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IT’S TIME FOR A UNIVERSAL BASIC INCOME PROGRAMME IN INDIA

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

The ongoing crisis is creating changes that could end up dividing society into pre- and post-COVID-19 days. These changes are also likely to exacerbate the novel challenges accompanying the fourth industrial revolution.

Today, disruptive technologies like artificial intelligence are ushering in productivity gains that we have never seen before. They are also steadily reducing human capital requirements, making jobs a premium. A microcosm of these trends can be seen in Silicon Valley. The region is home to five of the world’s eight most valuable companies. These giants, all technology companies, have a cumulative market cap of over $4 trillion, yet they together directly employ just 1.2 million people.

Also read | Pandemic fallout revives talk of universal basic income

Many consider a universal basic income (UBI) programme to be a solution that could mitigate the looming crisis caused by dwindling job opportunities. UBI is also deliberated as an effective poverty-eradication tool. Supporters of this scheme include Economics Nobel Laureates Peter Diamond and Christopher Pissarides, and tech leaders Mark Zuckerberg and Elon Musk.

UBI in its true sense would entail the provision of an unconditional fixed amount to every citizen in a country. Nevertheless, countries across the world, including Kenya, Brazil, Finland, and Switzerland, have bought into this concept and have begun controlled UBI pilots to supplement their population.

India’s huge capacity and infrastructure-building requirements will support plenty of hands in the foreseeable future. Nonetheless, even before the pandemic, India was struggling to find enough opportunities for more than a million job aspirants who were entering the job market each month.

Also read | India has to come to terms with inequality: Thomas Piketty

The 2016-17 Economic Survey and the International Monetary Fund (IMF) had once proposed quasi-basic income schemes that leave out the well-off top quartile of the population as an effective means of alleviating poverty and hunger. The fiscal cost of a UBI pegged at 7,620, at 75% universality, was 4.9% of the GDP. A UBI on par with the numbers suggested by the Economic Survey could lead to targeted household incomes increasing by almost 40,000 per annum, since the average Indian household size is approximately five.

The political will was nonetheless lukewarm because of the costs involved. Requirements to trim some of the existing subsidies to balance the resultant deficit were also difficult political minefields for the then government. So the proposition was finally shelved.

The times now are very different. IMF has projected global growth in 2020 to be -3.0%, the worst since the Great Depression. India is projected to grow at 1.9%. The U.S. economy is expected to fall by 5.9%. The unemployment rate and unemployment claims in the U.S., since President Donald Trump declared a national emergency, is the highest since the Great Depression. Unfortunately, India does not even have comparable data.
Lockdowns in some format are expected to be the norm till the arrival of a vaccine. With almost 90% of India’s workforce in the informal sector without minimum wages or social security, micro-level circumstances will be worse in India than anywhere else. The frequent sight of several thousands of migrant labourers undertaking perilous journeys on foot in inhumane conditions is a disgraceful blight on India. One way to ensure their sustenance throughout these trying times is the introduction of unconditional regular pay checks at maximum universality, at least till the economy normalises. If universal basic income ever had a time, it is now.

Anil K. Antony is the Convener of INC – Kerala Digital Media, and the National Coordinator of PIIndia.org, a COVID19 action group. Tweets @anilk Antony

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To reassure Indian Muslims, the PM needs to state that the govt. will not conduct an exercise like NRC

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TWO MUCH INEQUALITY TENDS TO RETARD ECONOMIC GROWTH

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

Income should be somewhat equitably distributed to ensure effective demand and spur investment

Inequality in society is like air pollution. Everyone is affected by it to a varying extent. It’s also an inevitable consequence of economic activity; i.e., people pursuing their dreams, some of them racing ahead, some falling behind. Inequality also arises and persists because of past factors that entrench disparity between social classes across generations. Kids from lower-income families do not have access to good-quality schools and can be trapped in low-paying jobs, or worse, fall into drug use and crime. The cycle can perpetuate. If inequality, measured by income, wealth, opportunity, or access to quality public services, is inevitable and much of it is inherited, should we worry about it? Depends on your perspective. If you are a diehard free market proponent who roots for small government, you may say let economic growth generate wealth, and let the rich do philanthropy to take care of the less fortunate. In this perspective, inequality is beyond the domain of economic policy, though it’s a moral issue. State interference only makes it worse, they say. The other perspective is of the “bleeding heart liberal”, who will insist on a large role for government in taking money from the rich and giving it to the poor. Their motivation is also morality and fairness, but unlike free marketeers, they see a solution only in coercive tax-and-spend policies.

There is a problem with both perspectives. Leaving the rich to freely decide on philanthropy is no guarantee that inequality will reduce. And insisting on government intervention through redistributive taxation might reduce growth itself, shrinking the available pie for transferring money to the poor. Is there a way a more scientific, reasoned approach to inequality?

Yes, there is. Thankfully, this debate has been informed by a rich body of literature from the field of political economy over at least six decades. A doyen of this field, Harvard economist Alberto Alesina passed away last month. His contribution through research, writing and mentorship of students has vastly improved our understanding of many aspects of political economy. In particular, his work sheds light on the interconnection between economic growth on one hand, and the health of democracy, political instability and inequality on the other. Based on his work, and that of several others, we can safely conclude that too much inequality hurts economic growth.

It works in several ways. It can cause social instability, leading to crime, and insecurity of private property, which could slow down investment and growth. Or it can cause the polity to get so divided that voting outcomes almost always deliver “left wing” high-tax policies, which reduce economic growth. If a vast majority of voters are poor, not themselves subject to a tax burden, they would vote for high government expenditure, which implies heavy taxation of the rich or high taxes on capital. This leads to lower investment and growth. For instance, in India we have only seven payers of direct taxes for every 100 voters. This ratio is among the most skewed in the world. Either our income tax system is too forgiving, or there are too many people below the minimum threshold. If, however, the underlying income distribution were less unequal, we might get electoral outcomes that favour growth and moderate levels of taxation and spending on redistribution. Thus, inequality affects growth through political channels. Is this a possible explanation for India’s stagnant investment to gross domestic product ratio for the past four
years? There is also a non-political channel of influence. If income distribution is highly
concentrated, then it limits effective aggregate demand and investment in capacity creation. If
rural purchasing power were too low, you would not see growth in sectors such as consumer
goods and two-wheelers. Income should be somewhat equitably distributed to ensure effective
demand and thus induce optimum growth. When Prime Minister Narendra Modi said India’s
strengths were democracy, demography and demand, he meant “effective demand” that is
armed with sufficient purchasing power, which is impossible if income inequality is too skewed.

So, just how much inequality is too much? When does it call for redistribution and/or higher
public spending? This is usually a question that society answers through its collective choice
mechanism of elections. But given the covid pandemic and economic crisis, it is clear that we
need to address it as a top priority. The effort starts with the universal distribution of foodgrain,
pulses, oil and even soap. It includes cash injections into households for a period of four to six
months. It calls for clearing the pending dues of tens of millions of small businesses; access to
future loans is not the same as getting paid for past services.

Paying for such a necessary stimulus would mean borrowing from current or future generations,
which is what deficit financing is all about. Keynesian policies only talked about filling gaps of
aggregate demand, not fixing an income distribution skew. But we must acknowledge that a
better distribution today creates conditions for faster overall growth tomorrow. Which in turn will
make today’s debt more affordable, because tomorrow’s pie will be much bigger. Inequality
reduction can be through explicit transfers, or by increases in the level and quality of public
goods and services. The key insight of Alesina et al is that inequality reduction is just as
important for growth as measures like the ease of doing business.

Ajit Ranade is an economist and a senior fellow at The Takshashila Institution

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REGULATING CRYPTOocurrency EXCHANGES

Written by Radhika Pandey and D Priyadarshini

By striking down the Reserve Bank of India circular of April 6, 2018, the Supreme Court has given a fillip to crypto exchanges in the country. The circular had stopped traders and exchanges from accessing the banking system. Unable to conduct trades, several exchanges had shut down or moved overseas. Now, some have returned, others are seeing increased users and one has recently secured a multi-million dollar investment.

But the judgment has also rekindled the question of regulating crypto exchanges. There exists no clear legal and regulatory framework governing them. Recent reports suggest that the government may be mulling over a regulatory framework for cryptocurrencies. The RBI has also recently clarified that banks are not prohibited from providing services to traders and exchanges. Given the above, this article examines the broad contours of the possible approaches that can be taken to regulate crypto exchanges as they perform important functions but also carry significant risks.

Similar to stock exchanges, crypto exchanges provide an online platform or marketplace, albeit for cryptocurrencies. By also enabling trade or exchange of cryptocurrencies for fiat money, they connect the crypto and traditional financial systems. Regulators also look to exchanges for information on users and transactions, although this may depend on their organisational structure and functions. For example, centralised exchanges offer a single point of regulation. They have an entity in charge of the platform’s governance and act as an intermediary throughout the trading process, namely, storing clients’ funds, monitoring trades and ensuring fulfilment of orders. But decentralised exchanges enable trades or exchanges on a peer-to-peer basis through an automatic process involving smart contracts. They make regulation challenging due to the anonymity of users and lack of central presence.

Crypto exchanges have also assumed importance due to their role in initial exchange offerings (IEO). Unlike initial coin offerings where the issue of coins or tokens is made directly to investors, with the latter responsible to assess the project’s credibility, crypto exchanges intermediate and vet an IEO through due diligence of projects and KYC scrutiny of issuers. Crypto exchanges have therefore emerged as a key market infrastructure within the crypto-ecosystem.

But there are several concerns due to which regulation and supervision is required. In its heyday, MT Gox crypto exchange accounted for nearly 70 per cent of all Bitcoin transactions. Its hacking led to losses estimated in billions of dollars today. It went bankrupt. Investors’ claims are yet to be settled. More recently, the sudden death of the CEO of Canada’s largest exchange in India left millions of investors’ money inaccessible in offline wallets. He alone knew the passwords. Such instances highlight some of the key risks associated with crypto exchanges — the safety and security of cryptocurrencies and lack of investor/consumer protection in the form of recourse, and quick and orderly access to their own funds/assets.

Moreover, unlike traditional securities markets, crypto exchanges perform additional functions like custody of assets or funds, clearing and settlement. They are also known to co-mingle client and proprietary funds or assets sometimes. Such practices, without adequate internal checks and controls, lead to conflicts of interest, micro-prudential and consumer protection risks.
Of particular concern is the un-intermediated access given to retail investors of complex products without adequate disclosures or advice regarding their suitability. The borderless nature of cryptocurrencies and service providers (like wallets and payment processing) weaken the ability to enforce investors’ rights and recover their assets. Crypto exchanges are also known to enable circumvention of capital controls and commission of financial crime including money laundering and terrorism financing.

International experience illustrates some broad principles for regulating crypto exchanges. Typically, in jurisdictions that categorise cryptocurrencies as securities or other financial instruments, licensed crypto exchanges have emerged as a point of regulation, including for the implementation of anti-money laundering (AML) and terrorism financing (CFT) laws. Recognition then entails the application of existing securities laws as in the case of the US, UK, Japan or Hong Kong, or laws specifically designed for cryptocurrencies like Malta. International standard setting bodies like FATF and IOSCO too have provided guidance from time to time. Pertinently, IOSCO’s recent report on cryptocurrency trading platforms recognises that risks currently associated with trading on such platforms and traditional risks in securities trading are similar. The report also notes that securities laws objectives like consumer protection and market integrity continue to apply even if underlying technology and business models of crypto exchanges pose unique challenges.

Accordingly, a legal and regulatory framework must first define cryptocurrencies as securities or other financial instruments under the relevant national laws and identify the regulatory authority in charge. Regulation must then define the entry points — who can carry out crypto exchange and intermediary functions, who can trade and what can be traded. Operation of crypto exchanges or intermediaries like brokers or custodians can be subject to receiving regulatory licenses. Licenses may be issued based on compliance with eligibility requirements and a detailed scrutiny of operational policies and procedures on internal governance, risk management and financial resources. Trading can be restricted to approved cryptocurrencies as in the case of Japan. Exchanges can be required to screen undesirable cryptocurrencies that don’t permit tracing or are vulnerable to cyberattacks. Regulations can also require the performance of stringent KYC checks and independent verification by exchanges before onboarding investors. Access to retail or unsophisticated investors can be prohibited (like Hong Kong) or intermediated through professional advisors.

Thereafter, regulation must provide for ongoing supervision on matters concerning safety and security of assets and funds, transparency of operations including trading and price discovery, comprehensive and timely disclosures on the cryptocurrencies traded including risks and suitability for retail investors, and compliance with AML/CFT requirements. Record keeping, inspections, independent audits, investor grievance redressal and dispute resolution may also be considered to address concerns around transparency, information availability and consumer protection. Ongoing regulation and supervision seek to reduce the possibility of exchanges failing. But when they do, regulation must enable investor protection through quick and orderly access to their funds or assets.

Cryptocurrencies are borderless and often transcend regulatory classifications (as security, commodity or payment mechanism for example). Establishing robust information sharing and coordination mechanisms between regulators and enforcement agencies within the country, and with relevant foreign agencies would therefore be crucial too.

The writers are fellows at the National Institute of Public Finance and Policy

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NEW DELHI: The Union Cabinet on Monday approved the modalities and road map for implementing the micro, small and medium enterprises (MSMEs), farmer and street vendor package that was last month announced as part of the 20 trillion stimulus to restart a teetering economy.

The cabinet committee on economic affairs (CCEA) chaired by Prime Minister Narendra Modi also approved the increase in the Minimum Support Prices (MSPs) for 14 crops that are 50%-83% higher than the cost of cultivation in an effort to put more money in the hands of farmers.

The other decision included a loan of Rs10,000 which is likely to benefit nearly 50 lakh street vendors called Svanidhi or Street Vendors Aatmanirbhar Nidhi (self reliant fund).

This comes in the backdrop of the government reaching out to financially weaker sections, migrant workers and farmers, amid growing criticism that the lockdown, while necessary, was unplanned, resulting in a mass migration, the biggest since partition.

“Historic decisions were taken in the meeting which will have a transformative impact on the lives of hardworking farmers of the country, MSMEs and street vendors. MSMEs form the backbone of Indian economy. More than 6 crore MSMEs work silently and contribute immensely for India to become self-reliant,” union minister of information and broadcasting Prakash Javadekar told reporters in a press conference on Monday said adding that roadmap for being self-reliant is being drawn up.

Amid escalating border tensions with China, Prime Minister Modi has pitched for a New Deal for Aatmanirbhar Bharat, as India aspires to make a play for larger role in global supply chains.

The cabinet by approving the Rs20,000 crore package for distressed MSMEs and a Rs50,000 crore equity infusion through Fund of Funds has fully paved the way for energising MSME Sector through Atma Nirbhar Bharat or self-reliant India package, said union MSME, road transport and highways minister Nitin Gadkari while briefing reporters.

The government will set up 10,000 crore fund, which, with leverage, will be able to finance equity infusion of about 50,000 crores in small businesses. The move is expected to expand size as well as capacity of MSMES and will encourage them to get listed on main board of domestic bourses, Gadkari said.

The imposition of stringent lockdown measures brought economic activity to a standstill, hitting small businesses—major job creators and the backbone of the Indian economy—the worst.

The cabinet also approved the new definition of MSMEs that will include higher investment limit and an additional norm based on turnover. It will replace the current one based on self-declared investment on plant and machinery, Gadkari said.

For instance, in case of micro manufacturing and service enterprises, the investment limit will be increased to up to one crore and turnover limit to up to five crore. Till now, for micro
manufacturing enterprises, the investment limit was 25 lakh and 10 lakh for the service sector. The turnover limit for medium industries will be increased to 250 crore, with investment limit of 20 crore.

These announcements were a part of the first batch of measures announced last month that intend to give relief to the poor including migrant workers, farmers, street vendors and members of tribal community and amount to Rs3.10 trillion. Last month, the government announced a slew of measures, which included collateral-free, automatic loans backed by government guarantee, and updated definition of MSMEs, besides expediting payment of pending dues.

The new definition will not distinguish between manufacturing and service sector, Gadkari said, adding that an ordinance regarding the same has been approved and a notification will be released tomorrow.

This comes in the backdrop of restrictions been considerably eased off in the fifth phase of the lockdown since 25 March. The long-awaited stimulus package of Rs20 trillion for businesses and workers to soften the devastating blow from the coronavirus lockdown that has pushed many companies to the brink of bankruptcy with revenues and cash flows disappearing overnight. With around one out of every four workers in India without work, the Indian economy is staring at an economic precipice as businesses down shutter and job losses become a norm.

Briefing reporters at the end of the CCEA meeting in New Delhi, agriculture and farmers welfare Minister Narendra Singh Tomar said the MSP of paddy had been increased by 50% over the cost of cultivation to 1868, that of jowar by 50% over the cost of cultivation to 2,620 and bajra by 83% over the cost of cultivation to 2,150.

Tomar, also the minister of rural development and Panchayati Raj said that the CCEA has extended an interest subvention scheme for farmers by another three months to 31 August.

Farmers are given loans at 9% rate of interest by banks. The government gives them a subsidy of 2% on this. If farmers return the loan on time, they get a further 3% reduction on the interest, Tomar said adding that this meant those who repay loans on time have to pay only 4% interests on their loans.

Given that the country was grappling with the covid-19 pandemic, the government had previously extended the date of repayment to 31 May. This deadline has now been further extended to 31 August, the minister said.

“This will be a big relief for farmers," Tomar said.

Shreya Nandi, Elizabeth Roche, Sayantan Bera, Gyan Varma & Anuja in New Delhi contributed to the story

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CABINET APPROVES UPWARD REVISION OF MSME DEFINITION AND MODALITIES/ ROAD MAP FOR IMPLEMENTING REMAINING TWO PACKAGES FOR MSMES (A)RS 20000 CRORE PACKAGE FOR DISTRESSED MSMES AND (B) RS 50,000 CRORE EQUITY INFUSION THROUGH FUND OF FUNDS

In line with Government of India’s top focus on energising MSMEs in the country, a special meeting of Cabinet Committee on Economic Affairs (CCEA) was convened under the Chairmanship of Prime Minister Shri Narendra Modi, here today, which approved the upward revision of MSME definition and modalities/ road map for laying down effective implementation mechanism for the remaining two announcements under the Atmanirbhar Bharat Package. These include:

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With today’s approval, implementation Modalities and Road Map for entire components of the Atmnirbhar Bharat Abhiyan package are in place. This will help in attracting investments and creating more jobs in the MSME sector.

In the aftermath of COVID-19 pandemic, Prime Minister Shri Modi was quick to recognise the role of MSMEs in building the Nation. As such, MSMEs formed a very prominent part of the announcements made under the Atmanirbhar Bharat Abhiyaan. Under this package, the MSME sector has not only been given substantial allocation but has also been accorded priority in implementation of the measures to revive the economy. To provide immediate relief to MSME sector, various announcements have been made under the Package. The most important ones also included:

Government of India has been taking all necessary steps to ensure that the benefit of these landmark decisions reaches to the MSMEs at the earliest. In this regard, following necessary policy decisions have been already taken and the implementation strategy has been put in place.
To manage all this, a robust ICT based system called CHAMPIONS has also been launched by the Ministry of MSME. The portal is not only helping and handholding MSMEs in the present situation, but is also providing guidance to grab the new business opportunities and in the long run, become national and international Champions.

MSME Ministry is committed to support the MSMEs, and the people who depend on them. All efforts are being made to encourage MSMEs to take benefit of the initiatives under the Atmanirbhar Bharat package and our other schemes.

**Background:**

Micro, small and Medium Enterprises (MSMEs) popularly called as MSMEs are the backbone of Indian economy. Silently operating in different areas across the country, more than 6 crore MSMEs have a crucial role to play in building a stronger and self-reliant India. These small economic engines have a huge impact on the country’s GDP-making a contribution of 29 percent. They contribute to almost half of exports from the country. Additionally, more than 11 crore people are employed in the MSME sector.

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VRRK/SH

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VRRK/SH

END
PM MODI LAUNCHES CHAMPIONS: TECHNOLOGY PLATFORM TO EMPOWER MSMES

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

Prime Minister Shri Narendra Modi today launched the technology platform CHAMPIONS which stands for Creation and Harmonious Application of Modern Processes for Increasing the Output and National Strength.

As the name suggests, the portal is basically for making the smaller units big by solving their grievances, encouraging, supporting, helping and handholding. It is a real one-stop-shop solution of MSME Ministry.

This ICT based system is set up to help the MSMEs in present difficult situation and also to handhold them to become national and international champions.

Detailed objectives of CHAMPIONS:

It is a technology packed control room-cum-management information system. In addition to ICT tools including telephone, internet and video conference, the system is enabled by Artificial Intelligence, Data Analytics and Machine Learning. It is also fully integrated on real time basis with GOI’s main grievances portal CPGRAMS and MSME Ministry’s own other web based mechanisms. The entire ICT architecture is created in house with the help of NIC in no cost. Similarly, the physical infrastructure is created in one of ministry’s dumping rooms in a record time.

As part of the system a network of control rooms is created in a Hub & Spoke Model. The Hub is situated in New Delhi in the Secretary MSME’s office. The spokes are in the States in various offices and institutions of MSME Ministry. As of now, 66 state level control rooms are created and made functional. They are connected through video conference also in addition to the portal of Champions. A detailed standard operating procedure (SOP) has been issued to the officers and staff have been deployed and training has been conducted for them.

On this occasion, Minister of MSME and Road Transport and Highways Shri Nitin Gadakari was also present.

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VRRK/SH
Prime Minister Shri Narendra Modi today launched the technology platform **CHAMPIONS** which stands for **C**reation and **H**armonious **A**pplication of **M**odern **P**rocesses for **I**ncreasing the **O**utput and **N**ational **S**trength.

As the name suggests, the portal is basically for making the smaller units big by solving their grievances, encouraging, supporting, helping and handholding. It is a real one-stop-shop solution of MSME Ministry.

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‘60 MN COULD BE PUSHED INTO POVERTY’

David Malpass

The COVID-19 pandemic is expected to have “severe” short and long-term effects on economic growth, the World Bank said in its Global Economic Prospects (GEP) June 2020 report, part of which was released on Tuesday. EMDEs (Emerging Market and Developing Economies) are especially vulnerable, the report says.

Sixty million people could be pushed into extreme poverty this year, World Bank President David Malpass said.

“The scope and speed with which the COVID-19 pandemic and economic shutdowns have devastated the poor around the world are unprecedented in modern times. Current estimates show that 60 million people could be pushed into extreme poverty in 2020. These estimates are likely to rise further, with the reopening of advanced economies the primary determinant,” Mr. Malpass said in a statement.

Policy choices

“Policy choices made today — including greater debt transparency to invite new investment, faster advances in digital connectivity, and a major expansion of cash safety nets for the poor — will help limit the damage and build a stronger recovery,” Mr. Malpass said.

“The financing and building of productive infrastructure are among the hardest-to-solve development challenges in the post-pandemic recovery. We need to see measures to speed litigation and the resolution of bankruptcies and reform the costly subsidies, monopolies and protected state-owned enterprises that have slowed development,” he said.

The report said EMDEs face health crises, restrictions and external shocks like falling trade, tourism and commodity prices, as well as capital outflows. These countries are expected to have a 3-8% output loss in the short term, based on studies of previous pandemics, as per the Bank’s analysis. EMDEs are also expected to witness the spillover effects of the U.S., the Euro Area and China, which represent almost half of global output, being unlikely to return to pre-pandemic levels of output before the end of 2021. If these three big economies simultaneously lose 1% in output, EMDEs (excluding China) are expected to lose 1.3% in their output with the lag of a year, the Bank warned. Longer term, there is a risk not just of a drop in the level of output but a lowering of potential output growth, it said. The severity of the current recession has been unseen in eight decades.

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Union Finance Minister Nirmala Sitharaman.

The moment you start looking at the recently announced 20 lakh crore fiscal stimulus package as an economist or an industrialist or a consumer or a farmer alone, you become like the six blind men describing the elephant. Each view may be right, yet it lacks the full perspective. We need to assess and evaluate the stimulus package on a larger national and international platform.

With this package, the government is trying to balance the stimulus demands from different sectors and also trying to contain the fiscal burden on the exchequer. Measures announced until now have been a mix of liquidity measures, funding support and reform announcements. The signal is clear, the intent emphatic: provide immediate support for the most distressed sections like micro, small and medium enterprises, and migrant workers, on the one hand, while using the crisis to push long-term reforms on the other. These include freeing up the agriculture supply chain, reducing the hegemony of agricultural produce market committees by encouraging direct online transactions between farmers and buyers, and opening up sectors like coal to the private sector.

**Tranche 1: Business including MSMEs (May 13, 2020)**

Let’s take real estate to start with. The pandemic period has been defined as a ‘force majeure’. Real estate developers do not have to pay penalties for delays in project deliveries for the period during which the construction activity has been halted because of the pandemic. The extension of registration and completion dates for projects under the Real Estate Regulatory Authority and the extension of credit-linked subsidy schemes for Middle Income Group housing can push real estate developers towards more projects under the Pradhan Mantri Awas Yojana.

**Tranche 2: Poor, including migrants and farmers (May 14, 2020)**

Add to this the Reserve Bank of India’s recent rate cuts, including the latest repo rate cut to 4%, and other key measures like long-term repo operation 2.0, open market operations have boosted liquidity in the banking system in excess of 5 lakh crore. This is in addition to the six-month moratorium on loan repayments, covering all banks and shadow lenders starting March 1, 2020. By far the most sweeping steps by the central bank in the time of crisis, these remedies will boost liquidity and ease stress in the banking sector, which was affected by an ongoing crisis in non-banking financial companies (NBFCs) even before the contagion spread. Measures for NBFCs such as providing a 30,000 crore liquidity facility, a 45,000 crore partial credit guarantee and a 50,000 crore refinancing facility for NABARD, SIDBI and NHB will also help in ameliorating some stress on the NBFCs.

**Tranche 3: Agriculture (May 15, 2020)**

In his address to the nation on May 12, the Prime Minister mentioned infrastructure as one of the five pillars to take the nation out of the current crisis. While governments will be more focused this year on dealing with the pandemic and mitigating its impact on society, it is only a question of when spending on infrastructure will pick up. The sooner, the better. I believe the States as well as the Centre will pick up the mantle of unfinished infrastructure projects. This will aid economic growth and provide employment to a significant portion of the workforce.
The injection of 90,000 crore liquidity for DISCOMs, reforms in tariff policy, privatisation of distribution in Union Territories, etc. will help stem the haemorrhaging of some players in this sector. Policy measures announced for the defence sector, which are meant to push indigenous production and participation of the private sector in India’s space programmes, have been encouraging so far. How this will be implemented needs to be seen, however, especially since some key defence procurement programmes have been delayed for many years. A level-playing field between defence public sector units and private companies is also necessary to develop the defence sector in India.

**Tranche 4: New horizons of growth (May 16, 2020)**

Most significantly, this crisis has brought to surface the need for investment in healthcare infrastructure. India currently spends around 1-2% of GDP on health which is lower than even peer countries like Brazil. The allocation of 15,000 crore and viability gap funding for social infrastructure projects are small steps in addressing this gap. L&T, for instance, is well placed to construct ready-to-use hospitals in the shortest span of time.

**Tranche 5: Government reforms and enablers (May 17, 2020)**

This stimulus is as much a reformative package as a fiscal one. However, a majority of the stimulus measures announced are meant for the rural sector and distressed segments with a focus on supply side measures in providing credit facilities. I endorse RBI Governor’s Shaktikanta Das words: “It is when the horizon is the darkest and human reason is beaten down to the ground that faith shines brightest and comes to our rescue.” It is time we gear up to grab the opportunities this pandemic has laid open.

S.N. Subrahmanyan is CEO & MD, Larsen & Toubro

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To reassure Indian Muslims, the PM needs to state that the govt. will not conduct an exercise
like NRC

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A BACKWARD TURN

Ever since the prime minister’s speech exhorting the country to march towards an Atmanirbhar Bharat, there has been an unease: That lurking behind the rhetoric of “self-reliance” was an attempt to reorient the economic structure towards ensuring “self-sufficiency” by falling back on the decades-old failed policy of import substitution. Subsequent calls by the government to citizens to buy Indian, and the setting up of “targets” towards building self-reliance in certain sectors so that “unnecessary” imports can be reduced, indicate that the shift towards protectionism, that began over the past few years with the NDA government raising tariffs — threatening to undo decades of trade liberalisation — may be underway.

Protectionism ends up creating an inefficient and high-cost domestic manufacturing sector, while leading to poor allocation of resources. The Indian experience of the second half of the last century should have provided enough proof to drive this point home. Such a policy stance helps neither consumers nor producers. Yet, it is almost as if policy-makers are choosing to forget the lessons learnt, and are determined to ignore the immense economic benefits to the country and citizens post 1991. In all likelihood, tariff hikes will be the first line of defence against “unnecessary” imports. Once this door is opened, it creates space for lobbying by domestic players to keep in place the protections, which, once imposed, will not be removed easily.

A more appropriate policy response is to focus on boosting competitiveness — building infrastructure, ensuring cheap power, reforming land and labour markets, and creating conditions for companies to compete in global markets. India should be striving to embed itself in global value chains, not becoming more inward-looking. Companies, especially in the post COVID world, looking to shift away from China, will look for policy stability. They are unlikely to relocate to countries that are susceptible to sudden tariff impositions. Further, as research has shown, India’s trade balance has widened in part due to imports of raw materials, intermediate products, and capital goods, implying that the imposition of tariffs will also hurt export competitiveness. India needs to raise its share in world trade beyond 2 per cent. Doing so requires greater trade liberalisation. The country needs to reduce tariffs, be part of trade agreements, not head down a slippery slope in the opposite direction.

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A record 4.89 crore persons belonging to 3.44 crore households sought work under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in May. This is against 3.18 crore persons from 2.26 crore households for the same month last year, when large parts of India were experiencing drought-like conditions. The current surge in MGNREGA work demand reflects a drought, not of water, but of jobs and incomes. And it seems to be coming mainly from migrant workers returning to their villages from cities and industrial centres post the COVID lockdown. Proof of it is the states where the number of households registering demand has shown the highest increase: Uttar Pradesh (299.3 per cent in May 2020 over May 2019), West Bengal (214.5 per cent), Odisha (113.5 per cent), Chhattisgarh (68.9 per cent), Madhya Pradesh (65.1 per cent) and Bihar (62.1 per cent). These are all labour exporting states. What’s now being seen is an extraordinary phenomenon of distress reverse migration from city to village. The lockdown hasn’t hit the rural economy, more so agriculture, that badly.

The MGNREGA has been generally viewed as a scheme that provides employment during the lean period for agriculture, thereby reducing seasonal labour migration from rural to urban areas. The demand for work, too, typically peaks in May-June before falling in the subsequent months coinciding with the main kharif cropping season. But this conventional pattern may not hold in the present scenario, where the primary demand driver will not be the landless agricultural labourer who would have little work after the kharif or rabi crop has been harvested. If the laid-off auto worker from Gurgaon-Manesar or erstwhile hotel employee in Mumbai is the one seeking employment under MGNREGA — and there is no way to gainfully engage them in agriculture — the scheme’s scope will have to be widened. To start with, the number of days of guaranteed employment to adult members of any rural household needs to be expanded beyond the existing 100 days. The returning migrant workers may, at some point, want to go back to jobs that paid better. But those jobs aren’t going to come back soon either.

This is where a rethink on the MGNREGA’s basic design might be called for without compromising its objective. If the idea is to provide work to anybody demanding it, there should, in principle, be no restrictions on the kind of activities allowed under the scheme. The stipulation of a 60:40 wage-to-material cost ratio can also be relaxed. If higher material component helps in building more assets with durable quality, why cannot these projects qualify under the MGNREGA? Why tie it down to particular “permitted works”? What stops MGNREGA labour from being used even to undertake railway or national highway work? Any public work ultimately requires labour and so long as it is given on demand, the MGNREGA has fulfilled its purpose.

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CENTRE TAKES STEPS TO BRING THE FARMER CLOSER TO THE MARKET

Relevant for: Indian Economy | Topic: Transport & Marketing of agricultural produce

The central government on Wednesday introduced a set of ordinances to create a national market for farm produce and allow contract farming to protect farmers from price risks with the aim of helping them improve earnings and boost investments in agriculture.

The landmark steps are expected to create borderless markets for millions of Indian farmers and achieve the government’s goal of doubling farm incomes by 2022.

As part of its plan, the cabinet approved the ‘Farming Produce Trade and Commerce (Facilitation and Promotion) Ordinance, 2020’, which it said will pave the way for ‘One India, one agriculture market’. The ordinance aims to create an environment of barrier-free trade within and between states, and allows farmers to sell their produce to any buyer in the country, including on electronic platforms.

Currently, farmers are forced to sell their produce at state-regulated market yards, also known as Agriculture Produce Market Committees (APMCs), where trader cartels determine prices in an opaque manner. Fewer buyers and a tightly regulated trade with too many entry barriers often lead to farmers receiving a lower price. Also, restrictions imposed by states had so far prevented seamless movement of farm produce across the country.

In the new regime, the farmer will have the freedom to sell outside AMPCs, and any buyer can purchase directly at the farmer’s doorstep. “There will be no tax on such trade and buyers will not require a licence (a PAN card will suffice),” agriculture minister Narendra Singh Tomar said. The minister added that all disputes related to such trade (relating to price, payments and quality of produce) will be resolved by sub-divisional magistrates and district collectors within a span of two months.

To help farmers enter into contract-farming arrangements with processors, big retailers and exporters, the cabinet also approved ‘The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance, 2020.’

The government expects the new law will transfer the risk of unpredictable prices from farmers to firms better equipped to handle it. Contract farming, it said, will help growers access latest technology, reduce marketing costs and improve farm incomes.

“In a situation where the contracted price is lower than the market price during delivery of produce, the ordinance will ensure that farmers receive a share of the higher prices,” the agriculture minister said, clarifying farmers’ interests will be protected in all circumstances.

“The ordinance to promote barrier-free trade within and outside state borders will change the dynamics of agri-trade. Contract farming can also go a long way to link farmers with large retailers, and exporters,” said Siraj Hussain, former agriculture secretary and visiting senior fellow at the Indian Council for Research on International Economic Relations, Delhi.

However, since a copy of the ordinances is not available yet, it is difficult to say the extent to which the farm sector has been liberalized, added Hussain.
It also remains unclear how states will react to these ordinances since agriculture marketing is a state subject as per the Constitution. In the past, states have often imposed restrictions on trade to protect consumers, say, during a supply shortfall of a particular commodity.

Just enacting a set of ordinances may not change the pattern of trade, said Himanshu, associate professor at Jawaharlal Nehru University, Delhi. “Farmers will need a marketplace to sell their produce, which has to be weighed, sorted and graded. If a private player is offering such services, farmers will be made to pay for it.” Himanshu added that private trade may also find it difficult to purchase directly from millions of small farmers, and the local bureaucracy may not be equipped to resolve every dispute promptly.

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TIME TO DISCONTINUE FREE POWER FOR FARMERS

Exactly 15 years after Manmohan Singh, as Congress Prime Minister, openly spoke against the free power supply scheme for farmers, the Bharatiya Janata Party (BJP)-led government at the Centre is attempting to do away with the much-abused scheme, which has been viewed by political parties as a major vote-catching policy measure. This time, the Centre has prescribed that the free power supply scheme should be replaced with the direct benefits transfer (DBT) as a condition to allow States to increase their borrowing limit. It is not the first time that the Union government has recommended DBT with regard to electricity. But what is new is setting the time frame for implementing it. By December this year, the DBT should be introduced at least in one district of a State and from the next financial year, a full roll-out should be made.

Predictably, Tamil Nadu, which was the first State to introduce free power in September 1984, is strongly resisting the Centre’s stipulation. Chief Minister Edappadi K. Palaniswami has taken a categorical stand against the proposal. Though Chief Ministers of Andhra Pradesh, Telangana and Punjab, where free power scheme is in vogue, are yet to express their views, it is not difficult to predict their response. After all, Punjab Chief Minister Amarinder Singh, who had abolished the scheme during his first innings, is now a strong votary of the scheme.

Also read | DBT in power sector is unworkable, say officials

In the last 15 years, Maharashtra has been the only State that scrapped the scheme within a year of introducing it. Karnataka, which has been implementing it since 2008, may become the first southern State to have DBT in power supply, if the hint dropped by Chief Minister B.S. Yediyurappa in early March is any indication. The power subsidy bills in the four southern States and Punjab are at least 33,000 crore, an amount the State governments will struggle to meet due to resource crunch in the light of the COVID-19 pandemic.

The financial stress apart, the universal application of the scheme has had deleterious consequences. Primarily, the scheme has led to widespread wastage of water and electricity. It is inherently against incentivising even a conscientious farmer to conserve the two precious resources. It may be pertinent to point out that India is the largest user of groundwater at 251 billion cubic meters, exceeding the combined withdrawal by China and the U.S., as pointed out by Bharat Ramaswami of the Indian Statistical Institute last year. Second, be it parts of the Cauvery delta in Tamil Nadu or Sangrur district of Punjab, the story about the groundwater table is the same — a worrying rate of depletion. There is one more attendant problem. To sustain their activity, farmers need to go for submersible or high-capacity pumpsets.

Third, the extension of the scheme to different States over the years has only encouraged installation of more pumpsets. Karnataka is a classic example, The number of irrigation pumpsets, which was around 17 lakh 12 years ago, is now around 30 lakh. Fourth, there is misuse of the scheme for which not just a section of farmers but also field officials have to be blamed. And, fifth, in the absence of meters for these connections or segregation of feeders or metering of distribution transformers, accurate measurement of consumption becomes tricky. Those in charge of power distribution companies find it convenient to reduce their aggregate technical and commercial losses by clubbing a portion of the losses with energy consumption by the farm sector.

Also read | Metering farm power supply fraught with several difficulties
Proponents of the free power scheme have a couple of valid points in their support. Apart from ensuring food security, free power provides livelihood opportunities to landless workers. When farmers dependent on supplies through canals get water almost free of cost, it is but fair that those not covered by canal irrigation should be given free electricity. Though there is substance in the argument, it is not difficult to arrive at a fair pricing mechanism. Small and marginal farmers and those who are outside the canal supply deserve free power, albeit with restrictions, but there is no justification for continuing with the scheme perpetually to other farmers. However, those enjoying free power need to be told about the need for judicious use of groundwater and how to conserve it.

Making use of the situation created by the COVID-19 pandemic, the Centre is trying to make lasting changes in areas where such measures are long overdue. At least in the area of power sector, its attempt can yield meaningful results only if there is a change in the mindset of agriculturists and political parties towards the concept of free power.

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SELF-RELIANT INDIA NEEDS A COMPETITIVE ECONOMY

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

As the Prime Minister’s call for a country that relies on itself finds wide resonance, India Inc would be better placed to pursue this goal if our economy is kept open to the rest of the world.

Ever since the Great Lockdown began, the term “aatmanirbhar”, or self-reliant, has gained salience in India as an adjective for the country. It found mention in Prime Minister Narendra Modi’s speech of 24 March announcing an interim closure of the economy to fight the covid-19 pandemic. For those stuck at home, the phrase had personal resonance, though it was to be a national project, the contours of which have been getting clearer in the weeks since. Addressing a Confederation of Indian Industry session on Tuesday, the Prime Minister made a pitch for strengthening local supply chains, boosting productivity, and reducing import dependence. In the context of slowing globalization and supply disruptions brought about by trade tensions and corona seizures, this was prudential advice. What can be done well at home, should indeed be.

To put the idea of enhanced import substitution in play, the Centre has also identified a set of sectors, such as furniture, air-conditioners, footwear and leather, where the quality of local output could be boosted for exports, even as India aims to lower imports of mobile phones and defence items. To the extent that this is a pragmatic response to current circumstances, it will serve our interests. An apprehension, though, is that efforts to maximize domestic value generation could slip our economy behind trade barriers that reduce its exposure to the world and thus our competitiveness.

While India has been raising import tariffs on some items over the past three years or so, these haven’t been raised to prohibitive levels. Neither has there been an attempt to block the inflow of goods from elsewhere. Should this begin to change, with policy tools rather than persuasion deployed to substitute foreign products for Indian-made ones, it could have adverse consequences. It may spell higher input costs for local manufacturers, for example. Even for ready-to-sell products, reduced competition in our markets from stuff made overseas could lower the value that consumers derive for their money on purchases. Our big learning from our pre-1991 closed economy was that efficiency is hard to spur without the prod of global rivalry. It is usually the threat of customers being lured away that pushes companies to raise quality, contain costs, invest in research, innovate and perform better. We saw this happen after we opened our markets to the rest of the world. This resulted in a far better allocation of private resources, by and large, an aspect of economic liberalization remains valid. Self-reliance is a worthy pursuit, but its implementation must not slide us back to the old days of inefficiency.

External trade need not be seen in us-versus-them terms. Its benefits are usually mutual. As economist Arvind Panagariya argued on Tuesday, openness to trade will continue to serve the country well, regardless of de-globalization. If India is to emerge as a global manufacturing hub, then the import policy regime must assure foreign businesses that their operations in India will not have to contend with sudden tariff tweaks that ruin their cost calculations. Policy stability needs to be part of the Make-in-India proposition for the country to present itself to others as a “trustworthy partner” in progress, as Modi put it. India Inc has a large role to play in achieving the Prime Minister’s objective of a country that succeeds by virtue of its own ingenuity and endowments. Leaders of Indian enterprise have been paying attention. Let’s rely on their determination, rather than policy tools, to get there.

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The Union Cabinet chaired by Prime Minister Shri Narendra Modi met on 3rd June, 2020. Several landmark and historic decisions were taken in the meeting, which will go a long way in helping India’s farmers while also transforming the agriculture sector.

**Historic Amendment to Essential Commodities Act**

The Cabinet today approved historic amendment to the Essential Commodities Act. This is a visionary step towards transformation of agriculture and raising farmers’ income.

**Background**

While India has become surplus in most agri-commodities, farmers have been unable to get better prices due to lack of investment in cold storage, warehouses, processing and export as the entrepreneurial spirit gets dampened due to hanging sword of Essential Commodities Act. Farmers suffer huge losses when there are bumper harvests, especially of perishable commodities. With adequate processing facilities, much of this wastage can be reduced.

**Benefits**

With the amendment to Essential Commodities Act, commodities like cereals, pulses, oilseeds, edible oils, onion and potatoes will be removed from list of essential commodities. This will remove fears of private investors of excessive regulatory interference in their business operations.

The freedom to produce, hold, move, distribute and supply will lead to harnessing of economies of scale and attract private sector/foreign direct investment into agriculture sector. It will help drive up investment in cold storages and modernization of food supply chain.

**Safeguarding interest of consumers**

The Government, while liberalizing the regulatory environment, has also ensured that interests of consumers are safeguarded. It has been provided in the Amendment, that in situations such as war, famine, extraordinary price rise and natural calamity, such agricultural foodstuff can be regulated. However, the installed capacity of a value chain participant and the export demand of an exporter will remain exempted from such stock limit imposition so as to ensure that investments in agriculture are not discouraged.

The amendment announced will help both farmers and consumers while bringing in price stability. It will create competitive market environment and also prevent wastage of agri-produce that happens due to lack of storage facilities.

**Barrier-free trade in agriculture produce**
Cabinet approved ‘The Farming Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020’.

Background

Farmers in India today suffer from various restrictions in marketing their produce. There are restrictions for farmers in selling agri-produce outside the notified APMC market yards. The farmers are also restricted to sell the produce only to registered licensees of the State Governments. Further, Barriers exist in free flow of agriculture produce between various States owing to the prevalence of various APMC legislations enacted by the State Governments.

Benefits

The Ordinance will create an ecosystem where the farmers and traders will enjoy freedom of choice of sale and purchase of agri-produce. It will also promote barrier-free inter-state and intra-state trade and commerce outside the physical premises of markets notified under State Agricultural Produce Marketing legislations. This is a historic-step in unlocking the vastly regulated agriculture markets in the country.

It will open more choices for the farmer, reduce marketing costs for the farmers and help them in getting better prices. It will also help farmers of regions with surplus produce to get better prices and consumers of regions with shortages, lower prices. The ordinance also proposes an electronic trading in transaction platform for ensuring a seamless trade electronically.

The farmers will not be charged any cess or levy for sale of their produce under this Act. Further there will be a separate dispute resolution mechanism for the farmers.

One India, One Agriculture Market

The ordinance basically aims at creating additional trading opportunities outside the APMC market yards to help farmers get remunerative prices due to additional competition. This will supplement the existing MSP procurement system which is providing stable income to farmers.

It will certainly pave the way for creating One India, One Agriculture Market and will lay the foundation for ensuring golden harvests for our hard working farmers.

Farmers empowered to engage with processors, aggregators, wholesalers, large retailers, exporters

Cabinet approved ‘The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance, 2020’.

Background

Indian Agriculture is characterized by fragmentation due to small holding sizes and has certain weaknesses such as weather dependence, production uncertainties and market unpredictability. This makes agriculture risky and inefficient in respect of both input & output management.

Benefits

The ordinance will empower farmers for engaging with processors, wholesalers,
aggregators, wholesalers, large retailers, exporters etc., on a level playing field without any fear of exploitation. It will transfer the risk of market unpredictability from the farmer to the sponsor and also enable the farmer to access modern technology and better inputs. It will reduce cost of marketing and improve income of farmers.

This Ordinance will act as a catalyst to attract private sector investment for building supply chains for supply of Indian farm produce to global markets. Farmers will get access to technology and advice for high value agriculture and get ready market for such produce.

Farmers will engage in direct marketing thereby eliminating intermediaries resulting in full realization of price. Farmers have been provided adequate protection. Sale, lease or mortgage of farmers’ land is totally prohibited and farmers’ land is also protected against any recovery. Effective dispute resolution mechanism has been provided for with clear time lines for redressal.

**Government committed to the cause of farmer welfare**

A series of steps were announced as part of the Atmnirbhar Bharat Abhiyaan to provide a boost to those engaged in agriculture and allied activities. These include provision of concessional credit through Kisan Credit Cards, financing facility for agri-infra projects, Pradhan Mantri Matsya Sampada Yojana and other measures to strengthen fisheries, vaccination against Foot & Mouth Disease and Brucellosis, Herbal Cultivation promotion, boost to beekeeping, Operation Green etc.

Through PM KISAN, over 9.54 crore farmer families (as on first June 2020) have benefited and an amount of Rs. 19,515 crore has been disbursed so far during the lockdown period. An Amount of Rs. 8090 crore has been paid during lockdown period under PMFBY.

These steps are only the latest in a series of measures taken by the government, which shows its continuous commitment to championing the cause of welfare of the hardworking farmers of India.

VRRK/SH

The Union Cabinet chaired by Prime Minister Shri Narendra Modi met on 3rd June, 2020. Several landmark and historic decisions were taken in the meeting, which will go a long way in helping India’s farmers while also transforming the agriculture sector.

**Historic Amendment to Essential Commodities Act**

The Cabinet today approved historic amendment to the Essential Commodities Act. This is a visionary step towards transformation of agriculture and raising farmers’ income.

**Background**

While India has become surplus in most agri-commodities, farmers have been unable to get better prices due to lack of investment in cold storage, warehouses, processing and export as the entrepreneurial spirit gets dampened due to hanging sword of Essential Commodities Act.
Farmers suffer huge losses when there are bumper harvests, especially of perishable commodities. With adequate processing facilities, much of this wastage can be reduced.

Benefits

With the amendment to Essential Commodities Act, commodities like cereals, pulses, oilseeds, edible oils, onion and potatoes will be removed from list of essential commodities. This will remove fears of private investors of excessive regulatory interference in their business operations.

The freedom to produce, hold, move, distribute and supply will lead to harnessing of economies of scale and attract private sector/foreign direct investment into agriculture sector. It will help drive up investment in cold storages and modernization of food supply chain.

Safeguarding interest of consumers

The Government, while liberalizing the regulatory environment, has also ensured that interests of consumers are safeguarded. It has been provided in the Amendment, that in situations such as war, famine, extraordinary price rise and natural calamity, such agricultural foodstuff can be regulated. However, the installed capacity of a value chain participant and the export demand of an exporter will remain exempted from such stock limit imposition so as to ensure that investments in agriculture are not discouraged.

The amendment announced will help both farmers and consumers while bringing in price stability. It will create competitive market environment and also prevent wastage of agri-produce that happens due to lack of storage facilities.

Barrier-free trade in agriculture produce

Cabinet approved 'The Farming Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020'.

Background

Farmers in India today suffer from various restrictions in marketing their produce. There are restrictions for farmers in selling agri-produce outside the notified APMC market yards. The farmers are also restricted to sell the produce only to registered licensees of the State Governments.Further, Barriers exist in free flow of agriculture produce between various States owing to the prevalence of various APMC legislations enacted by the State Governments.

Benefits

The Ordinance will create an ecosystem where the farmers and traders will enjoy freedom of choice of sale and purchase of agri-produce. It will also promote barrier-free inter-state and intra-state trade and commerce outside the physical premises of markets notified under State Agricultural Produce Marketing legislations. This is a historic-step in unlocking the vastly regulated agriculture markets in the country.

It will open more choices for the farmer, reduce marketing costs for the farmers and help them in getting better prices. It will also help farmers of regions with surplus produce to get better prices and consumers of regions with shortages, lower prices. The ordinance also proposes an
electronic trading in transaction platform for ensuring a seamless trade electronically.

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**Farmers empowered to engage with processors, aggregators, wholesalers, large retailers, exporters**

Cabinet approved ‘The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance, 2020’.

**Background**

Indian Agriculture is characterized by fragmentation due to small holding sizes and has certain weaknesses such as weather dependence, production uncertainties and market unpredictability. This makes agriculture risky and inefficient in respect of both input & output management.

**Benefits**

The ordinance will empower farmers for engaging with processors, wholesalers, aggregators, wholesalers, large retailers, exporters etc., on a level playing field without any fear of exploitation. It will transfer the risk of market unpredictability from the farmer to the sponsor and also enable the farmer to access modern technology and better inputs. It will reduce cost of marketing and improve income of farmers.

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VRRK/SH
PRESIDENT PROMULGATES TWO ORDINANCES WITH THE AIM OF GIVING A BOOST TO RURAL INDIA AND AGRICULTURE

Relevant for: Indian Economy | Topic: Transport & Marketing of agricultural produce

After the announcement of the landmark decisions by the Government of India for reforms in the agricultural sector for raising the income of the farmers as part of the ‘Aatmanirbhar Bharat Abhiyan, the President of India has promulgated the following Ordinances with the aim of giving a boost to rural India for farmers engaged in agriculture and allied activities;

The Central Government has been making comprehensive interventions to impart efficiency and effectiveness to agricultural marketing, with the aim of raising the income of the farmers. By recognizing the bottlenecks preventing the holistic development of marketing of the agriculture produce, the Government drafted and circulated the Model Agriculture Produce and Livestock Marketing (APLM) Act 2017, and also the Model Agriculture Produce and Livestock Contract Farming Act of 2018, for adoption by the states.

When the whole ecosystem of agriculture and its allied activities was tested during the COVID-19 crises, it reconfirmed the necessity for the Central Government to speed up the reform process and to come up with a national legal facilitative ecosystem to improve intra-state and interstate trade of agriculture produce. The Government of India also recognized the need for the farmer to sell agriculture produce at a place of his choice at a better price by increasing the number of prospective buyers. A facilitative framework was also considered necessary for farming agreements. Thus the two ordinances have been promulgated

“The Farmers’ Produce Trade and Commerce (Promotion & Facilitation) Ordinance 2020” (Click to view the Gazette notification on the Ordinance) will provide for the creation of an ecosystem where the farmers and traders enjoy the freedom of choice relating to sale and purchase of farmers’ produce which facilitates remunerative prices through competitive alternative trading channels. It will promote efficient, transparent and barrier-free inter-State and intra-State trade and commerce of farmers’ produce outside the physical premises of markets or deemed markets notified under various State agricultural produce market legislations. Besides, the Ordinance will provide a facilitative framework for electronic trading and matters connected therewith or incidental thereto.

“The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance 2020” (Click to view the Gazette notification on the Ordinance) will provide for a national framework on farming agreements that protects and empowers farmers to engage with agri-business firms, processors, wholesalers, exporters or large retailers for farm services and sale of future farming produce at a mutually agreed remunerative price framework in a fair and transparent manner and for matters connected therewith or incidental thereto.

The above two measures will enable barrier-free trade in agriculture produce, and also empower the farmers to engage with sponsors of his choice. The freedom of the farmer, which is of paramount importance, has thus been provided.

The details of the above two above Ordinances is available on the website of the Department of Agriculture, Cooperation and Farmers Welfare at agricoop.nic.in.
The Minister for Agriculture, Shri Narendra Singh Tomar today wrote to all the Chief Ministers informing them of the Ordinances and solicited their cooperation in implementation of the reforms. He stressed the need for their continued support in the development and growth of the agriculture sector in the new reformed environment.

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APS/PK/MS/BA

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POWER MINISTER LAUNCHES THE ‘#ICOMMIT’ INITIATIVE ON WORLD ENVIRONMENT DAY

Relevant for: Indian Economy | Topic: Infrastructure: Energy incl. Renewable & Non-renewable

Shri R. K. Singh, the Minister of State (IC) for Power and New & Renewable Energy, today initiated the ‘#iCommit’ campaign, on the occasion of World Environment Day. The initiative is a clarion call to all stakeholders and individuals to continue moving towards energy efficiency, renewable energy, and sustainability to create a robust and resilient energy system in the future.

The ‘#iCommit’ initiative, driven by Energy Efficiency Services Limited (EESL), under the administration of Ministry of Power, Government of India is uniting a diverse set of players such as Governments, Corporates, Multilateral and Bilateral Organisations, Think Tanks and Individuals.

Speaking about the initiative Shri Singhsaid, “We envisage a transformation of the entire energy value chain in the country and have been working towards ensuring 24X7 energy access and security for all our citizens. The #iCommit initiative, especially in the backdrop of World Environment Day can bring together a diverse spectrum of government and private players to build a new energy future for India.”

The ‘#iCommit’ initiative is centred around the idea of building an energy resilient future. The pre-requisite for that goal is to create a flexible and agile power system. A healthy power sector can help the nation in meeting the objective of energy access and security for all. With the imminent changes in the power system, brought about by innovation such as decentralised solar and electric vehicles, collaboration between all stakeholders will be the way forward and is at the core of ‘#iCommit’ campaign.

The initiative will also celebrate and promote key undertakings of Government of India such as National Electric Mobility Mission 2020, FAME 1 and 2, DeenDayalUpadhyaya Gram JyotiYojana, the Saubhagya Scheme, Ujwal DISCOM Assurance Yojna (UDAY), Atal Distribution system Improvement Yojna (AJAY), Smart Meter National Programme, PradhanmantriKisanUrja Suraksha evamUtthanMahaabhihya (KUSUM), Solar Parks, Grid Connected Rooftop, UnnatJyoti by Affordable LED for All (UJALA), Atal JyotiYojna (AJAY) amongst others

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RCJ/M

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RCJ/M
16,039-CRORE PUNE-NASHIK SEMI-HIGH SPEED RAIL LINE PROJECT GETS NOD

PUNE: The much-awaited Pune-Nashik rail line project has received approval from the Railway ministry, paving the way for connecting the two key industrial cities of Maharashtra that will give boost to fast movement of goods and people, state-run firm MRIDC said on Thursday.

Maharashtra Rail Infrastructure Development Corporation Ltd (MRIDC) said it has received approval from the Railways for implementing the 'greenfield semi-high-speed broad gauge double' line between the two cities, located around 200km apart, a project that will cost 16,039 crore.

MRIDC (also known as MahaRail) will be implementing the project, which had been pending approval for long.

"This semi-high-speed double line will provide direct connectivity between Pune and Nashik and the journey between the two cities will be completed in less than two hours.

"MRIDC has planned and designed to run the Pune-Nashik broad gauge rail line with the commercial speed of 200km/hr with future increment up to 250 km/hr," the corporation said in a release.

Rajesh Kumar Jaiswal, Managing Director, MahaRail, said this project will not only attract goods trains but also high-speed passenger trains. (Once completed) The travel time from Pune to Nashik will be completed in 1 hour and 45 minutes."

MahaRail has also planned to develop private freight terminal (PFT), dry port, multimodal and commercial hub, warehouses and sidings at locations suggested by local industries, he said.

As the Pune-Nashik belt has a large number of industries, the project will open a new source of revenue for them by fast-track movements of cargo as important MIDC areas such as Chakan, Sinnar and Satpur will be directly connected by this rail line, the release said.

The Railway line will pass through three districts of Maharashtra - Pune, Ahmednagar and Nashik - providing seamless connectivity to industrial zones of Pune and Nashik such as Alandi, Chakan, Khed, Manchar, Narayangaon, Sinnar and Satpur, said the release.

The entire cost of the project has been pegged at 16,039 crore. MRIDC shall invite equity partners to participate in the project, it said.

"Once necessary approvals are granted from Government of Maharashtra, the project is estimated to be completed in 1,200 days from the date of financial closure," the release said.

It said the rail line will augment revenues from multi-fold industries like automobile, machineries, electronics, pharmaceuticals, sugar mills and other agricultural activities around the project influence regions.

Passengers of varied travel purposes such as tourism, educations, agricultural and as well as business and daily shuttles will have ample facilities to connect with the rest of the country, the
release added.

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RBI CREATES RS. 500 CR. FUND TO BOOST PAYMENT INFRA

The RBI has created a Payments Infrastructure Development Fund (PIDF) to encourage acquirers to deploy Points of Sale (PoS) infrastructure — both physical and digital modes — in tier-3 to tier-6 centres and north eastern states.

RBI will make an initial contribution of Rs. 250 crore to the PIDF, covering half of the fund, while the remaining contribution will be from card-issuing banks and card networks operating in the country.

“Over the years, the payments ecosystem in the country has evolved with a wide range of options such as bank accounts, mobile phones, cards, etc. To provide further fillip to digitisation of payment systems, it is necessary to give impetus to acceptance infrastructure across the country, more so in under-served areas,” the RBI said. The PIDF will be governed through an Advisory Council and managed and administered by RBI.

The PIDF will also receive recurring contributions to cover operational expenses from card-issuing banks and card networks. RBI will also contribute to yearly shortfalls, if necessary. “Given the high cost of merchant acquisition and merchant terminalisation, most of the POS terminals in the country are concentrated in tier 1 and 2 cities and towns and other regions have been left out,” Deepak Chandnani, MD, Worldline South Asia and Middle East.

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FROM SUBSIDIES TO CASH TRANSFERS

Relevant for: Indian Economy | Topic: Agriculture Issues and related constraints

Let us start with some good news on the economic front. During the first year (2019-20) of the second term of the Narendra Modi government, gross value added (GVA) in agriculture and allied sectors registered a growth of 4 per cent. This is commendable, especially when juxtaposed with the growth of overall GVA of the economy at 3.9 per cent, and overall GDP (including net taxes) at 4.2 per cent. And even in 2020-21, when the impact of COVID-19 will be on full display, and when the GDP may register a negative growth of as high as -5 per cent, agriculture may still surprise with a positive growth of 2.5 per cent, as per CRISIL’s recent forecast.

Agriculture matters not just for food security, but also for the good of the masses, since almost 44 per cent of the country’s labour force is engaged in agriculture. So, “sabka saath, sabka vikas, sabka vishwas” will not be possible unless agriculture performs in a sustained manner at around 4 per cent per annum, if not more. The potential is definitely for more.

While using China as an example may be somewhat problematic these days, let me remind the reader that Chinese agriculture growth has been about 4.5 per cent over the last 40 years. Even today, China produces three times more agri-produce from a cultivated area that is much less than ours, and with a holding size that is also much smaller (0.7 ha) than ours (1.08 ha). It is this prosperity at the bottom of the pyramid that provides a large demand base for their industrial goods. Migration out of agriculture is largely from a “demand-pull” to higher productivity sectors with better skills. In contrast, in India, at several places, migration is from a “push” factor because agriculture cannot support a large percentage of the working population.

In any case, the Modi government in its second term has started some reforms on the agri-marketing front. By liberalising the Essential Commodities Act (ECA), APMC Act, and contract farming through the ordinance route, it has made a great beginning, and I am hopeful the government will invite private sector investments in building more efficient value chains, which will be beneficial to farmers and consumers alike.

I have earlier described these reforms as a historic “1991 moment” (IE, May 18) — like the de-licensing of industry, this is a de-licensing of agri-marketing. My only reservation was regarding the fine print, and that in the amended ECA, they have inserted a clause about stocking limits being imposed in case of “extraordinary price rise”. This is being defined as a 100 per cent increase in the price of perishables and a 50 per cent increase for non-perishables over a 12-month period. If onion prices, which are hovering at around Rs 15/kg in the retail market of Safal in Delhi go to Rs 30/kg, and if the government imposes stocking limits, the whole purpose of this exercise — to attract private investment in storage — will be nullified. One can understand if stocking limits are imposed in case of natural calamity, famine, wars, etc. But beyond that, it is only for rent-seeking by the “inspector raj”.

There is another issue that we need to revisit vis-a-vis agriculture and farmers. And that relates to doubling farmers’ incomes by 2022-23. In February 2016, after two successive years of drought in 2014-15 and 2015-16, PM Modi said that his dream was to double farmers’ incomes by 2022-23. We did not take that political statement very seriously, as it did not mention whether he was referring to nominal incomes or real incomes. But in April, when he set up a committee under Ashok Dalwai to double farmers’ incomes, and the Committee said that it is real income they are talking about, and it required a growth rate of 10.4 per cent per annum till 2022-23, it was time to examine the notion carefully as all ministers and bureaucrats started rallying around
“doubling of farmers’ incomes” in all their public speeches. While shifting the focus from production (tonnage-centric) to incomes (farmer-centric) was laudable, I had expressed my serious reservations about its achievement because of the following reason.

If one looks at the data on farmers’ incomes in 2002-03, 2012-13, and 2015-16, for which NSO and NABARD surveys are available, and compares it with agri-GDP growth over the same period, the trends in agri-GDP and farmers’ incomes follow each other very closely (about 3.6 to 3.7 per cent per annum). There is no official data on farmers’ incomes after 2015-16. But if we assume roughly the same relation between agri-GDP growth rate and growth in farmers’ incomes that existed during 2002-03 to 2015-16, it is possible to assess the likely achievement of this goal post of doubling farmers’ income.

Since the base year growth rate in 2015-16, which was a drought year, was meagre (0.6 per cent), the average annual growth of agri-GDP during the next four years (2016-17 to 2019-20) was 4.8 per cent. This year, in 2020-21, CRISIL forecasts GVA in agriculture at 2.5 per cent and even if one assumes agri-growth to be around 4 per cent per annum for the next two years, for the seven-year period (from 2016-17 to 2022-23), the likely annual agri-GVA growth is going to be around 4.2 per cent. This cannot double the income of farmers by 2022-23. That’s why I had said that the achievement will be less than 50 per cent of the target.

But if direct income transfers under PM-Kisan are also added, and continued each year till 2022-23, the shortfall from the target will be much less. My humble suggestion is that if the PM can convert food and fertiliser subsidies into direct cash transfers, he will come closer to doubling farmers’ real incomes by 2022-23. If he bites this bullet, it will give him even better results than agri-marketing reforms.

Gulati is Infosys Chair Professor for Agriculture at ICRIER

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With agriculture coming out relatively unscathed amidst the current economic carnage — retail fertiliser sales nearly doubled in May over last year, marking the seventh consecutive month of double-digit growth — the Narendra Modi government has done well to introduce long-delayed supply-side reforms in the sector. The ordinances issued last week to amend the Essential Commodities Act (ECA) and end the monopoly of agricultural produce market committee (APMC) mandis in farm products trading will send out a positive message. Agriculture’s value for policymakers has primarily been for controlling inflation or supplying wage goods and surplus labour for industrialisation and urbanisation. Few have viewed it as a sector in its own right and farmers as businessmen who must first earn for themselves rather than only fulfilling goals defined by others.

Of the two major reforms, the ECA amendment has more immediate significance. It does away with the government’s powers for imposing stockholding limits in foodstuffs, except under “extraordinary conditions” of war, famine and natural calamities. Such powers can also be invoked if retail prices increase more than 50 per cent over the average of the last five years in the case of non-perishable produce (cereals, pulses and edible oils) and 100 per cent for perishables (onions and potatoes). The latter provisions are unnecessary, given recent evidence that points to inflation in most foodstuffs being episodic and also the vastly improved supply response of farmers to any price rise. This has been seen in onions, potatoes, pulses and sugar — commodities where stockholding and export restrictions have been clamped during the Modi government’s own tenure. The injury to producers from cutting off market access has proved far more severe and long-lasting than any relief from temporary pain to consumers.

The second reform — allowing buying and selling of farmers’ produce outside of the physical boundaries of APMC mandis, along with the freedom to trade both within and from one state to another — is unlikely to yield immediate gains. The example of milk, where only a handful of cooperative and private dairies procure directly from farmers despite no APMC regulations governing it, is worth citing here. Dismantling of APMC monopoly will not stop big agro-processors and traders/retailers from relying on mandi intermediaries to source their produce. But it gives them, and also farmers, an alternative marketing channel that can force the mandis to do a better job.

*The Indian Express is now on Telegram. Click [here to join our channel (@indianexpress)](https://t.me/indianexpress) and stay updated with the latest headlines*
A comparative analysis of the emerging coronavirus cases across India clearly shows that rural areas have fared extremely well in comparison to urban areas in enforcing the various Ministry of Home Affairs guidelines related to the lockdowns and, consequently, in containing the overall spread of COVID-19. It can also be ascertained that a majority of the uncontrolled COVID-19 spread has occurred in urban areas and metropolitan cities, despite them having better health infrastructure. The urban governance machinery certainly has lessons to learn from its rural contemporary.

Fundamentally, there is a stark contrast between the socio-economic and demographic landscape of the rural and urban areas. A robust urban governance model needs to recognise these differences and accordingly adapt itself to better serve the urban citizen. From my experience as a public administrator, a key learning is that this can only happen if our urban governance model is rebuilt on the following pillars: Convergence and accountability; urban populace specific schemes; wider public participation; and use of the latest technologies.

To begin with, there is an urgent need to re-empower the institution of the district magistrate in urban towns, where districts are not well-recognised by the public and the district administration machinery is not even used by many government departments. Notably, most of the functions that the gram panchayats and other departments perform in rural areas are usually monitored and supervised by district collectors — this is not the case with the municipalities in urban areas. To achieve convergence, we need to have a clear command and control structure at the field level. We need to eliminate the multiplicity of authorities and institutions in the urban areas with one function being managed by one institution only — and which is publicly accountable. A beginning in this direction could be made by designating the district magistrate as the ex-officio municipal commissioner, and also ensuring that the line department functionaries report to the DM in the field. This will ensure accountability of performance, and will also ensure easy grievance redressal which is currently a nightmare for the urban citizen because one usually doesn’t know the correct grievance redressal authority for specific complaints. A re-empowered DM can operate a centralised call centre where anyone can register any grievance related to any department, and since all of them would be reporting to the DM, he can then directly engage the concerned department for an early resolution of the grievance.

Further, while the rural populace and habitation is comparatively more “permanent” with their various records being maintained centrally at the DM’s office or one of its extended arms; it is not the case in cities: There, a large portion of the population comprises daily wagers, street vendors, rag-pickers and migrants who do not have address proofs in the city.

A reformed urban governance machinery needs to invest in building a credible database of the urban poor and migrants, along with mapping their skills that is maintained centrally at the office of the re-empowered district magistrate. The urban poor may be granted new types of identification documents which can be held by the people in addition to those pertaining directly to their native place: The national migrant database, announced in May by the National Disaster Management Authority (NDMA) is a step in this direction. This database will help in implementing MGNREGA like schemes for the urban poor also, which will provide adequate employment opportunities for the skilled and unskilled workers. It will also help the unified district administration to ensure better targeting of the intended beneficiaries. This data shall also assist policy makers in developing tailor-made schemes for the urban populace such as running part-time skill development courses with flexible timings which enable participants to enhance their
skills without prolonged absence from their regular work.

Another contrast between the rural and urban areas lies in the level of public participation in decision-making spaces. In the villages, the holding of chaupals, and gram sabhas and gram panchayat meetings at the local panchayat bhawan are frequent. The same can’t be said for cities where people are “unavailable” and do not “participate actively” in public discussions in settings that governments take cognizance of, such as ward committees. Moreover, in the current scenario, multiple wings of the urban administration interact with citizens incoherently, often on a piecemeal basis — and the urban citizen, consequently, doesn’t feel as involved in public decision-making.

To garner meaningful public feedback in urban areas, the unified urban governance structure led by the DM needs to take cognisance of new emerging social settings where the public is most easily accessible for interaction. These include interacting with the public over Facebook Live chats, Zoom sessions, emails, WhatsApp, Twitter, and radio shows. Public meetings must be held at places and at times that cause minimum disruption to the citizens’ daily schedules.

Next, in rural areas, the regulatory functions — such as town planning, enforcing building by-laws and renewal of trade licenses — are relatively more straightforward as the scale is small compared to urban areas. In order to perform these functions efficiently, a reformed urban district administration shall have to increasingly use technologies such as mobile-governance, geo-spatial platforms for zonal regulations and property tax, tele-education, and block chain-based networks for record keeping and verification.

As we initiate a post-COVID-19 Atmanirbhar nation-building exercise, the current urban governance structure must begin rebuilding internal systems, ensuring convergence and fixing accountability at the level of the urban district magistrate. The buck, after all, must stop somewhere.

The writer, an IAS officer, is deputy commissioner, Lohit, government of Arunachal Pradesh. Views are personal

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THE CURIOUS CASE OF HIGH DEPOSITS DESPITE LOW RATES

At a time when interest rates on bank deposits have steadily declined following successive policy rate cuts, bank deposits have actually increased. Deposit rates are now as low as 3% at major banks. Mint explains the dichotomy of rising deposits amid falling rates.

Why have deposit rates fallen so much?

Deposit rates depend on multiple factors, one of which is the repo rate set by the central bank’s Monetary Policy Committee (MPC). The moderation in inflation has resulted in very high real interest rates as we witnessed a growth slowdown from September 2018 onwards. Since then, the MPC has prioritized growth and has decided to slash interest rates to stimulate growth. Successive cuts in repo rates and a reduction in the small savings rates have allowed banks to reduce deposit rates, which will help them in reducing their lending rates, thereby reducing the cost of borrowing for the private sector.

But why are deposits rising despite this?

It is generally argued that lower rate of interest on deposits should discourage people from saving. Moreover, there are other assets such as mutual funds and stocks that offer a higher rate of return and therefore, people may prefer them over bank deposits. However, in the present context, with a major part of the economy under lockdown, people could not spend on discretionary consumption. This could have led to an increase in the deposits. Additionally, risk-averse individuals may respond to lower level of interests by higher deposits to maintain a stable level of interest income.

Does a rise in savings mean there’s no income stress?

It’s difficult to state so. The rise in bank deposits could be due to precautionary reasons, suggesting a bleak outlook of future income by households. Anecdotal evidence in the form of layoffs and wage cuts suggests some income stress. Wage cuts and layoffs represent a permanent income loss which could translate into an aggregate demand problem.

What about sluggish credit growth?

Even though banks sanctioned loans, disbursals have been low and the credit growth has been sluggish. While the government’s credit guarantee scheme has partly addressed banks’ risk-aversion, there remains a problem of low demand for credit. Borrowers are sceptical of debt as they are uncertain about the future economic outlook. Moreover, with covid-19 cases gradually increasing, there is a sense of fear which is disrupting economic activity despite relaxations of lockdown restrictions.

What does this mean for growth recovery?

Growth recovery is likely to be prolonged over the second half of the financial year as economic activity stabilizes and the fear of the pandemic subsides. Revival of discretionary consumption and credit growth would be essential for a recovery. A lot will also depend on foreign
investments that can be attracted. The recovery to pre-covid levels of growth rate (4-5%) should be swift. However, going back to our potential of around 7% will remain a challenge.

Karan Bhasin is a Delhi-based policy researcher.

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THE FAULT IN OUR DRAFTS

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

Hours after India went into lockdown, the Finance Minister announced a slew of measures to alleviate the economic crisis. This included proposed changes to the Insolvency and Bankruptcy Code (IBC), 2016, a law enacted to bring about smooth and quick resolutions for companies facing insolvency and bankruptcy with a view to primarily avoiding liquidation. The government, the Minister said, was considering suspension of certain provisions of the IBC which enabled creditors to file insolvency petitions against Indian companies for a year’s time beyond April 30. April 30 came and went without any announcement in this regard.

In mid-May, the Finance Minister announced that the government was planning to bring in an ordinance to suspend provisions enabling filing of fresh insolvency cases for a period of one year. This was followed by absolute silence on the modalities or mechanism of suspension of the provisions. Banks, financial institutions (FIs), and insolvency law practitioners had no idea where they stood with these announcements. Finally, on June 5, the government promulgated an ordinance which inserted Section 10A in the IBC. The government said the ordinance was promulgated because the lockdown has caused business disruptions which may lead to default on debts pushing such companies into insolvency. Therefore, it felt that suspending Sections 7, 9 and 10 of the IBC would be the right course of action.

Towards that end, Section 10A provides that “no application for initiation of corporate insolvency resolution process of a corporate debtor shall be filed, for any default arising on or after 25th March, 2020 for a period of six months or such further period, not exceeding one year from this period, as may be notified in this behalf”. This means that these provisions shall remain suspended from March 25 till September 25, unless extended for another six months, which would extend the suspension up till March 25, 2021.

However, the proviso to the section states that no application for insolvency resolution shall ever be filed against a corporate debtor for any default occurring during the suspension period. While the main Section 10A suspends such applications for a limited period, the proviso enlarges the scope to provide complete amnesty under the IBC for any default occurring during such period. The role of a proviso in a statute is to restrict the application of the main provision under exceptional circumstances. However, the proviso here expands the substantive provision in the main section. Further, if the main provision is unclear, a proviso may be given to explain its true meaning. In this case the main provision appears clear, only to be obfuscated by the proviso. The proviso therefore does not appear to be legally tenable. As creditors can still approach courts, and as banks/FIs can still approach Debt Recovery Tribunals, the protection given by this proviso seems illusory.

Notably, Section 10A also suspends provisions of Section 10 of the IBC which enables voluntary insolvency resolution. This is difficult to understand as such voluntary insolvency resolution should have been made easier for companies facing distress.

The ordinance appears to consider every default occurring during the suspension period to be a consequence of the pandemic. There could be cases where defaults were imminent due to other
reasons, but which will now still enjoy this protection. The ordinance should have protected only such defaults which may occur as a direct consequence of the pandemic or the lockdown and should have left this determination to the National Company Law Tribunal. Also, a company defaulting on its payment obligations on March 24 (a day before the lockdown started) would not be provided any relief under the IBC as compared to a company defaulting on or immediately after March 25 due to similar reasons. This makes the suspension, in the absence of definition of a COVID-19 default, prima facie arbitrary.

Earlier, the government increased the minimum default amount to trigger corporate insolvency resolution from 1 lakh to 1 crore. This was purportedly done to protect MSMEs from insolvency petitions. However, this also operates against such MSMEs because they will now be forced to approach civil courts to recover undisputed debts below 1 crore. The suspension of these provisions would now impact even claims above 1 crore for at least six months to a year.

The ordinance has opened itself up to a legal challenge on grounds of arbitrariness and unenforceability of the proviso due to the flaw in its drafting. It is unfathomable how these flaws arose despite the government having ample time to think this through.

V.V.Sivakumar and Chitranshul Sinha are Partners in Dua Associates, Advocates and Solicitors

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To reassure Indian Muslims, the PM needs to state that the govt. will not conduct an exercise like NRC.

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Department of Agriculture Cooperation & Farmers’ Welfare is implementing ‘Per Drop More Crop’ component of Pradhan Mantri Krishi Sinchayee Yojana (PMKSY- PDMC). The PMKSY- PDMC focuses on enhancing water use efficiency at farm level through Micro Irrigation technologies viz. Drip and Sprinkler irrigation systems. Drip micro irrigation technique not only helps in water saving but also in reducing fertilizer usage, labour expenses and other input costs.

For the current year, annual allotment of Rs. 4000 crore has already been allocated and conveyed to the State Governments. The State Governments have identified the beneficiaries to be covered under the programme. Fund release to some of the States is already under process for the year 2020-21.

Further, Micro Irrigation Fund corpus of Rs. 5000 crore has been created with NABARD. The objective of the fund is to facilitate the states in mobilizing the resources for expanding coverage of Micro Irrigation by taking up special and innovative projects and also for incentivising micro irrigation beyond the provisions available under PMKSY-PDMC to encourage farmers to install micro irrigation systems. So far, Micro Irrigation Funds have been released to the states of Andhra Pradesh and Tamil Nadu for Rs. 616.14 crore and for Rs.478.79 crore, respectively through NABARD. The area covered under these projects is 1.021 lakh ha. in Andhra Pradesh and 1.76 lakh ha. in Tamil Nadu.

During the last five years (2015-16 to 2019-20), an area of 46.96 lakh ha. has been covered under Micro Irrigation through PMKSY-PDMC.
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During the last five years (2015-16 to 2019-20), an area of 46.96 lakh ha. has been covered under Micro Irrigation through PMKSY-PDMC.
INDIA'S FOREX RESERVES JUMP $ 8.22 BN; CROSS HALF-A-TRILLION DOLLAR MARK FOR FIRST TIME

The country's foreign exchange reserves crossed the half-a-trillion dollar mark for the first time after it surged by a massive USD 8.22 billion in the week ended June 5 helped by higher foreign inflows.

The reserves rose to USD 501.70 billion in the reporting week helped by a whopping rise in foreign currency assets (FCA), the latest data from the Reserve Bank of India.

This amount of foreign exchange reserves is equivalent to a year's imports.

In the previous week ended May 29, the reserves had increased by USD 3.44 billion to USD 493.48 billion.

In the week ended June 5, FCA, which is a major component of the overall reserves, rose USD 8.42 billion to USD 463.63 billion.

Expressed in dollar terms, the foreign currency assets include the effect of appreciation or depreciation of non-US units like the euro, pound and yen held in the foreign exchange reserves.

Principal Economic Advisor in the Ministry of Finance Sanjeev Sanyal in a tweet said, "India's foreign exchange reserves hit USD 501.7 billion. As I have been saying in recent weeks, demand suppression...would push the INR to appreciate after an initial capital outflow."

"Now, as we open the economy to remove demand suppression, and push up credit growth, we will both revive imports and foreign capital inflows. The point is that demand identities imply macro-dynamics that is quite different from what naive forecasters suggest," he said in a subsequent tweet.

According to a senior official of the finance ministry, foreign exchange reserves crossing USD 500 billion is a historic moment for the country.

"After March 2020, increase of about USD 24 billion is a sign of confidence in the Indian economy," the official said.

India has been rewarded for its strong macroeconomic stability, the official added.

Care Ratings Chief Economist Madan Sabnavis said one of the reasons for this surge in foreign exchange reserves is narrowing of the current account deficit as the trade activity has collapsed due to disruptions caused by the COVID-19 pandemic.

"Secondly, we are seeing capital flows increasing substantially. Due to financial crunch and also as banks are not enthusiastic about lending, most of the companies are trying to look at the external commercial borrowing (ECB) route to raise funds," Sabnavis said.

In 2019-20, foreign direct investment (FDI) in the country rose 13 per cent, the sharpest pace in...
the last four financial years, to a record of USD 49.97 billion compared to USD 44.36 billion received in 2018-19.

In the first week of June, foreign portfolio investors pumped in a massive 18,589 crore into the Indian markets.

Reliance Industries' mega rights issue, which closed during the last week and was oversubscribed, and stake sale of 2.8 per cent by Uday Kotak in Kotak Mahindra Bank attracted significant foreign flows.

In the past seven weeks, Reliance Industries has raised 97,886 crore through stake dilution in Jio to eight investors, including Facebook and KKR.

Kotak Securities Deputy Vice-President (Currency and Interest Rate Research) Anindya Banerjee said, "This surge (in forex reserves), which started somewhere around in the first week of April, is a combination of the RBI procuring dollars from the spot market and also due to the depreciation of the US dollar, since March-end, against major currencies like euro, pounds and yen."

In the week ended June 5, gold reserves declined USD 329 million to USD 32.35 billion, the RBI data showed.

In the reporting week, the special drawing rights with the International Monetary Fund (IMF) rose USD 10 million to USD 1.44 billion.

The country's reserve position with the IMF also rose USD 120 million to USD 4.28 billion during the reporting week, the data showed.

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MUMBAI: India’s foreign exchange reserves rose $8.2 billion in the week of June 5 and has now crossed the milestone $500 billion mark for the first time in country’s history.

The healthy surge in the forex kitty was largely on the back of capital raising rounds by Reliance and Kotak Mahindra as the foreign currency asset held by the Reserve Bank of India rose $8.4 billion and stood at a record $463 billion in the reporting week, data released by the central bank on Friday showed.

Expressed in US dollars, foreign currency assets include the effect of appreciation or depreciation of non-US currencies such as the euro, pound and yen held in the reserves. India’s central bank has been shoring up its foreign reserves since over a year and in the process has leapfrogged Russia and South Korea as the third-biggest holder of forex reserves only behind China and Japan.

“We feel that the inflows coming in on account of Foreign Direct Investment and debt raising exercises by domestic financial institutions and Non-Banking companies would have largely contributed to the surge in inflow,” Saugata Bhattacharya is the Chief Economist at Axis Bank.

“In times like this, the news is a significant psychological milestone.” Rating agency S&P’s decision earlier this week to not downgrade India’s sovereign rating and outlook is also expected to improve the foreign fund flow from global investors.

The prime objective of RBI’s reserve management policy is liquidity and safety of reserves.

A strong kitty allows the central bank to timely intervene in forward and spot currency markets to arrest any slide in rupee devaluations. For example, the assimilation of reserve with the central bank and subsequent interventions helped the rupee recover by around 2% from a record low of 76.92 witnessed in April 2020. Since then, INR has been quite resilient, trading in the range of 75-76.

“Something which have differentiates our reserves from China and Japan is the sporadic FDI inflows and contribution of inward remittances. However, over the recent months, capital inflows to some of the largest corporates have indicated that not just sunrise sectors but even the mature industries are finding interest among global investors,” said K Harihar of First Rand Bank.

Other components of India’s foreign reserves such as its reserves held in gold declined by $329 million in the reporting week and stood at $32.352 billion, the latest RBI data showed. Separately, SDR and central bank’s reserve position at IMF stood at $1.4 billion and $4.2 billion respectively, in this period.

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THE SIGNIFICANCE OF HOUSEHOLD FINANCIAL SAVINGS

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

Household financial savings, which form a bulk of overall savings in the Indian economy, increased in 2019-20 after falling the previous year.

Household financial savings, which form a bulk of overall savings in the Indian economy, increased in 2019-20 after falling the previous year. How did this happen and what does this mean for the Indian economy in the post-covid world? Mint explains.

What are household financial savings?

Household financial savings refer to currency, bank deposits, debt securities, mutual funds, pension funds, insurance, and investments in small savings schemes. The total of these savings is referred to as gross household financial savings. Once financial liabilities, including loans from banks, non-banking financial companies (NBFCs), and housing finance companies, are subtracted from gross savings, what remains is referred to as net household financial savings. Net household financial savings rose from 7.2% of GDP in 2018-19 to 7.7% in 2019-20. This happened because liabilities fell from 3.9% of GDP in 2018-19 to 2.9% in 2019-20.

What is the reason behind this increase?

Gross financial savings of households in 2019-20 stood at 21.63 trillion, marginally better than the gross savings in 2018-19, which were at 21.23 trillion. Net financial savings jumped from 13.73 trillion in 2018-19 to 15.62 trillion in 2019-20 because financial liabilities fell from 7.5 trillion to 6.01 trillion. This happened primarily because the Indian economy has been slowing down from the start of 2019. Per capita income in the country in 2019-20 grew by a mere 6.1% in nominal terms (not adjusted for inflation). This was the slowest rate of growth since 2002-03, when it had grown by 6.03%.

How did slow growth in per capita income hit savings?

A double-digit growth in per capita income has happened only once since the financial year 2013-2014, when in 2016-17 it grew by 10.39%. In 2019-20, per-capita income growth slowed down dramatically to 6.1%. This led to a slowdown in lending growth. Non-food credit growth of banks in 2019-20 was 6.7%, the slowest in more than a decade.

What does it say about the economy?

A slowdown in income growth has led to a slowdown in consumption and loan growth. What hasn’t helped is the weak financial state of NBFCs, which has added to the lending slowdown. This also means that people were looking at their economic future bleakly, even before covid-19 had struck. At an individual level, the good part for them is that they tried to go slow on their borrowing in comparison to the past. However, at the societal level, this hurt the economy because it led to a consumption slowdown.
Where will household savings settle in FY21?

The period between April and June will see higher savings. As a recent RBI research paper states, a rise in household financial savings “is likely in [April to June 2020] on account of a sharp drop in lockdown induced consumption.” This explains why bank deposit rates have fallen. Money deposited with banks has gone up, while banks are unable to lend. However, this spike in savings is likely to taper in months to come due to “lags in economic activity pickup”.

Vivek Kaul is the author of Bad Money.

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Public policy is focused on aiding people escape poverty, not to stop them from falling into it

Last week, the World Bank sharply revised upwards what it estimates to be the impact of the covid-19 pandemic on worldwide poverty. It did so because the Bretton Woods twin now hold a grimmer view of global growth in the current year; it now believes growth could contract anywhere between 5-8% in 2020—the brunt of which will be borne by the informal economy, thereby giving a fresh twist to the lives vs livelihood debate in emerging economies like India.

The surge in the “new poor” that the World Bank is alluding to is emerging as the new social cost of the pandemic, which also holds serious political ramifications. In April, it estimated the addition to the number of worldwide poor to be anywhere between 40-60 million; it now believes, consistent with the projected contraction in global growth detailed in the latest World Economic Prospects report published by the World Bank, that the increase in the “new poor” could range anywhere 71-100 million.

Most importantly, this cohort was either not born poor or include those who had somehow managed to exit extreme poverty. This is particularly relevant to developing economies like India, where most of the population depends on the informal economy for their livelihood and is extremely vulnerable to any disruption.

Tragically, the once-in-a-century covid-19 pandemic, which originated in Wuhan, China, is more than just a disruption. It has forced countries, including India, to lockdown, primarily to slow the spread of the virus by reducing social contact and creating the space for administrations to scale up existing medical care facilities. But, in the process, it has unleashed economic devastation and a surge in joblessness.

In any case, in India, even before the pandemic struck, most of the population was living dangerously close to the poverty line. According to the World Bank, one in two people are vulnerable to poverty—this is more than the entire population of the US.

Why? Because nine out of 10 people in the workforce hold informal jobs; and remember the maximum loss of livelihood in the lockdown phase has occurred in this segment.

The World Bank study classifies the poor according to those living on $1.90 per day (extreme poverty), $3.20 per day and $5.50 per day. Its projections for South Asia, in which India accounts for the overwhelming proportion, show the spurt in ‘new poor’ ranging from 32-42 million (in April this was projected at 16 million), 115-138 million (56 million) and 85-102 million (44 million) respectively.

One can safely assume that most of the dislodged migrants, estimated to be anywhere between 9-12 million, desperately seeking their way back to their homes will probably be part of this count of “new poor”. The loss of their income stream will not only hurt them directly, but the stoppage of remittances will also dent household incomes in their home state—an economic shock extremely difficult to survive.
Yes, the focus of government spending in the last three months has been precisely to bolster the social safety nets for rural India, but given the scale, it is very likely that many would have fallen back in poverty.

The projected addition of “new poor” has put the spotlight on an often ignored aspect of poverty alleviation. Most public policy is designed to help people escape poverty and not prevent people from descending into it. Anirudh Krishna, professor at Duke University, had in a very prescient piece of work argued that most people were just one disease away from poverty. The book published in 2010, ‘One Illness Away’, therefore highlighted the need for public policy to focus also on preventing people from falling into poverty.

Yes, schemes like Ayushman Bharat (health insurance for 600 million people) and food security are steps in the right direction to strengthen the wherewithal of an average Indian, given that the bulk of them work in the informal economy and hence do not have a predictable and regular income stream—unlike in a formal sector job. These are at best first steps; much more needs to be done.

Presumably, as Prime Minister Narendra Modi held recently, the covid-19 pandemic may well be the watershed moment—hopefully with respect to redefining public policy to fight poverty in India.

Anil Padmanabhan is managing editor of Mint and writes every week on the intersection of politics and economics.

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India’s forex reserves recently crossed the $500-billion mark for the first time in history due to higher foreign direct investment, foreign institutional investment. Low oil prices also helped reduce outflows. Mint explains this development and the importance of forex reserves.

What are forex (foreign exchange) reserves?

Forex or foreign exchange reserves are essentially assets held by the central bank in foreign currencies as a reserve. They are usually used for backing the exchange rate and influencing monetary policy. In the case of India, our forex reserves include dollars, gold, and the International Monetary Fund’s quota for Special Drawing Rights. Most of the reserves are usually held in US dollars given the currency’s importance in the international trading and financial system. Some central banks also hold reserves in British pounds, euros, Chinese yuan, or the Japanese yen, in addition to their US dollar reserves.

Why are the reserves so important?

All international transactions are settled in US dollars and are therefore needed to support our imports. More importantly, they are needed to support, maintain confidence for central bank action, whether monetary policy action or any exchange rate intervention to support the domestic currency. It also helps limit any vulnerability because of a sudden disruption in foreign capital flows, which could happen during a crisis. Holding liquid forex thus provides a cushion against such effects and gives the confidence that there would still be enough forex to support the country’s crucial imports in case of external shocks.

Have other nations also seen an increase in reserves?

Countries witness significant cash outflows during an economic crisis, resulting in a reduction in dollar reserves. This causes a devaluation of domestic currencies forcing central banks to deploy reserves to support their currencies. Bank of America said Emerging Markets burned $240 billion in reserves to support domestic currencies.

How did India increase its reserves amid crisis?

The increase in India’s reserves is an outcome of an increase in FDI. This comes along with FIIs pouring money into markets expressing confidence in the economy. The increase in FDI, however, is primarily an outcome of the successful capital raise by Reliance Industries’ Jio Platforms amidst this global pandemic. Another reason is that a slowdown means lower domestic consumption, which implies lower imports. This coincides with low crude oil prices which further help on the current account front.

Does this mean India’s economy is healthy?

The increase in reserves does give India adequate cushion to combat external shocks. India is one of the few nations whose forex reserves are more than forex debt. The increase in FDI signals faith in the future of the economy, rather than a commentary on its present state. Lower
imports are a result of lower domestic demand, but currently, it is due to the lockdown too. It is, therefore, difficult to consider the increase in reserves as a direct sign of a healthy economy.

*Karan Bhasin is a New Delhi-based policy researcher.

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NEW DELHI: India on Monday launched its first gas trading exchange, enabling local and foreign players such as Shell, Vitol and Trafigura to sell directly to domestic customers.

India, a large emitter of greenhouse gases, is expanding its gas infrastructure, including connecting households with expanding gas pipe network, as it aims to raise the share of gas in its energy mix to 15% by 2030 from the current 6.2%.

The nation's current daily consumption of gas - which is less polluting than other fossil fuels such as coal and oil - is about 165 million cubic metres, of which 47% is met through imported liquefied natural gas (LNG).

Rajesh Mediratta, a director at the India Gas Exchange, said the platform initially expected to facilitate trading in LNG, mainly cheaper spot volumes, as locally produced gas is sold at state-fixed prices to designated customers.

"...some part of (imported LNG) will come to the exchange so GAIL, GSPC (Gujarat Energy Petroleum Corp), H-Energy, Indian Oil Corp Shell and international traders like Trafigura and Vitol they all can sell into the exchange. Buyers will be there on the other side," he said.

He added the bulk of growth in India's gas consumption would be met through imports.

The India Gas Exchange offers spot and forward contracts at Dahej and Hazira in Western Gujarat state and Kakinada in southern Andhra Pradesh.

Currently, global traders sell LNG to Indian clients through companies like Peronet LNG, IOC, GAIL, BPCL GSPC. Shell is the only foreign company that sells directly to customers through its LNG terminal at Hazira.

Oil Minister Dharmendra Pradhan said India would soon have a new gas tariff policy. He said in the next few years India would expand its gas pipeline infrastructure to about 32,000 kilometers (km) from the current 17,000 km and raise annual LNG import capacity to about 50 million tonnes from 39.2 million.

"As there will be a market driven pricing mechanism, India Gas Exchange will play a bigger role towards realizing a free market for gas," Pradhan said, while launching the trading platform.

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Minister of Petroleum and Natural Gas & Steel Shri Dharmendra Pradhan launched the Indian Gas Exchange (IGX), first nationwide online delivery-based gas trading platform, in an e-ceremony today. IGX will be a delivery-based trading platform for delivery of natural Gas. The trade on the platform commenced in his auspicious presence. Incorporated as a wholly owned subsidiary of the IEX - India’s energy market platform, IGX will enable market participants to trade in standardised gas contracts. The platform is fully automated with web-based interface to provide seamless trading experience to the customers.

Speaking on the occasion, Shri Pradhan said that the launch of the new electronic trading platform for natural gas today has opened a new chapter in the energy history of India and help the nation move towards free market pricing of natural gas. He said that with this landmark, India is joining the club of progressive economies. As there will be a market driven pricing mechanism, India Gas Exchange (IGX) will play a bigger role towards realizing a free market for gas, he added.

The minister also said that Petroleum and Natural Gas Regulatory Board (PNGRB) is working on rationalization of tariff to make natural gas affordable in every part of the country. The government has no business to be in business and the consumer is the king in a free market, Shri Pradhan added. He also said that through IGX, India’s vision on mega investments on Liquefied Natural Gas (LNG) terminals, gas pipelines, CGD infrastructure and permission for market driven price mechanism will be materialized.

Referring to the various initiatives taken to make India a gas-based economy, the Minister said that Indian gas market has multiple price bands for assets including pre-NELP, NELP, High Temperature and High pressure (HTHP) and Deepwater and Ultra Deep Water blocks. He said that the country will soon have 50 MMT LNG terminal capacity. He said that the country has long-term gas contracts with many countries like Qatar, Australia, Russia and the US, and has made investments abroad in strategic assets in Mozambique, Russia and other countries. He also mentioned about various ongoing projects to strengthen the gas infrastructure in the country like Urja Ganga, Eastern India grid, Indradhanush project in the North-east, Dhamra-Dahej pipeline, coal gasification and CBM policy. He said that country will have more than 30,000km of pipeline in next few years

According to the minister, the new electronic trading platform for natural gas is the biggest indicator of the centre's progressive policy as it completes the entire energy value chain from gas production from multiple sources and imports of LNG from different parts of globe to having a transparent price mechanism. Talking about the Prime Minister’s vision to provide energy justice to the people of India, he said that they must have universal access to clean, affordable, sustainable and equitable supply of energy.

Secretary, Ministry of Petroleum and Natural Gas Shri tarun Kapoor, PNGRB Chairman Shri D.K.Saraf were also present on the occasion.

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UNPACKING THE REFORM

Relevant for: Indian Economy | Topic: Transport & Marketing of agricultural produce

Just as all ordinances aren’t reforms, all reforms aren’t the “1991 moment” for agriculture. The ordinances announced recently to facilitate trade in agricultural produce were historically resisted by the bureaucracy and the states. Pent up frustration at repeatedly failing to change the status quo of depressed farmer livelihoods, and the pressure of the PMO seeking instant delivery, has the establishment introducing ordinances rather than bills.

Bills would require to be placed in the public domain for comments, consultations would be held with farmers, and states whose powers and revenues were being curtailed would get a hearing. In the hurry to impose ordinances, however, the baby has been thrown out with the bath water, specifically with ‘Farming Produce Trade and Commerce (Promotion & Facilitation) Ordinance 2020.’

Due to the unionisation of middlemen (arhatias) and their financial clout, politicians in the states have been reluctant to amend agriculture marketing laws which are exploitative and don’t allow farmers to receive a fair price. Rather than coax the states financially to correct the markets, an unregulated marketplace has been created where 15 crore farmers will be exposed to the skulduggery of traders. Imagine the mayhem in stock markets if ROC and SEBI were similarly made redundant.

Rather than replicate Punjab’s successful agriculture mandi model, now states will lose vital revenue to even upgrade and repair rural infrastructure. The ordinance may be challenged by the states for its constitutional overreach, but, on the flip side, over time, the largest informal sector in the country will begin to get formalised and new business models will develop. A different breed of aggregators will create the much-needed competition to the existing monopoly of local traders.

Additionally, henceforth, when farmers sell agricultural produce outside of APMC market yards, they cannot legally be charged commission on the sale of farm produce. To survive, the APMCs across the nation will have to radically standardise and rationalise their mandi fee structure and limit the commission charged by traders on sale of farmers’ produce.

My conjecture is that only because the amendment limited the powers and revenues of the state, and not the agriculture department itself, did the central government rush in with an amputation where a surgery would have sufficed.

An amputation was required in the Essential Commodities Act (ECA), 1955, where a band-aid dressing has been applied. This amendment was supposed to allay the genuine fears of traders emitting from the bureaucracy’s draconian powers to arbitrarily evoke stockholding limits etc. Rather than forego its own powers for the larger good, the amendment’s fine print makes it ambiguous and leaves space for whimsical interpretations as before. The trader’s uncertainty is compounded by the arbitrary import-export policy decisions which dilute the purpose of the amendment itself.

Lastly, “The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance 2020” could have been simply called the “contract farming ordinance 2020”. It tries to placate the fears of both the farmer and the contractor when they sign an agreement. For the farmer, the legal recourse is never a practical choice as the persuasive powers of the aggregators’ deep pockets cast a dark shadow over the redressal process. Likewise, the
tediously stretched legal proceedings are dissuasion enough to either not seek redressal or settle for unfavourable terms.

That produce derived from contract farming operations will not be subject to any obstructionist laws is a very good step. Farmer-producer organisations and new aggregators will get a boost with these laws, and become harbingers of prosperity in some small corners of the countryside. There are green shoots in the ordinances, but the downside dwarfs the upside.

The union of the three ordinances appears to be a precursor to implementing the Shanta Kumar Committee recommendations to dilute and dismantle FCI, MSP & PDS which will push farmers from the frying into the fire. It may also be interpreted to mean that now the sugar industry needn’t pay farmers the central government FRP or the state government SAP price for sugarcane. The way the establishment has gone about pushing these ordinances, the government has lost moral and political ground even amongst its most ardent supporters.

Shakespeare said, “The evil that men do lives after them; the good is oft interred with their bones”. As in the past, government efforts aren’t bearing fruit and like a wound, rural distress festers. Senior officers creating policy retire and thus fail to be held accountable for the mess they leave behind.

The writer is chairman, Bharat Krishak Samaj

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RBI PROPOSES NEW RULES FOR HOUSING FINANCE COMPANIES

MUMBAI: The Reserve Bank of India (RBI) on Wednesday proposed to tighten the rules governing home financiers, including putting restrictions on lending to builders and doubling the minimum net owned funds criterion.

The regulator’s proposal has also clearly defined home finance firms and those that are systemically important among them. RBI has also proposed that home financiers should not be simultaneously allowed to lend to a real estate developer as well as homebuyers in the developer’s project.

The proposed changes in the rules have come following RBI’s taking over as the regulator of mortgage lenders from National Housing Bank (NHB) in August 2019. Following the review of the rules, home financiers will now be regulated as a category of non-banking financial companies.

Under the NHB regulations, there was no formal definition of housing finance. In the draft framework released on its website, RBI said housing finance will now mean “financing, for purchase/construction/reconstruction/ renovation/ repairs of residential dwelling unit ..." and some other activities, including giving loans to corporates and government agencies for employee housing projects.

“All other loans, including those given for furnishing dwelling units, loans given against mortgage of property for any purpose other than buying/construction of a new dwelling unit/s or renovation of the existing dwelling unit/s, will be treated as non-housing loans,” said RBI.

According to the draft regulations, RBI also classified housing finance companies as systemically important and non-systemically important. “Non-deposit taking HFCs with asset size of 500 crore and above; and all deposit taking HFCs irrespective of asset size will be treated as systemically important HFCs. HFCs with asset size below 500 crore will be treated as non-systemically important HFCs,” according to the proposed regulations.

“RBI’s announcements on draft regulatory changes for HFCs sharpen the definition of what’s ‘housing finance’ or ‘providing finance for housing’ to residential dwellings. It also provides relief to residential developers as lending to builders for construction of residential dwelling units is allowed in this definition,” said Srinath Sridharan, a banking sector expert. “Also, with a few other tightening of regulations, I anticipate the valuation-driven hunger for HFC licences over the past few years will ebb. Only serious players will stay in this industry.”

RBI also said that to qualify as a housing finance company, 50% of net assets should be to real estate lending, of which at least 75% should be towards individual housing loans. Those HFCs that do not fulfill the qualification will be treated as NBFC-investment and credit companies (NBFC-ICCs) and will be required to approach RBI for conversion of their certificate of registration from HFCs to NBFC-ICC.

RBI has proposed to double the minimum net owned funds for HFCs to 20 crore and align the capital requirements of all HFCs with NBFCs over a period of two years. For HFCs, minimum capital risk-weighted assets ratio (CRAR) is currently at 12%, which will be increased to 14% by
31 March 2021 and 15% by 31 March 2022.

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SCHEME OF SPECIAL MICRO-CREDIT FACILITY LAUNCHED FOR STREET VENDORS - STRIVING TOWARDS ATMANIRBHAR BHARAT

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

A Memorandum of Understanding has been signed between Ministry of Housing & Urban Affairs and Small Industries Development Bank of India (SIDBI), here today, in order to engage SIDBI as the Implementation Agency for PM Street Vendor’s AtmaNirbhar Nidhi (PM SVANidhi) - a Special Micro-Credit Facility for Street Vendors. The MoU was signed by Shri Sanjay Kumar, Joint Secretary on behalf of Ministry of Housing and Urban Affairs (MoHUA) and Shri V. Satya Venkata Rao, Deputy Managing Director, SIDBI, in the presence of Shri Hardeep S. Puri, Hon’ble Minister of State (Independent Charge) MoHUA.

As per the MoU terms, SIDBI will implement the PM SVANidhi Scheme under the guidance of MoHUA. It will also manage the credit guarantee to the lending institutions through Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). It will develop and maintain a customized and integrated IT Platform providing end-to-end solutions, including documentation of all the processes and workflows for an end-to-end solution, through a Portal and a Mobile App, to ensure engagement and information flow between Urban Local Bodies (ULBs), Lending Institutions, Digital Payment Aggregators and other stakeholders.

It will leverage the network of lending Institutions like Scheduled Commercials Banks (SCBs), Non-Bank Finance Companies (NBFCs), Micro Finance Institutions (MFIs), Co-operative Banks, Small Finance Banks (SFBs), Regional Rural Banks (RRBs), etc. for the Scheme implementation.

With a view to ensure effective implementation, SIDBI shall also provide a Project Management Unit (PMU), comprising of domain experts in training/ capacity building, project and platform management, Information Education and Communication (IEC), banking, NBFC and MFI sectors etc., for the period of PM SVANidhi i.e. upto March 2022.

It is pertinent to mention that PM SVANidhi was launched by the Ministry of Housing and Urban Affairshad, on June 01, 2020 for providing affordable Working Capital loan to street vendors to resume their livelihoods that have been adversely affected due to Covid-19 lockdown. This scheme targets to benefit over 50 lakh Street Vendors. Under the Scheme, the vendors can avail a working capital loan of up to Rs. 10,000, which is repayable in monthly instalments in the tenure of one year. On timely/ early repayment of the loan, an interest subsidy @ 7% per annum will be credited to the bank accounts of beneficiaries through Direct Benefit Transfer on quarterly basis. There will be no penalty on early repayment of loan. The scheme promotes digital transactions through cash back incentives up to an amount of Rs. 100 per month. Moreover, the vendors can achieve their ambition of going up on the economic ladder by availing the facility of escalation of the credit limit on timely/ early repayment of loan.

Ministry has already circulated the Guidelines of the Scheme to all stakeholderse.g. States and other stakeholders, including Banks, MFIs, NBFCs, SIDBI and Street Vendors’ Associations to sensitize them about their role and responsibilities. The integrated IT platform for PM SVANidhi is likely to be launched by forth week of June, 2020. In the first phase, 108 cities have been selected, in consultation with States/Uts, for saturation by September 2020. Disbursement of loan is planned to commence in July, 2020.
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COVID HAS FORCED EDUCATIONAL ESTABLISHMENT TO INTRODUCE E-LEARNING TOOLS, BUT THE CHASM BETWEEN HAVES AND HAVE-NOTS IS A CONCERN

Written by Tanu Shukla and Virendra Singh Nirban

The COVID-19 pandemic has interrupted all facets of our daily lives. It has impacted all levels of the educational system as well, forcing the inclusion of technology tools in education. However, this has triggered uncertainty across marginalised groups.

The introduction of information and communication technologies (ICT) produces varied outcomes depending on three As — accessibility, affordability, and acceptance. Accessibility refers to the set of activities that empowers the user to use technology, while affordability is the level at which the consumer can endure the cost of the ICT service. Acceptance, on the other hand, pertains to technology innovation, and is influenced by behavioural and social factors.

Our education system is facing difficulties in meeting the digital divide between haves and have-nots. The rich are becoming richer with knowledge acquisition while the poor are becoming poorer because the three As continue to elude them. It is time we contemplate on equity and equality parameters, which are central to the implementation of Sustainable Development Goals (SDGs). The time has also come to try out innovative models in creating learning opportunities for everyone, and to end the digital divide.

In accordance with the universal right to free basic education, the United Nations committed to achieving the target of universal basic education by the year 2000. However, the inequality of learning opportunities have come in the way of developing countries meeting this objective.

The Indian education system is weighed down by lower levels of learning outcomes, low enrolment and high dropout rates. This situation may worsen since dropout rates are likely to increase due to the widening gap in access to education. While other basic needs such as food, water, and shelter are taken care of, education has been left unaddressed. This has long-term repercussions, especially for the most vulnerable sections of society.

The Annual Status of Education Report (ASER) aims to provide a reliable annual status of basic learning levels. It found that hardly 27.2 per cent of children in Class 3 had the ability to write. The student learning surveys by the NGO Pratham have demonstrated that only one out of eight children in Class 4 knew simple division. Similarly, only one out of five children of the same grade knew basic reading while only half the children in Class 6 could do multiplications. With regard to conceptual understanding, the percentages are worse. Research suggests that the gap in foundational learning tends to escalate every year along with progress to the next class.

The pandemic has added new challenges. Quite a few private schools have embraced online teaching methods — private and government schools that lacked accessibility and availability to ICT have fallen behind. Policymakers have been forced by this disruption to work out solutions to bridge the digital divide and make e-learning socially inclusive.

Learning demands a conducive environment. Lack of access to electricity and internet is impacting remote learning. Only 24 per cent of the households in the country have internet...
facility, according to a report of National Sample Survey Education. Meanwhile, the Ministry of Human Resource Development has reduced the expenditure on refining the digital infrastructure from Rs 604 crore in 2019-20 to Rs 469 crore in 2020-21.

Target 9C of the UNESCO’s SDGs talks of universal access to information and communications technology. Technology — particularly ICT — has always been a catalytic agents for progress. But modern ICT provisioning has flagged issues related to inclusion.

The pandemic has forced the educational system into implementing “technology-based innovative interventions”. In the light of constitutional needs, this is the time to make ICT as a mainstream practice. Stakeholders must use it as an opportunity rather than offer it as an alternative arrangement for those who can access and afford education. It would go a long way in ensuring the safeguarding of education as a fundamental and compulsory right of an individual.

(The authors are with the Department of Humanities and Social Sciences, BITS Pilani-Pilani Campus)

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PM MODI LAUNCHES GARIB KALYAN ROZGAR
ABHIYAN WITH FOCUS ON EMPLOYMENT FOR
MIGRANT WORKERS

NEW DELHI: Prime Minister Narendra Modi on Saturday launched the Garib Kalyan Rozgar Abhiyan with the aim of providing employment to migrant workers who returned to their villages during the two month long nationwide lockdown imposed to curb spread of coronavirus.

The programme aims to provide jobs to labourers in rural areas which have been worst affected by reverse migration. According to the government, the scheme focuses on 116 districts across six states including Uttar Pradesh, Bihar, Jharkhand, Madhya Pradesh, Rajasthan and Odisha. The 116 districts that have been chosen, together account for over 67 lakh migrant workers which is nearly two thirds of the total returnee migrants.

"The government has been consistently making efforts to ensure that our village and our financially weaker sections are able to stand on their feet. Our poor, farmers and labourers should not seek help from anyone. We are people who do not need support but we succeed because of our hard work," said Modi at the virtual launch of the programme which was attended by chief ministers of the above said states including Bihar ally Nitish Kumar.

Modi further said that for a self-reliant India, it was necessary to make villages, farmers, poor and labourers self-reliant on then the country will be truly self-reliant. Speaking at the event, Bihar chief minister Nitish Kumar also said that most of the migrants who have returned to their villages do not want to return to the cities, instead migrants want jobs in their home state.

"Migrant labourers have always worked for the development of cities but now they would work for the development of their own villages while continuing to live in their villages along with their family members and friends," the PM added.

The scheme is aimed to he broaden the scope of rural social safety net and subsume some of the popular schemes of the government like the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). As many as 25 welfare schemes which cover creation of assets, building houses and facilities for farmers will be pooled under this drive— Garib Kalyan Rojgar Abhiyaan—for quick delivery of jobs.

The move to launch the scheme from Bihar is also politically significant as state is currently under National Democratic Alliance (NDA) regime where Kumar is battling anti-incumbency to bid for his return as the fourth time chief minister. The state goes to poll later this month and has one of the highest returnees of migrant workers.

In his address on Saturday, Modi significantly said that the recent ordinances brought for farm sector which will help broaden the prospects of farmers. The ordinance aims to create the concept of “One India, One Agriculture Market" by freeing up conditions on who a farmer can sell to.

“Government and bureaucrats will not decide where to sell their produce, you will decide. Farmers can sell outside their states, connect directly with buyers about their produce," Modi said while adding that the move will help improve income of farmers.
His statements are significant because there is already opposition pressure on reviewing the ordinances. Earlier this week, Punjab chief minister Amarinder Singh on to Modi urging him to review it on the grounds of interests of farmers and in the ‘spirit’ of cooperative federalism where states and Centre have to work together for collective good of people. Communist Party of India (Marxist) too have opposed the ordinances.

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Prime Minister Narendra Modi today launched a massive employment-cum-rural public works Campaign named ‘Garib Kalyan Rojgar Abhiyaan’ to empower and provide livelihood opportunities in areas/villages witnessing large number of returnee migrant workers affected by the devastating COVID-19. The Abhiyaan was flagged off from village Telihar, Block Beldaur, district Khagaria, Bihar on June 20 (Saturday) through Video-Conference attended by the CMs and Representatives of the 6 Participating States, Various Union Ministers and others.

Prime Minister interacted through remote video conferencing with the villagers of Telihar in the Khagaria District of Bihar from where the Prime Minister Garib Kalyan Rojgar Abhiyaan was formally launched.

The Prime Minister inquired from some of the migrants their current state of employment and also whether the various welfare schemes launched during the Lockdown period were available to them.

Shri Modi expressed satisfaction after his interaction and pointed out how rural India stood its ground in the fight against COVID-19 and how it is providing an inspiration to the whole country and the world in this moment of crisis.

PM said that both the Center and the State Governments were concerned about the welfare of the poor and the migrants.

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Construction of Wells

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RURBAN

7

Plantation works

20

PM Kusum

8

Horticulture

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Bharat Net

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22

CAMPA plantation

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PM Urja Ganga Project

11

Rural connectivity works

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KVK training for Livelihoods

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Solid and liquid waste management works

25
District Mineral Foundation Trust (DMFT) works

Construction of farm ponds

Prime Minister Narendra Modi today launched a massive employment-cum-rural public works Campaign named ‘Garib Kalyan Rojgar Abhiyaan’ to empower and provide livelihood opportunities in areas/villages witnessing large number of returnee migrant workers affected by the devastating COVID-19. The Abhiyaan was flagged off from village Telihar, Block Beldaur, district Khagaria, Bihar on June 20 (Saturday) through Video-Conference attended by the CMs and Representatives of the 6 Participating States, Various Union Ministers and others.

Prime Minister interacted through remote video conferencing with the villagers of Telihar in the Khagaria District of Bihar from where the Prime Minister Garib Kalyan Rojgar Abhiyaan was formally launched.

The Prime Minister inquired from some of the migrants their current state of employment and also whether the various welfare schemes launched during the Lockdown period were available to them.

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CROP OF IRONIES

Relevant for: Indian Economy | Topic: Agriculture Issues and related constraints

It is ironic that it took a devastating pandemic to force the government’s hand for long-overdue agrarian reforms. Amendments have been made to the Essential Commodities Act, 1955. The Finance Minister has urged States to dismantle the Agricultural Produce Market Committees. Several long-term changes have been made to the agricultural sector, such as fair pricing and e-trading, along with liquidity measures. The Centre has also encouraged the State governments to adopt three model laws on contract farming, agricultural land leasing, and marketing.

These developments came as the Indian agriculture sector was impacted by lockdowns across States following the COVID-19 outbreak. Migrant farm workers fled the fields en masse, unable to sustain their livelihoods. Crippling bottlenecks in the supply chain resulted in prices skyrocketing in consumer markets, even as farmers, stuck with inventory, started dumping them at throwaway prices. Many remained hungry even as the Food Corporation of India’s godowns overflowed with grain stock at three times the buffer stock norms.

It is an irony that many migrants to the cities who come from farming backgrounds sought the city for a better life but it is the same cities and their employers that have forced them to return to their homes. What India has been witnessing over the past few months is a historic reverse migration. It is an irony that the very people who ensure food security in this nation are being made to go hungry now. It is equally an irony that the lockdown was imposed to contain COVID-19 but migration of the poor and vulnerable might be taking the virus to the hinterland of India.

While the concept of One Nation, One Ration Card has potential, people are concerned about immediate relief for the hungry. This is being provided with the release of fixed quantities of free foodgrains and pulses to the migrants, even to those without ration cards, for the months of June and July. Implementation needs to be seen through. India has always struggled to fill the gap between policy prescriptions and implementation.

Just as rabi crops were set to be harvested, unseasonal rain and hail arrived at the beginning of the year. Parts of the country reeled under a pernicious locust invasion. Looming loans could push farmers into a tailspin of poverty. The Reserve Bank of India announced an extension of the moratorium on loan EMIs by three months, but given that many farmers rely on a system of informal borrowing, this negates the intended effect. The government has also hiked the MSP of 14 kharif crops, but some argue that this may not offer the intended extent of relief due to a lack of manpower, working capital, machinery (stuck in other States) and storage.

Coronavirus package | What are the measures announced by the government to deal with the farm crisis?

Steps that economists suggest are to switch from cash to food crops; listen to the Prime Minister’s ‘go local’ message and invest in redirecting supply chains locally; increase government allocations to poor farmers through the PM KISAN scheme by including everyone, even those who do not own land; ensure timely availability of seeds and fertilizers for the next season by roping in gram sabhas to verify claimants; and involve Farmer Producer Organisations in the process to ensure the safeguarding of farmers’ rights.

The world observed World Hunger Day on May 28, 2020. India was ranked 102 out of 117 qualifying countries on the Global Hunger Index. Although agriculture accounts for around 17% of India’s GDP, nearly 50% of the country’s population depends on farm-based income. The
Prime Minister’s vision for doubling farmers’ income in two years seems a distant dream in the wake of the pandemic. Climate scientists warn about climate change. The resilience of Indian farmers has meant that the nation was fed even through multiple lockdowns. Now, it is our turn to give them a brighter day.

Madhurika Sankar is a Chennai-based writer

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Suresh Nambath

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To reassure Indian Muslims, the PM needs to state that the govt. will not conduct an exercise like NRC

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THE TALE OF TWO ECONOMIES: WHAT CHANGED IN 30 YEARS

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

World Bank data shows that India’s per capita income, as of 2019, is about a fifth of China’s. What changed in the last three decades? Mint explores

Until 1990, India’s per capita income was higher than that of China. However, data from the World Bank shows that India’s per capita income, as of 2019, is about a fifth of China’s. What changed in the last three decades? Mint explores.

What was China’s per capita income in 1990?

Per capita income is the average income of a citizen of a country. In 1990, the per capita income of China was $318, while that of India’s was slightly greater at $368. China’s economy took off in the 1990s, thanks to market liberalization transforming it into an industrial powerhouse from a largely agrarian society. Since then the per capita income of China has surpassed that of India. In fact, data from the Chinese National Bureau of Statistics tells us that in 2019, China’s per capita income was $10,276, having crossed the$10,000-mark for the first time. The per capita income of India, however, was around a fifth of that.

How did the India-China gap grow?

Chinese exports took off in the early 1990s. The country emerged as the outsourcing paradise for manufacturing for large parts of the western world, allowing companies to drastically cut costs. In 2018, Chinese exports stood at $2.64 trillion against India’s $0.54 trillion. A major part of the jump in Chinese exports was a result of its companies becoming a key part of the global supply chains of large western companies. Indian companies missed out on this and are still trying to catch up. The overall physical infrastructure available was also clearly better in China, prompting the western companies to go there.

Which sector has India done well in over last 3 decades?

In the last three decades, India has done fairly well in services exports. In 2018, China’s services exports were at $233.6 billion, while those of India were around$205 billion. The difference between China’s services exports and India’s services exports has been reducing over the last decade. And that is great news for India.

Why have our services exports gone up?

This has primarily been due to software exports, which have grown constantly over the last few decades. Software exports have grown because of visionary entrepreneurs who saw a global opportunity, decided to tap into it, and ensured that their companies have the capability to compete globally. What also helped was that the government took time to realize what was happening in the sector, and hence could not hold it back through its interference. In a few states, the government even supported software entrepreneurs.

What went wrong with manufacturing sector?

The manufacturing sector could not come up with a similar formula except for a few sectors such
as two-wheelers. Many companies remained stuck in the import-substitution era that prevailed before the 1990s. Hence, they could not compete on the global front or even with foreign firms within India. This is why India imports even basic products. In the first 11 months of 2019-20, 97% of goods imported from China were manufactured products.

Vivek Kaul is the author of Bad Money.

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GOVERNMENT DECLARES MINIMUM SUPPORT PRICE FOR MATURE DEHUSKED COCONUT

Relevant for: Indian Economy | Topic: Issues related to direct & indirect Farm Subsidies and MSP

Government of India has declared Minimum Support Price for mature dehusked coconut for the season 2020 at Rs. 2700/- per quintal, thus hiking the MSP by 5.02% from Rs. 2571/- per quintal during season 2019.

Giving this information, Union Minister of Agriculture & Farmers’ Welfare, Rural Development and Panchayati Raj Shri Narendra Singh Tomar said that the Government of India under Prime Minister Shri Narendra Modi has given utmost importance to the interests of farmers growing all kinds of crops throughout the country. The hike in the MSP for mature dehusked coconut facilitates procurement of fresh coconut thereby ensuring that the benefit of MSP reaches the millions of smallholder coconut farmers.

Shri Tomar said that coconut being a small holder’s crop, aggregation and arranging copra making facility at farmer’s level is not common. Even though MSP for milling copra is Rs. 9960/- per quintal for 2020 crop season, declaration of higher MSP for dehusked coconut ensures immediate cash to the small farmers, who are unable to hold the product and who are having insufficient facility for copra making. This will be a relief to the coconut farmers who are already affected by the pandemic and the consequent disruption in the supply chain.

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INFORMATION ABOUT COUNTRY OF ORIGIN BY THE SELLERS MADE MANDATORY ON GEM TO PROMOTE MAKE IN INDIA AND AATMANIRBHAR BHARAT

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

Government e-Marketplace (GeM), a Special Purpose Vehicle under the Ministry of Commerce and Industry, has made it mandatory for sellers to enter the Country of Origin while registering all new products on GeM. Further, sellers, who had already uploaded their products before the introduction of this new feature on GeM, are being reminded regularly to update the Country of Origin, with a warning that their products shall be removed from GeM if they fail to update the same. GeM has taken this significant step to promote ‘Make in India’ and ‘Aatmanirbhar Bharat’.

GeM has also enabled a provision for indication of the percentage of local content in products. With this new feature, now, the Country of Origin as well as the local content percentage are visible in the marketplace for all items. More importantly, the ‘Make in India’ filter has now been enabled on the portal. Buyers can choose to buy only those products that meet the minimum 50% local content criteria. In case of Bids, Buyers can now reserve any bid for Class I Local suppliers (Local Content > 50%). For those Bids below INR 200 crore, only Class I and Class II Local Suppliers (Local content > 50% and > 20% respectively) are eligible to bid, with Class I supplier getting purchase preference. Some Snapshots of the Local Content Features on the GeM Portal are shown in Annexure.

Since its inception, GeM is continuously working towards promotion of ‘Make in India’ initiative. The Marketplace has facilitated entry of small local sellers in Public Procurement, while implementing ‘Make in India’ and MSE Purchase Preference Policies of the Government in the true sense. GeM is enabling quick, efficient, transparent and cost-effective procurement, especially in this hour of need when government organizations require products and services urgently to fight against the Covid-19 pandemic. The purchases through GeM by Government users have been authorised and made mandatory by Ministry of Finance by adding a new Rule No. 149 in the General Financial Rules, 2017.

Annexure
Government e-Marketplace (GeM), a Special Purpose Vehicle under the Ministry of Commerce and Industry, has made it mandatory for sellers to enter the Country of Origin while registering all new products on GeM. Further, sellers, who had already uploaded their products before the introduction of this new feature on GeM, are being reminded regularly to update the Country of Origin, with a warning that their products shall be removed from GeM if they fail to update the same. GeM has taken this significant step to promote ‘Make in India’ and ‘Aatmanirbhar Bharat’.

GeM has also enabled a provision for indication of the percentage of local content in products. With this new feature, now, the Country of Origin as well as the local content percentage are visible in the marketplace for all items. More importantly, the ‘Make in India’ filter has now been enabled on the portal. Buyers can choose to buy only those products that meet the minimum 50% local content criteria. In case of Bids, Buyers can now reserve any bid for Class I Local suppliers (Local Content > 50%). For those Bids below INR 200 crore, only Class I and Class II Local Suppliers (Local content > 50% and > 20% respectively) are eligible to bid, with Class I supplier getting purchase preference. Some Snapshots of the Local Content Features on the GeM Portal are shown in Annexure.

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SIGNALLING INTENT: THE HINDU EDITORIAL ON GOVERNMENT E-MARKETPLACE AND COUNTRY OF ORIGIN CLAUSE

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

The Centre’s decision to make it mandatory for vendors on the Government e-Marketplace (GeM) procurement platform to specify the country of origin of new products listed by them is on the face of it unexceptionable, aimed as it is at promoting India-made goods. Apart from the place of manufacture, the platform’s administrators have also sought details on the extent of local content and set guidelines on the percentage of localisation for enabling procurement in the case of bids of a specified value. However, the timing and thrust of the announcement — set in the backdrop of the government’s new-found push for self-reliance in the wake of the COVID-19 pandemic and its devastating impact on the global economy, coupled with the recent heightened border tensions with China — raises several questions. The government’s attempts to raise the share of manufacturing in the economy through the ‘Make in India’ programme have so far failed to significantly boost investment in new, cutting-edge technology-driven or export-oriented industries and instead only taken the country back to import substitution plants making goods predominantly for domestic consumption. To that extent, the drive for self-reliance and greater localisation risks once again eroding Indian industry’s global competitiveness by placing a premium on ‘Indianness’ over quality or cost.

The Centre’s move with its GeM portal has also predictably kindled and amplified a gathering clamour for the identification and subsequent boycott of Chinese products including on private e-commerce platforms. The weaponisation of trade ties, especially one where India’s reliance on imports from China now extends beyond smartphones and low-cost electronics to heavy machinery and active pharmaceutical ingredients, is a double-edged sword and fraught with risks for the Indian economy as well. India’s drug makers, who are seeking to entrench themselves as a pharmacy to the world amid the pandemic and accompanying rush for affordable generic treatments, depend on the northern neighbour for about 70% of their requirements of bulk drugs and intermediates. For India to wean itself off these dependencies will take time. The fact is that enhancing manufacturing capacities with improved efficiency and reduced cost would require an overhaul of bureaucratic processes. Attaining genuine self-reliance is a long and capital intensive process that would require far greater investment in education, skill-building and infrastructure. The GeM move on country of origin is at best symbolic. For now, policymakers ought to tone down any trade-linked rhetoric and give diplomats and military negotiators the room to smoothe ties.

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CABINET APPROVES ESTABLISHMENT OF ANIMAL HUSBANDRY INFRASTRUCTURE DEVELOPMENT FUND

In pursuance of recently announced Atma Nirbhar Bharat Abhiyan stimulus package for ensuring growth in several sectors, the Cabinet Committee on Economic Affairs, chaired by Prime Minister Shri Narendra Modi, has approved setting up of Animal Husbandry Infrastructure Development Fund (AHIDF) worth Rs. 15000 crore.

Government has been implementing several schemes for incentivizing the investment made by dairy cooperative sector for development of dairy infrastructure. However, government realizes that even MSMEs and Private companies also need to be promoted and incentivized for their involvement in processing and value addition infrastructure. AHIDF would facilitate much needed incentivisation of investments in establishment of such infrastructure for dairy and meat processing and value addition infrastructure and establishment of animal feed plant in the private sector. The eligible beneficiaries under the Scheme would be Farmer Producer Organizations (FPOs), MSMEs, Section 8 Companies, Private Companies and individual entrepreneur with minimum 10% margin money contribution by them. The balance 90% would be the loan component to be made available by scheduled banks.

Government of India will provide 3% interest subvention to eligible beneficiaries. There will be 2 years moratorium period for principal loan amount and 6 years repayment period thereafter.

Government of India would also set up Credit Guarantee Fund of Rs. 750 crore to be managed by NABARD. Credit guarantee would be provided to those sanctioned projects which are covered under MSME defined ceilings. Guarantee Coverage would be upto 25% of Credit facility of borrower.

There is huge potential waiting to be unlocked in investment through private sector. The INR 15,000 cr. AHIDF and the interest subvention scheme for private investors will ensure availability of capital to meet upfront investment required for these projects and also help enhance overall returns/ pay back for investors. Such investments in processing and value addition infrastructure by eligible beneficiaries would also promote export of these processed and value added commodities.
Since, almost 50-60% of final value of dairy output in India flows back to farmers, therefore, growth in this sector can have significant direct impact on farmer's income. Size of dairy market and farmers' realization from milk sales is closely linked with development of organized off-take by cooperative and private dairies. Thus, investment incentivization in AHIDF would not only leverage 7 times private investment but would also motivate farmers to invest more on inputs thereby driving higher productivity leading to increase in farmers income. The measures approved today through AHIDF would also help in direct and indirect livelihood creation for 35 lakh.

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VRRK/SH

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VRRK/SH

END
MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES) LAUNCHES ANOTHER FUNDING SCHEME TO HELP THE DISTRESSED MSME SECTOR

Minister of MSME, Shri Nitin Gadkari today launched the Credit Guarantee Scheme for Sub-ordinate Debt (CGSSD) which is also called “Distressed Assets Fund–Sub-ordinate Debt for MSMEs”.

As per the Scheme, the guarantee cover worth Rs. 20,000 crores will be provided to the promoters who can take debt from the banks to further invest in their stressed MSMEs as equity.

It was being felt that the biggest challenge for stressed MSMEs was in getting capital either in the form of debt or equity. Therefore, as part of Atmanirbhar Bharat package, on 13th May, 2020, Finance Minister had announced this scheme of sub-ordinate Debt to the promoters of operational but stressed MSMEs. After completion of necessary formalities including approval of CCEA and consultation with Finance Ministry, SIDBI and RBI among others, the scheme was formally launched today by Shri Gadakari from Nagpur.

The highlights of the scheme are:

It is expected that this scheme would provide much required support to around 2 lakh MSMEs and will help inreviving the economic activity in and through this sector. It will also help in protecting the livelihoods and jobs of millions of people who depend on them. Promoter(s) of MSMEs meeting the eligibility criteria may approach any scheduled commercial banks to avail benefit under the scheme. The scheme will be operationalised through Credit Guarantee Fund Trust for MSEs (CGTMSE). Necessary guidelines alongwith answers to possible FAQs have been issued today and made public in this regard.

On this occasion, Shri Nitin Gadkari thanked the Prime Minister and Finance Minister for this Scheme. He also thanked the officials of Department of Expenditure, Department of Financial Services and Governor of RBI for supporting this innovative Scheme of the Ministry.

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RCJ/SKP/IA
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RCJ/SKP/IA
2% INTEREST SUBVENTION APPROVED ON PROMPT REPAYMENT OF SHISHU LOANS UNDER PRADHAN MANTRI MUDRA YOJANA FOR A PERIOD OF 12 MONTHS

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

Union Cabinet chaired by Prime Minister Shri Narendra Modi today approved a scheme for interest subvention of 2% for a period of 12 months, to all Shishu loan accounts under Pradhan Mantri Mudra Yojana (PMMY) to eligible borrowers.

The scheme will be extended to loans which meet the following criteria - outstanding as on 31st March, 2020; and not in Non-Performing Asset (NPA) category, as per Reserve Bank of India (RBI) guidelines, on 31st March 2020 and during the period of operation of the Scheme.

The interest subvention would be payable for the months in which the accounts are not in NPA category including for the months that the account becomes a performing asset again, after turning NPA. The scheme will incentivize people who will make regular repayments of loans.

The estimated cost of the Scheme would be approximately Rs. 1,542 crore which would be provided by the Government of India.

Background

This Scheme is for implementation of one of the measures relating to MSMEs, announced under the Atma Nirbhar Bharat Abhiyan. Under PMMY, loans for income generating activities up to Rs. 50,000 are termed as Shishu loans. PMMY loans are extended by Member Lending Institutions viz. Scheduled Commercial Banks, Non Banking Finance Companies and Micro Financial Institutions, registered with Mudra Ltd.

The ongoing COVID-19 crisis and the consequent lockdown has led to severe disruption of business for micro and small enterprises which are funded through Shishu Mudra loans. Small businesses typically function on thin operating margins, and the current lockdown has had a severe impact on their cash flows, jeopardizing their ability to service their loans. This could lead to default in repayment and have a resultant impact on access to institutional credit in future.

As on 31st March 2020, about 9.37 crore loan accounts under the Shishu category of PMMY with a total loan amount of about Rs 1.62 Lakh crore, were outstanding.
Implementation strategy

The Scheme will be implemented through the Small Industries Development Bank of India (SIDBI) and will be in operation for 12 months.

For borrowers, who have been allowed a moratorium by their respective lenders, as permitted by RBI under the ‘COVID 19 Regulatory Package’, the Scheme would commence post completion of the moratorium period till a period of 12 months i.e. from September 01, 2020 till August 31, 2021. For other borrowers, the scheme would commence w.e.f. June 01, 2020 till May 31, 2021.

Major Impact

The Scheme has been formulated as a specific response to an unprecedented situation and aims to alleviate financial stress for borrowers at the ‘bottom of the pyramid’ by reducing their cost of credit. The Scheme is expected to provide much needed relief to the sector, thereby enabling small businesses to continue functioning without laying off employees due to lack of funds.

By supporting small businesses to continue functioning during these times of crisis, the Scheme is also expected to have a positive impact on the economy and support its revival, which is necessary for employment generation in future.

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INDIA PREPARES FOR A CHANGE IN ELECTRICITY SECTOR THROUGH PROPOSED ELECTRICITY (AMENDMENT) BILL 2020

Shri R. K Singh, the Minister of State (i/c) for Power & MNRE, today, held a Press Meet through Video Conferencing and underlined the importance of proposed reforms in the power sector, dispelling doubts and misinformation. He stated that the reforms are steps in the direction of making the sector consumer centric as we are all here to serve them. Shri Singh said, “We are not taking away any powers of States in appointment of members and chairpersons of State Electricity Regulatory Commissions (SERCs), and the proposed reforms are aimed at promoting more transparency.”

While giving clarity on electricity tariff fixation, the Union Power Minister stated that the powers of tariff fixation remains with SERCs. He emphasised that proposed power reforms are aimed at introducing transparency and accountability to protect the interest of consumers and ensuring healthy growth of the power sector. He also mentioned that there is no restrictions on States for providing subsidy as States can give as much subsidy as they want but they must pay it upfront through Direct Benefit Transfer (DBT) so that Discoms remain healthy and are able to maintain and improve distribution infrastructure like transformers and distribution lines, pay for power purchased and are able to provide quality electricity to the people.

It may be stated that Electricity is one of the most critical components of infrastructure which is essential for sustained growth of the economy of the country. While we have made significant improvements in the electricity generation and transmission segments, the distribution segment, having achieved 100% village electrification and near-universal access to electricity, is beset with problems of operational inefficiencies, liquidity, and financial solvency. In this regard Ministry of Power had prepared a draft proposal for Amendments in Electricity Act 2003 in the form of draft Electricity (Amendment) Bill 2020 with the following broad objectives –

- Ensure consumer centricity
- Promote Ease of Doing Business
- Enhance sustainability of the power sector
- Promote green power

However, some canards and misconceptions are being spread regarding some of the proposed amendments to the Electricity Act. It is important to place the correct position pertaining to them.

**Misconception 1: Transfer the power of appointment to SERCs from State to Central Government**

There is no proposal to take away the power of appointment of Members/Chairpersons of State Electricity Regulatory Commissions from the State Governments. As per the draft circulated the appointments of Members/Chairpersons of the State Electricity Regulatory Commissions will continue to be made by the State Governments. The Selection Committee currently has equal number of members from the Central and State Government – one member from Central Government and one from State Government. The proposed Selection Committee in the draft
Bill also has equal number of members from the Central and State Governments as earlier. The only difference is that instead of the Selection Committee being presided over by a retired Judge of the High Court, it is proposed that the committee be headed by a sitting Judge of the Supreme Court. Instead of multiplicity of Selection Committees, there be one Selection Committee for drawing up of panels for the vacancies in the Central Electricity Regulatory Commission and State Electricity Regulatory Commissions. The appointments will continue to be made by Central Government for the Central Electricity Regulatory Commission and by the State Governments for the State Electricity Regulatory Commissions as before. The reason for this proposed amendment was that currently every State had to constitute a separate Selection Committee for each fresh vacancy and this took time. In some cases the time taken for appointment was up to 2 years leading to disruption of work of the Regulatory Commission. Regulatory Commissions are the fulcrum around which the Power sector revolves. Delay were deleterious for the various stake holders such as consumers, Discoms, and generators etc. However, based on the suggestions received, the Central Government is now considering to continue with the existing separate Selection Committees for each state – but make them Standing Selection Committees so that there is no need for constituting them afresh every time a vacancy occurs. The Selection Committee will continue to have equal number of members from the State and Central Governments, as earlier with the only difference that it will now proposed to be presided by the Chief Justice of the High Court of the state.

Misconception 2: DBT is against the interests of consumers

Another misconception is that the proposed provisions for introducing the system of Direct Benefit Transfer (DBT) of subsidies is inimical to the interest of the consumers especially the farmers. It has been argued that if the State Government is not able to pay the subsidies on time, the electricity supply to the consumers may get disconnected. This is baseless. As per Section 65, of the Electricity Act, 2003, the State Government is required to pay the amount of subsidy in advance to the distribution companies. The subsidy is now being proposed to be given into the account of the consumers maintained by the Distribution Companies through DBT. It is being provided in the new Tariff Policy that the electricity supply shall not be discontinued even if the State Government fails to pay the subsidy in time or even if the State Government fails to pay the subsidy for 3 to 4 months. Therefore, the consumer's interest will be duly protected. It is, of course, expected that the State Government pay the subsidy in advance to the DISCOM/consumers as provided for in the law. It may be noted that the Direct Benefit Transfer will be beneficial for both the State Governments and as well as Distribution Companies. It will be beneficial for the State Government because it will ensure that the subsidy reaches the people who are actually entitled and the State Government gets clear accounts of the amount given as subsidy. It will benefit the distribution company by making sure that the subsidies due are received as per the number of beneficiaries. It may be noted that Government of India have implemented Direct Benefit Transfer for 419 Schemes pertaining to 56 Ministries with cumulative savings of Rs. 1.70 lac crore.

Misconception 3: Power to set retail power tariff is being transferred from State to Central Government

Another misconception is that currently the State Governments fix tariff for retail supply of electricity to consumers and this is proposed to be taken over by the Central Government. This is again absolutely baseless. Presently, the tariff is determined by the State Electricity Regulatory Commission and no change has been proposed in the present arrangement.

The other major amendments proposed in the Electricity Act are as follows.

Sustainability
(i) Cost reflective Tariff: To eliminate the tendency of some Commissions to provide for regulatory assets, it is being provided that the Commissions shall determine tariffs that are reflective of cost so as to enable Discoms to recover their costs. It is estimated that the total regulatory asset, ie revenue due to a Discom but not collected because appropriate tariff increase was not given, in the country is about Rs. 1.4 lakh crore.

(ii) Establishment of adequate Payment Security Mechanism for scheduling of electricity - It is proposed to empower Load Dispatch Centres to oversee the establishment of adequate payment security mechanism before dispatch of electricity, as per contracts.

Late payment of dues of generating and transmission companies have reached unsustainable levels. As of 31.03.2019, the payables to the Gencos and Transcos were Rs. 2.26 lakh crore. This not only impairs the finances of the Gencos and Transcos making it difficult for them to pay for fuel and other expenses but also has a debilitating impact on the Banks. If liquidity is not maintained, the power sector can collapse. Thus, it is in our collective interest to put in place systems for ensuring timely payments. That is why it is being provided that electricity shall not be scheduled or despatched unless security of payment has been established.

Ease of Doing Business

(iii) Cross Subsidy: At present, the Act provides for the State Commissions to progressively reduce cross subsidies. Despite the requirement of the Tariff Policy to reduce cross-subsidies to within 20% of average cost of supply, they are in excess of 50% in some States making industries uncompetitive. The Bill provides for the SERCs to reduce cross subsidies as per the provisions of the Tariff Policy. The Tariff Policy is prepared after consultation with the all stakeholders and the views of the State Governments are taken into consideration before finalising its provisions. It is noteworthy that there is no proposal to eliminate cross subsidy.

(iv) Establishment of Electricity Contract Enforcement Authority: CERC and SERCs do not have powers to executetheir orders as decree of a civil court. An Authority headed by a retired Judge of the High Court is proposed to be set with such powers including but not limited to powers of attachment and sale of property, arrest and detention in prison and appointment of a receiver to enforce performance of contracts related to purchase or sale or transmission of power between a generating company, distribution licensee or transmission licensee. This will enhance sanctity of contracts and spur much needed investment in the power sector.

Renewable and Hydro Energy

(v) National Renewable Energy Policy: For environmental reasons, it is in our long term interest to promote green power. India is a signatory to the Paris Climate Agreement. It is therefore proposed to have a separate policy for the development and promotion of generation of electricity from renewable sources of energy.

(vi) It is also proposed that a minimum percentage of purchase of electricity from hydro sources of energy is to be specified by the Commissions.

(vii) Penalties: It is being further proposed to levy penalties for non-fulfilment of obligation to buy electricity from renewable and/or hydro sources of energy.

Miscellaneous

(viii) Strengthening of the Appellate Tribunal (APTEL): It is proposed to increase the strength of APTEL its strength of Members, apart from the Chairperson, to at least seven to facilitate
quick disposal of cases. It may be noted that there are a large number of cases pending in APTEL at present. To be able to effectively enforce its orders, it is also proposed to give it the powers of High Court under the provisions of the Contempt of Courts Act.

(ix) Penalties: In order to ensure compliance of the provisions of the Electricity Act and orders of the Commission, section 142 and section 146 of the Electricity Act are proposed to be amended to provide for higher penalties.

(x) Cross border trade in Electricity: Provisions have been added to facilitate and develop trade in electricity with other countries.

(xi) Distribution sub-licensees: To improve quality of supply, an option is proposed to be provided to Discoms to authorise another person as a sub-license to supply electricity in any particular part of its area, with the permission of the State Electricity Regulatory Commission.

It may be noted that provisions relating to Distribution Franchisee already exist in the Act and are being successfully used by Distribution Companies to improve performance and enhance efficiencies. These are enabling provisions for use by DISCOMs / States which want to give out some areas to Franchisees / Sub-licensees. It has been ensured that Distribution Sub Licensee remains under regulatory control and jurisdiction to protect interest of consumers.

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RCJ/MONIKA

Shri R. K Singh, the Minister of State (i/c) for Power & MNRE, today, held a Press Meet through Video Conferencing and underlined the importance of proposed reforms in the power sector, dispelling doubts and misinformation. He stated that the reforms are steps in the direction of making the sector consumer centric as we are all here to serve them. Shri Singh said, “We are not taking away any powers of States in appointment of members and chairpersons of State Electricity Regulatory Commissions (SERCs), and the proposed reforms are aimed at promoting more transparency.”

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It may be stated that Electricity is one of the most critical components of infrastructure which is essential for sustained growth of the economy of the country. While we have made significant improvements in the electricity generation and transmission segments, the distribution segment, having achieved 100% village electrification and near-universal access to electricity, is beset with problems of operational inefficiencies, liquidity, and financial solvency. In this regard Ministry of Power had prepared a draft proposal for Amendments in Electricity Act 2003 in the form of draft Electricity (Amendment) Bill 2020 with the following broad objectives –

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However, some canards and misconceptions are being spread regarding some of the proposed amendments to the Electricity Act. It is important to place the correct position pertaining to them.

**Misconception 1: Transfer the power of appointment to SERCs from State to Central Government**

There is no proposal to take away the power of appointment of Members/Chairpersons of State Electricity Regulatory Commissions from the State Governments. As per the draft circulated the appointments of Members/Chairpersons of the State Electricity Regulatory Commissions will continue to be made by the State Governments. The Selection Committee currently has equal number of members from the Central and State Government – one member from Central Government and one from State Government. The proposed Selection Committee in the draft Bill also has equal number of members from the Central and State Governments as earlier. The only difference is that instead of the of the Selection Committee being presided over by a retired Judge of the High Court, it is proposed that the committee be headed by a sitting Judge of the Supreme Court. Instead of multiplicity of Selection Committees, there be one Selection Committee for drawing up of panels for the vacancies in the Central Electricity Regulatory Commission and State Electricity Regulatory Commissions. The appointments will continue to be made by Central Government for the Central Electricity Regulatory Commission and by the State Governments for the State Electricity Regulatory Commissions as before. The reason for this proposed amendment was that currently every State had to constitute a separate Selection Committee for each fresh vacancy and this took time. In some cases the time taken for appointment was up to 2 years leading to disruption of work of the Regulatory Commission. Regulatory Commissions are the fulcrum around which the Power sector revolves. Delay were deleterious for the various stake holders such as consumers, Discoms, and generators etc. However, based on the suggestions received, the Central Government is now considering to continue with the existing separate Selection Committees for each state – but make them Standing Selection Committees so that there is no need for constituting them afresh every time a vacancy occurs. The Selection Committee will continue to have equal number of members from the State and Central Governments, as earlier with the only difference that it will now proposed to be presided by the Chief Justice of the High Court of the state.

**Misconception 2: DBT is against the interests of consumers**

Another misconception is that the proposed provisions for introducing the system of Direct Benefit Transfer (DBT) of subsidies is inimical to the interest of the consumers especially the farmers. It has been argued that if the State Government is not able to pay the subsidies on time, the electricity supply to the consumers may get disconnected. This is baseless. As per Section 65, of the Electricity Act, 2003, the State Government is required to pay the amount of subsidy in advance to the distribution companies. The subsidy is now being proposed to be given into the account of the consumers maintained by the Distribution Companies through DBT. It is being provided in the new Tariff Policy that the electricity supply shall not be discontinued even if the State Government is unable to pay the subsidy in time or even if the State Government fails to pay the subsidy for 3 to 4 months. Therefore, the consumer's interest will be duly protected. It is, of course, expected that the State Government pay the subsidy in advance to the DISCOM/consumers as provided for in the law. It may be noted that the Direct Benefit Transfer will be beneficial for both the State Governments and as well as Distribution Companies. It will be beneficial for the State Government because it will ensure that the subsidy reaches the people who are actually entitled and the State Government gets clear accounts of
the amount given as subsidy. It will benefit the distribution company by making sure that the subsidies due are received as per the number of beneficiaries. It may be noted that Government of India have implemented Direct Benefit Transfer for 419 Schemes pertaining to 56 Ministries with cumulative savings of Rs. 1.70 lac crore.

Misconception 3: Power to set retail power tariff is being transferred from State to Central Government

Another misconception is that currently the State Governments fix tariff for retail supply of electricity to consumers and this is proposed to be taken over by the Central Government. This is again absolutely baseless. Presently, the tariff is determined by the State Electricity Regulatory Commission and no change has been proposed in the present arrangement.

The other major amendments proposed in the Electricity Act are as follows.

Sustainability

(i) Cost reflective Tariff: To eliminate the tendency of some Commissions to provide for regulatory assets, it is being provided that the Commissions shall determine tariffs that are reflective of cost so as to enable Discoms to recover their costs. It is estimated that the total regulatory asset, ie revenue due to a Discom but not collected because appropriate tariff increase was not given, in the country is about Rs. 1.4 lakh crore.

(ii) Establishment of adequate Payment Security Mechanism for scheduling of electricity - It is proposed to empower Load Dispatch Centres to oversee the establishment of adequate payment security mechanism before dispatch of electricity, as per contracts.

Late payment of dues of generating and transmission companies have reached unsustainable levels. As of 31.03.2019, the payables to the Gencos and Transcos were Rs. 2.26 lakh crore. This not only impairs the finances of the Gencos and Transcos making it difficult for them to pay for fuel and other expenses but also has a debilitating impact on the Banks. If liquidity is not maintained, the power sector can collapse. Thus, it is in our collective interest to put in place systems for ensuring timely payments. That is why it is being provided that electricity shall not be scheduled or despatched unless security of payment has been established.

Ease of Doing Business

(iii) Cross Subsidy: At present, the Act provides for the State Commissions to progressively reduce cross subsidies. Despite the requirement of the Tariff Policy to reduce cross-subsidies to within 20% of average cost of supply, they are in excess of 50% in some States making industries uncompetitive. The Bill provides for the SERCs to reduce cross subsidies as per the provisions of the Tariff Policy. The Tariff Policy is prepared after consultation with the all stakeholders and the views of the State Governments are taken into consideration before finalising its provisions. It is noteworthy that there is no proposal to eliminate cross subsidy.

(iv) Establishment of Electricity Contract Enforcement Authority: CERC and SERCs do not have powers to execute their orders as decree of a civil court. An Authority headed by a retired Judge of the High Court is proposed to be set with such powers including but not limited to powers of attachment and sale of property, arrest and detention in prison and appointment of a receiver to enforce performance of contracts related to purchase or sale or transmission of power between a generating company, distribution licensee or transmission licensee. This will enhance sanctity of contracts and spur much needed investment in the power sector.
Renewable and Hydro Energy

(v) National Renewable Energy Policy: For environmental reasons, it is in our long term interest to promote green power. India is a signatory to the Paris Climate Agreement. It is therefore proposed to have a separate policy for the development and promotion of generation of electricity from renewable sources of energy.

(vi) It is also proposed that a minimum percentage of purchase of electricity from hydro sources of energy is to be specified by the Commissions.

(vii) Penalties: It is being further proposed to levy penalties for non-fulfilment of obligation to buy electricity from renewable and/or hydro sources of energy.

Miscellaneous

(viii) Strengthening of the Appellate Tribunal (APTEL): It is proposed to increase the strength of APTEL its strength of Members, apart from the Chairperson, to at least seven to facilitate quick disposal of cases. It may be noted that there are a large number of cases pending in APTEL at present. To be able to effectively enforce its orders, it is also proposed to give it the powers of High Court under the provisions of the Contempt of Courts Act.

(ix) Penalties: In order to ensure compliance of the provisions of the Electricity Act and orders of the Commission, section 142 and section 146 of the Electricity Act are proposed to be amended to provide for higher penalties.

(x) Cross border trade in Electricity: Provisions have been added to facilitate and develop trade in electricity with other countries.

(xi) Distribution sub-licensees: To improve quality of supply, an option is proposed to be provided to Discoms to authorise another person as a sub-license to supply electricity in any particular part of its area, with the permission of the State Electricity Regulatory Commission.

It may be noted that provisions relating to Distribution Franchisee already exist in the Act and are being successfully used by Distribution Companies to improve performance and enhance efficiencies. These are enabling provisions for use by DISCOMs / States which want to give out some areas to Franchisees / Sub-licensees. It has been ensured that Distribution Sub Licensee remains under regulatory control and jurisdiction to protect interest of consumers.

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RCJ/MONIKA
MINISTRY OF MSME SHOWS THE WAY TO MAKE MSMES BREAK THEIR BARRIERS AND BECOME CHAMPIONS

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

In a historic move, bold initiative and landmark decision, Ministry of Micro, Small and Medium Enterprises (MSME) has come out with a consolidated notification in the form of guidelines for classification and registration of MSMEs. It may be recalled that Ministry had published a Notification on 1st June, 2020 with new criteria for classification of MSMEs based on Investment and Turnover. It was also said that it will be effective from 1st July, 2020.

Accordingly, the MSME Ministry has moved in advance towards implementing the new norms from the next month. For this purpose, Ministry had undertaken a series of consultations with various stakeholders including the advisory committee, officials of Income Tax, GST, State Governments and MSME Associations in the month of June.

Based on the same, MSME Ministry has issued a detailed notification on 26th June, 2020.

Udyam Registration can be filed online based on self-declaration with no requirement to upload documents, papers, certificates or proof.

Officials said that this is possible because the Udyam Registration process has been fully integrated with the Systems of Income Tax and GST and the details filled in can be verified on the basis of PAN number or GSTIN details.

Other Highlights of the Notification include:

Minister of MSME, Shri Nitin Gadkari while releasing the new guidelines today said that their new system of classification, registration and Facilitation of MSMEs will be an extremely simple and yet fast-track, seamless and globally benchmarked process and a revolutionary step towards Ease of Doing Business. These steps and strategies also give a strong message that the Ministry is standing strongly behind the MSMEs who are facing several challenges at this time.

Ministry officials are upbeat about these developments and say that this is making of a history in the Ministry. Others in the Ministry also say that this is one more step towards fulfillment of Ministry’s commitment of making Indian MSMEs National and International Champions and to enable them to break their barriers and capture global markets.
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PANEL TO PUSH FARM REFORMS IN STATES

Boost for sector:Farmers readying fields in Keonjhar district of Odisha as monsoon picks up. Biswaranjan Rout

With the Centre deciding to take the ordinance route to push through reforms in agricultural marketing and contract farming, the 15th Finance Commission is considering the promotion of an expanded farm reform agenda for States over the next five years.

At a meeting with its Economic Advisory Council on Friday, the Finance Commission set up a panel “to devise a mechanism for incentivisation of States in areas of agricultural reforms agenda for the purpose of inclusion in the Commission’s recommendations in its final report”, according to a statement.

The group includes agricultural economist and FC member Ramesh Chand, as well as Union Agriculture Secretary Sanjay Agarwal.

Three indicators

“In the framework for the FC’s interim report for 2020-21, we had recommended performance incentives to be given to States on the basis of three measurable indicators of agricultural reforms,” Dr. Chand told The Hindu. If State Legislatures enacted the Centre’s Model Acts on agricultural marketing and contract farming, as well as the Model Agricultural Land Leasing Act, 2016, prepared by NITI Aayog, they would be eligible for financial incentives from the Commission from 2021-22.

However, the Centre issued central ordinances on both agricultural reforms and contract farming earlier this month, as part of the Atmanirbhar Bharat package, bypassing the need for States to enact the Model Acts.

“Now that the Centre has issued ordinances for two out of three, we need to select a new set of measurable indicators,” said Dr. Chand. His panel will consider what fresh agricultural reform measures they wish to promote among States, possibly including the Model Land Leasing Act, he said.

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INTRODUCTION OF FLOATING RATE SAVINGS BONDS, 2020 (TAXABLE)

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

The Government has notified the new Floating Rate Savings Bonds, 2020 (Taxable) Scheme in place of 7.75 percent Savings (Taxable) Bonds, 2018 Scheme which ceased for subscription from the close of banking business on May 28, 2020. The broad features of the new Floating Rate Savings Bonds, 2020 (Taxable) scheme are given below:

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(i) a person resident in India,-

(a) in his individual capacity, or

(b) in individual capacity on joint basis, or

(c) in individual capacity on any one or survivor basis, or

(d) on behalf of a minor as father/mother/legal guardian

(ii) a Hindu Undivided Family.
Explanation: For the purpose of this paragraph, the “person resident in India” shall have the same meaning as defined in clause (v) of Section 2 of the Foreign Exchange Management Act 1999(42 of 1999)

4.

Issue price/ Denomination/ Minimum Subscription

The Bonds will be issued at par at Rs.100/- for a minimum amount of Rs.1000/- (nominal value) and in multiples thereof.

5.

Date of Issue

The Bonds, in the form of Bonds Ledger Account, will be opened (issued) from the date of tender of cash (up to Rs.20,000/- only), or date of realization of cheque/draft/funds.

6.

Maximum limit

There will be no maximum limit for investment in the Bonds.

7.

Forms/Certificate

The Bonds will be issued only in the form of Bond Ledger Account and may be held at the credit of the holder in an account called Bond Ledger Account (BLA). The investors will be issued a Certificate of Holding for the same.

8.

Payment option

Subscription to the Bonds will be in the form of Cash(uptoRs.20,000 only)/drafts/cheques or any electronic mode acceptable to the Receiving Office. Cheques or drafts should be drawn in favour of the Receiving Office and payable at the place where the applications are tendered.

9.

Repayment/Tenor

The Bonds shall be repayable on the expiration of 7 (Seven) years from the date of issue. Premature redemption shall be allowed for specified categories of senior citizens.

10.

Receiving Offices

Applications will be received at the branches of SBI, Nationalised banks and specified private sector banks, either directly or through their agents.
11. Interest Rate (Floating)

The interest on the bonds is payable semi-annually on 1st Jan and 1st July every year. The coupon on 1st January 2021 shall be paid at 7.15%. The Interest rate for next half-year will be reset every six months, the first reset being on January 01, 2021. There is no option to pay interest on cumulative basis.

12. Tax treatment

Interest on the Bonds will be taxable under the Income-tax Act, 1961 as amended from time to time and as applicable according to the relevant tax status of the Bonds holder.

13. Transferability

The Bonds in the form of Bond Ledger Account shall not be transferable except transfer to a nominee(s)/legal heir in case of death of the holder of the bonds.

14. Nomination

A sole holder or all the joint holders of Bonds, being individual/s, may nominate in Form C or as near thereto as may be, one or more persons who shall be entitled to the Bonds and the payment thereon, in the event of his/their death.

15. Tradability/Advances

The Bonds shall not be tradable in the secondary market and shall not be eligible as collateral for loans from banks, financial Institutions and Non-Banking Financial Company (NBFC) etc.

16. Brokerage/Commission

Brokerage at the rate of 0.5% of the amount mobilized will be paid to the Receiving Offices and they shall share at least 50% of the brokerage so received with brokers/sub brokers registered with them.

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RM/KMN

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END
In pursuance of the commitment to ensure safety of depositors across banks, the President has promulgated the Banking Regulation (Amendment) Ordinance, 2020. (Click to view the Gazette notification on the Ordinance)

The Ordinance amends the Banking Regulation Act, 1949 as applicable to Cooperative Banks. The Ordinance seeks to protect the interests of depositors and strengthen cooperative banks by improving governance and oversight by extending powers already available with RBI in respect of other banks to Co-operative Banks as well for sound banking regulation, and by ensuring professionalism and enabling their access to capital. The amendments do not affect existing powers of the State Registrars of Co-operative Societies under state co-operative laws. The amendments do not apply to Primary Agricultural Credit Societies (PACS) or co-operative societies whose primary object and principal business is long-term finance for agricultural development, and which do not use the word “bank” or “banker” or “banking” and do not act as drawees of cheques.

The Ordinance also amends Section 45 of the Banking Regulation Act, to enable making of a scheme of reconstruction or amalgamation of a banking company for protecting the interest of the public, depositors and the banking system and for securing its proper management, even without making an order of moratorium, so as to avoid disruption of the financial system.

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