipeline** of Rs 100 lakh crore announced in December 2019.

- **An empowered committee** has been constituted to implement and monitor the Asset Monetization programme. The Core Group of Secretaries on Asset Monetization (CGAM) will be headed by the Cabinet Secretary.
- **Real time monitoring** will be undertaken through the asset monetization dashboard. The government will closely monitor the NMP progress, with yearly targets and a monthly review by an empowered committee
- **The top 5 sectors** (by estimated value) capture ~83% of the aggregate pipeline value. These include: Roads (27%) followed by Railways (25%), Power (15%), oil & gas pipelines (8%) and Telecom (6%)

Merits of the NMP

- **Resource Efficiency:** It leads to optimum utilisation of government assets.
- **Fiscal Prudence:** The revenue accrued by leasing out these assets to private sector will help fund new capital expenditure without pressuring government finances.
- **Streamlining the Process:** Monetisation of assets is not new, but the government has finally organised it in baskets, set targets, identified impediments, and put in place a framework.
- **Mobilising Private Capital:** Since the assets are de-risked as it is brownfield projects, it will help in mobilising private capital (both domestic & foreign). Global investors have revealed that they are keen to participate in projects to be monetised through a transparent/competitive bidding process.
- **Less Resistance:** The plan involves leasing to private sector without transferring ownership or resorting to fire sale of assets. Therefore, it is going to face less resistance from the opposition.
- **Cooperative Federalism:** To encourage states to pursue monetisation, the Central government has already set aside Rs 5,000 crore as incentive.
    - If a state government divests its stake in a PSU, the Centre will provide a 100 per cent matching value of the divestment to the state.
    - If a state lists a public sector undertaking in the stock markets, the Central government will give it 50 per cent of that amount raised through listing.
    - If a state monetises an asset, it will receive 33 of the amount raised from monetisation from the Centre.
- **Promoting Public-Private Partnership:** The end objective of NMP is to enable 'Infrastructure Creation through Monetisation' wherein the public and private sector collaborate, each excelling in their core areas of competence, so as to deliver socio-economic growth and quality of life to the country's citizens.

789. New Schemes Launched

National Institution for One Health

- 17,788 rural and 11,024 urban Health and Wellness Centers
- **4 regional National Institutes for Virology**
- 15 Health Emergency Operation Centers and **2 mobile hospitals**
- **Integrated public health labs** in all districts

Mission Poshan 2.0 to be launched:

- To strengthen nutritional content, delivery, outreach, and outcome
- Merging the Supplementary Nutrition Program and the Poshan Abhiyan

A comprehensive **National Hydrogen Energy Mission 2021-22**

- It aims for generation of hydrogen from green power resources.

Jal Jeevan Mission (Urban) - to be launched with an aim to provide:

- **2.86 crore household tap connections**
- Universal water supply in all 4,378 Urban Local Bodies

Scrapping Policy

- **Voluntary** vehicle scrapping policy to **phase out old and unfit vehicles**
- **Fitness tests** in automated fitness centres:
- After **20 years** in case of **personal vehicles**
- After **15 years** in case of **commercial vehicles**

Production Linked Incentive scheme (PLI)

- 5 years for PLI schemes in **13 Sectors**
- To help manufacturing companies become an integral part of **global supply chains**, possess core competence and **cutting-edge technology**

790. New Schemes Launched

Mega Investment Textiles Parks (MITRA) scheme:

- **To set up 7 Textile Parks** to be established over 3 years
- Textile industry to become **globally competitive**, attract **large investments** and **boost employment generation** & **exports**

National Infrastructure Pipeline (NIP) expanded to 7,400 projects:

- Around 217 projects worth **Rs. 1.10 lakh crore** completed
- Measures in three thrust areas to increase funding for NIP:
  1. Creation of institutional structures
  2. Big thrust on monetizing assets
  3. Enhancing the share of capital expenditure
- **Rs. 20,000 crore** to set up and capitalize a **Development Financial Institution(DFI)** – to act as a provider, enabler and catalyst for infrastructure financing
- **Rs. 5 lakh crore** lending portfolio to be created under the proposed DFI in 3 years

Other initiatives

- **'MetroLite'** and **'MetroNeo'** technologies to provide metro rail systems at much lesser cost with similar experience in Tier-2 cities and peripheral areas of Tier-1 cities.
- A single **Securities Markets Code** to be evolved
- Support for development of a **world class Fin-Tech hub at the GIFT-IFSC**
- **National Language Translation Mission (NTLM)** to make governance-and-policy related knowledge available in major Indian languages.