Economics MADE EASY – **THEORY to APPLIED**
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Economics –PT Shots (FEBRUARY-2018)

TOPIC GENERAL STUDIES 3: ECONOMICS- ECONOMIC DEVELOPMENT- GOV POLICIES

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1. **CriSidEx**
   - CriSidEx, India's First MSE Sentiment Index, has been launched by CRISIL and SIDBI.
   - **About CriSidEx:** ☐ What is it?

CriSidEx is a composite index based on a diffusion index of 8 parameters and measures MSE business sentiment on a scale of 0 (extremely negative) to 200 (extremely positive). CriSidEx will have 2 indices, one for the 'survey quarter' and another for the 'next quarter' once a trend emerges after few rounds of the survey, providing independent time series data.

☐**Benefits**: The crucial benefit of CriSidEx is that its readings will flag potential headwinds and changes in production cycles and thus help improve market efficiencies. And by capturing the sentiment of exporters and importers, it will also offer actionable indicators on foreign trade.

- **Significance of MSME:**

☐ MSME sector is backbone of the economy. It is one of the largest employers in the country and with the vast population where employment either in government or in the large industry itself has limited potential.

☐ This is one sector where people not only exhibit their entrepreneurial skills, become part of large value chains but also become job creators in the process. And that is the reason why a bulk of the jobs in manufacturing, trading has been created in this particular sector.

2. **Change in the basis of classifying Micro, Small and Medium enterprises**
   - The Union Cabinet has approved change in the basis of classifying Micro, Small and Medium enterprises from 'investment in plant & machinery/equipment' to 'annual turnover'.
   - Section 7 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 will accordingly be amended to define units producing goods and rendering services in terms of annual turnover as follows:

☐ A micro enterprise will be defined as a unit where the annual turnover does not exceed five crore rupees;

☐ A small enterprise will be defined as a unit where the annual turnover is more than five crore rupees but does not exceed Rs 75 crore;

☐ A medium enterprise will be defined as a unit where the annual turnover is more than seventy-five crore rupees but does not exceed Rs 250 crore.

☐ Additionally, the Central Government may, by notification, vary turnover limits, which shall not exceed thrice the limits specified in Section 7 of the MSMED Act.

- **Background:**

☐ At present the MSMED Act (Section 7) classifies the Micro, Small and Medium

Enterprises (MSMEs) on the basis of investment in plant and machinery for manufacturing units, and investment in equipment for service enterprises.

☐ The criterion of investment in plant and machinery stipulates self-declaration which in turn entails verification if deemed necessary and leads to transaction costs.

- **Significance of this move:**

☐ The change in the norms of classification will enhance the ease of doing business. The consequent growth and will pave the way for increased direct and indirect employment in the MSME sector of the country.

☐ This will also encourage ease of doing business, make the norms of classification growth oriented and align them to the new tax regime revolving around GST (Goods & Services Tax).

3. **OPERATION GREENS**

- Recently, Ministry of Food Processing Industries has initiated work on Operation Greens which was announced in Budget 2018-19.
- **What is Operation Greens?**

☐ Operation Greens is a 500-crore project on the lines of Operation Flood for enhancing production & reducing price volatility of fruits & vegetables.

☐ Government has decided to start focusing on three basic vegetables namely tomatoes, onions and potatoes (TOP) initially. They form almost half of vegetable production in the country.

☐ It will further promote Farmer Producers Organisations (FPOs), agri-logistics, processing facilities and professional management to achieve its objectives

☐ It will help in doubling farmers' incomes by 2022 by providing sustainable prices as these commodities generally face price collapse during the periods of high production due to lack of cold storage facilities and poor linkages of farmers with processing and organised retailing.

☐ Price stability would also ensure availability of these basic vegetables at affordable prices to consumers

- **Suggestions to curb Price Volatility for Perishables**

India is the second largest producer of vegetables in the world, with production of about 180 MMT, next only to China. The government has mainly relied on banning exports, de-stocking and conducting income-tax raids on traders to check price volatility till now. Some other measures that can be taken are:

☐ Incentivising farmers to grow diverse crops would help minimize the impact of price volatility.

☐ Cluster based Cultivation of horticulture crops to bring advantages of scales of operations which can spur establishment of entire chain from production to marketing.

☐ Incentivising Value addition in agriculture by setting up a food processing target of at least 25% of the produce as India is currently way behind on this compared to most of Southeast Asian countries in this area.

☐ Market Reforms o Undertaking mapping of mega-consuming centres and link their retail networks with producing centres of each commodity identified with minimal number of intermediaries. o Amending APMC Act to allow direct buying from FPOs, and giving incentives to FPOs, private companies and NGOs, to build back-end infrastructure, as was done for milk.

o Reducing Market Exploitation by making sure that farmers must receive at least 60% of what consumers pay on lines of milk wherein farmers get more than 75% of what consumers pay.

o States should also be encouraged to adopt Price deficiency payment schemes such as Haryana's Bhavantar Bharpai Yojna for vegetables in case of fluctuation in prices.

o Allowing futures trading and creating a national market for agriculture.

☐ Investment in agri-logistics, starting with modern warehouses and cold storages that can minimise wastages to less than 10% compared to 25-30% in traditional storages on farmers' fields.

- **Some other Measures to Curb Price volatility of Horticulture produce** ☐ Price Stabilization Fund (PSF) with a corpus of Rs.500 crores to regulate price volatility of agricultural and horticultural commodities through procurement of farm produce, maintenance of buffer stocks and regulated release into the market.

☐ Establishment of Kisan Mandis where FPOs can directly market their produce to wholesalers, organized retailers and ordinary consumers.

☐ Encouraging production of horticultural crops through a Centrally Sponsored schemes namely Mission for integrated Development of Horticulture

☐ Essential Commodities Act, 1955 & the Prevention of Black-marketing and Maintenance of Supplies of Essential Commodities Act, 1980 and making hoarding and black marketing a non-bailable offence under them.

☐ SAMPADA (Scheme for Agro-Marine Processing and Development of Agro-Processing Clusters) – incorporates scheme such as Mega Food Parks, Integrated Cold Chain and Value Addition Infrastructure. Infrastructure for Agro-processing Clusters, Creation of Backward and Forward Linkages, Creation/Expansion of Food Processing & Preservation Capacities etc.

- Budget Announcements

☐ Linking Minimum support price with cost of production i.e. about 50 per cent over the cost of production

☐ Income-tax concession to FPOs for five years if they encourages building that critical infrastructure.

☐ Connecting 470 APMC promoted markets to the e-nam market platform, and development of 22,000 Gramin agriculture markets.

4. **FARMER PRODUCER COMPANIES**

- Government exempted the profits of Farmer Producer Companies (FPC) from tax for a period of five years from the next financial year.
- **Details**

☐ While the I-T Act exempts cooperatives from paying under the section 35CCC, FPCs are taxed on par with private and public-limited companies.

☐ Majority of these companies are paying now 20 per cent income tax and 30 per cent dividend tax.

☐ After the said changes, FPCs registered under the Companies Act, having an annual turnover up to ₹ 100 crore, need not pay tax on profits derived from farm-related activities.

- **Need for FPCs**

☐ Structural Challenges- like poor market infrastructure, credit unavailability from formal channels, access and knowledge about market, information asymmetries, interlocking of factor and product market, lower bargaining power and holding capacity, higher input costs and output yield due to fragmented buying and selling and competition from other forms of private organisations in the market.

☐ Small Farmer Constraints- India accounts for a majority of farmers who operate on less than 2 hectares land per household. Majority of them still operate for subsistence-based farming. Together the small & marginal farm holdings in the year 2010-11 accounted for 85% of total farm holdings in the country.

☐ Failure of Cooperatives- Due to heavy political interference, bureaucratic control and capturing of management by poor leadership and powerful elite, the cooperatives have not been as effective as expected. They also had an issue of not being business oriented.

- **Challenges & further Scope for FPCs**

☐ Lack of Patient Capital/Long term Capital- as these entities are not seen to be as viable business enterprises. Thus, Patient capital and skilled resources with a firm business plan need to be infused in these enterprises.

☐ Besides lack of entrepreneurial capabilities, the small farmers show a lack of understanding of business plans and the growth trajectory for the FPCs towards enterprise models. Thus, different stakeholders particularly Banks and NGOs should create awareness among farmers.

☐ There is a lack of administrative capacity resulting in poor management of books. Government may take steps to improve the administrative structure to improve overall accountability and transparency.

☐ Role of NGO's- While NGO's are playing a crucial role in development of FPCs as promoting institutions, the political Economy of aid and donations make them work in a certain manner and ultimately making these institutions as fragile units which remain small within a region. Thus, more approaches of social enterprises should be infused to further develop these companies.

5. **<u>AMENDMENTS TO NABARD ACT, 1981</u>**
   - Recently, the Parliament passed amendments to the National Bank for Agriculture and Rural Development (NABARD) Act, 1981 to boost the rural and agricultural sector, especially rural entrepreneurship.
   - **Why amendment needed?**

☐ Expansion in activities of NABARD: It needed to be provided with additional equity from time to time to enable it to meet its objectives and existing commitments relating to the long-term irrigation fund and enhanced refinance support to cooperative banks.

☐ Remove conflict in RBI's Role: RBI holds 0.4% of the paid-up capital of NABARD. The remaining is held by the Central government. This causes conflict in the RBI's role as banking regulator and shareholder in NABARD. o However, experts feel that RBI would lose an important supervisory and development institution in rural credit activity.

☐ Increased ambit of refinance activities of NABARD: The government proposed to include enterprises related to employment potential in rural areas, medium enterprises, and handlooms.

- **Details of amendments in NABARD (Amendment) Bill, 2017**

☐ Empowers the Central government to increase the authorised capital of NABARD from ₹5,000 crore to ₹30,000 crore as the current authorised capital of NABARD is fully paid-up. This can be increased further in consultation with RBI.

☐ Transfers the RBI's balance equity of ₹20,000 crore in NABARD to the Central government.

☐ For Micro, small and medium enterprises (MSME): The Bill replaces the terms 'small-scale industry' and 'industry in the tiny and decentralised sector' with the terms 'micro enterprise', 'small enterprise' and 'medium enterprise' as defined in the MSME Development Act, 2006.

o Under the 1981 Act, NABARD was responsible for providing credit and other facilities to industries having an investment of upto Rs 20 lakh in machinery and plant. The Bill extends this to apply to enterprises with investment upto Rs 10 crore in the manufacturing sector and Rs five crore in the services sector.

☐ Consistency with the Companies Act, 2013: The Bill substitutes references to provisions of the Companies Act, 1956 under the NABARD Act, 1981, with references to the Companies Act, 2013. These include provisions that deal with:

(i) definition of a government company, and
(ii) qualifications of auditors.

- NABARD was created on July 1982 on the recommendations of Committee to Review the Arrangements for Institutional Credit for Agriculture and Rural Development under the Chairmanship of Shri B. Sivaraman.
- It is an apex development bank of country and is engaged in agricultural credit and other economic activities in rural areas.
- **Functions**:

☐ provides refinancing facilities to banks

☐ promotes rural industries, small scale and cottage industries

☐ provides funds to State governments for undertaking developmental and promotional activities in rural areas

☐ financing R&D of agricultural and rural industries

☐ finance for promoting non-farm activities and employment in non-farm sectors

☐ inspection work of Co-operative banks and Regional rural banks.

6. COMMERCIAL MINING IN COAL

- Recently, the Government has approved opening up commercial mining in coal for Indian and foreign companies in the private sector.
- **Background**

☐ Since nationalization of the sector in 1970s, Coal India Ltd (CIL) and its associates had monopoly over mining and selling of coal. It accounts for over 80% of the country's coal supply.

☐ Remaining comes from another public sector firm, Singareni Collieries Company, and some captive coal mines allotted to private players for specific end-uses such as in the steel and power industries.

☐ The Supreme Court had in 2014 cancelled 204 coal blocks allocated to various state and private companies.

☐ Following this,Coal Mines (Special Provisions) Act, 2015 was enacted to replace administrative allocation of coal blocks with auction and allotment. This also opened up commercial coal mining in theory to private entities

☐ In 2016, coal blocks were awarded to state-controlled mining corporations for commercial mining.

☐ Now, government has allowed all private entities to enter into commercial mining without end use or price restrictions.

☐ Also, the bid parameter will be the price offer in rupees per tonne, which will be paid to the State government on the actual production of coal.

- **Expected Benefits of allowing Commercial Mining**

☐ Increased production and energy security: It will also help the country come closer to its vision of producing 1.5 billion tonne of coal annually by 2022.

☐ Reduced imports: It has potential to save on import bill by Rs 30,000 crore as currently about 22% of domestic demand is being met through imports despite India being the 3rd largest coal producing country in the world. Cheap domestic supply will also keep import prices in check.

☐ Benefit to power sector: Coal accounts for around 70% of the country's power generation. Thus, it would help stressed power plants to attempt a turnaround through better fuel management.

☐ Improved efficiency: as coal sector would shift from monopoly to competition. This would attract investments from private and foreign players and bring best possible technology in the sector.

☐ Development of coal bearing states: especially in the eastern part of the country, as the entire revenue from these auctions will accrue to them. Also, revenuer may increase as the coal blocks will be allocated to the highest bidder.

☐ Industry consolidation: as it may see rise of large vertically-integrated energy companies with interests in coal mining, power generation, transmission and distribution to retail supply. ☐ Benefits to people: as it will create direct and indirect employment in coal bearing areas as well as increase accessibility to low cost power, steel etc.

☐ Attract foreign investment: as it provides a great opportunity to overseas companies in countries where coal mining is either on the wane or has been stopped completely.

- **Concerns**

☐ Regulatory concerns: Significant proportion of India's coal resources lies under lands that require forest and environment clearances, thus, government needs to ensure that private coal miners adhere to these norms.

☐ Poor track record of private sector captive miners: The production levels have not been very encouraging as it accounts for only 610% of the overall domestic production.

☐ Risk of domination by a handful of companies: as coal sector is a capital-intensive investment and according to industry estimates blocks of 40-50 million tonnes will be viable, only large companies may be able to invest.

☐ Against global trends: There is going to be continuous pressure internationally and from civil society to cut back on coal usage. Also, Coal India Ltd released the draft Coal Vision 2030 that suggested that the country does not need new mines. ☐ Foc

including India is focusing on renewable energy and if any breakthrough happens in cleaner energy technology, thermal will be left behind.

☐ Other issues: local protests against mining operations, issues of transport linkages and logistics, challenges in land acquisition, delays in approval etc.

- **Way Forward**

☐ Capacity building of state governments: The state governments have to be proactive by improving ease of doing business and easing procedures for regulatory clearances.

☐ Shifting aim of coal auction: from revenue maximisation to improving the efficiency of India's energy economy. Thus, private and overseas companies with superior technology, proven mining experience and core competence should be chosen.

☐ Easing clearance pressures: Model of ultra-mega power projects where a shell company is created to acquire land and get environment clearance before handing over the project to private sector can be followed.

☐ Better regulation: by laying out standards for operational efficiency and miner's safety, guidelines for testing, sampling and certifying the quality of coal. Thus, an independent coal regulator may be established as envisaged in lapsed Coal Regulatory Authority Bill, 2013.

- **Recent efforts to bring Transparency in Coal Sector**

☐ Transparent coal allocation policy for power sector, SHAKTI, issued in May 2017

☐ Third-party sampling procedure was put in place to address concerns of grade slippage and other quality issues for coal consumers

☐ Inter-company safety audit of all 366 operative mines of Coal India Limited has been completed

☐ In November 2017, "Grahak Sadak Koyla Vitaran App" was launched for the benefit of customers lifting coal via the road mode. As a step towards transparency, the app provides date-wise, truck-wise quantity of coal delivered against the sale orders

7. **DRY PORT**

- Recently, Commerce Ministry announced overhauling of the infrastructure standards in Dry Ports or Inland Container Depots (ICD's).
- **About Dry ports**

☐ They are inland terminal, directly connected to a seaport by rail or road, which provides similar services as that of a seaport such as handling, temporary storage, inspection and customs clearance for international freight etc.

☐ They are known to improve logistics, supply chain and reduce capacity constraints faced by sea ports

- **Issues with ICD's**

☐ ICDs in India containerize only 17 to 18% cargo, below the international standards of 76 to 77 % due to various reasons: o Under-Utilisation of Dry Port: Utilisations vary from as low as 20% to as high as 85% in certain regions, making business uneven. o Near Government Monopoly: Nearly 70 % of ICDs are owned by government-owned Container Corporation of India, a Navratna company established under Companies Act.

o Location Issue: ICD are unevenly distributed in country, which negatively impact its sustainability.

o Poor Connectivity: Rail and road connectivity network to the ICDs are not sufficient

o Poor Investment Environment: Investments in ICDs are largely dominated by domestic companies while Global companies have refrained from investing in it.

- **Significance**

☐ Boosting Export: Efficient Dry port infrastructure would help in achieving the country target of 5% share in world exports, which needs to grow at an average rate of over 26% for the next five years.

☐ Achieving economies of scale: Involvement of ICD will help in reducing the logistics cost, as currently it account for 14-15% of manufacturing costs, which is among the highest in the world. ☐ Synergizing with Sagarmala project (port-led development): Under this, Government aims to reduce logistics costs for EXIM and domestic cargo which if complemented with ICD development would lead to overall cost savings.

- **Way Forward**

☐ Locational factor: To be a sustainable business model, an ICD must be surrounded by a manufacturing and consumption hub.

☐ Augmenting Infrastructure: Developing infrastructure in and around ICDs is crucial to attract investments into the sector.

8. **‘PORT LOGISTICS: ISSUES & CHALLENGES IN INDIA’ REPORT**

- Recently, Port Logistics: Issues & Challenges in India report was released by advisory firm Dun & Bradstreet (DNB) on behalf of Niti Aayog.

- **Highlight**

☐ Report looked into the issues and challenges pertaining to the ports sector and proposed policy measures to strengthen it.

☐ Three major findings of the report are-

1. Processes and operations across the ports are not standardised or uniform.
2. Costs and time for key processes are unpredictable and there is an unacceptable level of variation across ports as well as within port.
3. Several government initiatives taken need to be followed through to completion.

☐ Other major common problems across ports are port congestion, custom clearance, shipping line issues & charges, documentation & paperwork and regulatory clearances.

☐ The study also introduced Port Performance Index

- **Port Performance Index**

☐ It is an attempt to benchmark performance of various ports by combining qualitative perception of stakeholders with quantitative outcome-based data.

☐ It ranked 13 major ports which handle around 67% of India’s maritime trade, on their performance:

o Good Score: Jawaharlal Nehru Port, Kamarajar port, Visakhapatnam Port

o Average Score: Cochin, Kandla, Paradip, Chennai, Mormugao, New Mangalore and V.O.Chidambaranar Port

o Poor Score: Haldia, Kolkata and Mumbai Port Trust

9. **RBI WITHDRAWS SDR, S4A**

- Recently, RBI has withdrawn various schemes which were launched to resolve the problem of bad loans.

- **Schemes withdrawn**

☐ Strategic Debt Restructuring Scheme- Under SDR, banks who gave loans to a corporate borrower got the right to convert full or part of their loans into equity shares in the loan taking company.

☐ Scheme for Sustainable Structuring of Stressed Assets (S4A)- It allowed lender (bank) to acquire equity of the stressed project. It was intended to restore the flow of credit to critical sectors including infrastructure.

☐ Corporate Debt Restructuring Scheme – It aimed for the reorganization of a distressed company's outstanding obligations to restore its liquidity and keep it in business through negotiation between distressed companies and their creditors.

☐ Joint Lenders' Forum (JLF) – was constituted for revitalizing stressed assets in the system. It comprised of banks who have given loan to the concerned borrower entity.

☐ Flexible Structuring of Existing Long-Term Project Loans or 5/25 refinancing - It allowed banks to extend long-term loans of 20-25 years to match the cash flow of projects, while refinancing them every 5 or 7 years.

- **Why were the restructuring mechanisms withdrawn?**

☐ With the enactment of the Insolvency and Bankruptcy Code, 2016 (IBC), RBI decided to substitute the existing guidelines with a harmonised and simplified generic framework for resolution of stressed assets.

☐ Problems with restructuring mechanisms like, o Rigidity- Lenders (Bankers) had complained about the one size-fits-all approach of the RBI as different companies had different problems that gave rise to bad loans. o Limitation of bankers to deal with assets in diversified companies, lack of forensic audits before restructuring loans etc.

- Unsecured creditors, such as suppliers of raw materials often approached courts delaying the whole process.
- **How will these new guidelines help the bad loan problem?**

☐ The new rules will instill a sense of transparency, more investor confidence in the financials of banks and change the way banks do business.

☐ There will be greater prudence in lending. The tolerance for defaults is being lowered considerably. This will ensure loan repayment terms are more realistic.

☐ Banks will also pay better attention to developing risk management frameworks, something the government has been trying to push as part of its banking reforms package along with recapitalisation.

☐ The new norms will also instill some discipline in the corporate sector on honoring debt servicing commitments on time. With the insolvency and bankruptcy code, there are higher chances of a company getting liquidated, prompting better promoter behaviour.

- However, there is also a concern that the strict timelines could mean that a larger number of accounts go into insolvency and haircuts that banks may need to take & the probability of liquidation in some accounts may also rise.
- **Insolvency and Bankruptcy Code, 2016 (IBC)**

☐ Clear, coherent and speedy process for early identification of financial distress and resolution of companies and limited liability entities if the underlying business is found to be viable. ☐ Debt Recovery Tribunal and National Company Law Tribunal to act as Adjudicating Authority and deal with the cases related to insolvency, liquidation and bankruptcy process in respect of individuals and unlimited partnership firms and in respect of companies and limited liabilities entities respectively. ☐ Est

and Bankruptcy Board of India to exercise regulatory oversight over insolvency professionals, insolvency professional agencies and information utilities.

☐ Enabling provisions to deal with cross border insolvency.

10. CENTRALIZED COMMUNICATION SCHEME 2018

- The income tax department has notified the Centralized Communication Scheme 2018 aimed at eliminating the physical interface between taxpayers and the department.
- **More on news**

☐ The IT department issues notices to persons under Section 133C only to seek information. However, the task of visiting the tax office to comply with the notices causes considerable stress and anxiety to the recipient of such notices.

☐ It will facilitate electronic issuance of notices to taxpayers, requiring them to furnish information or documents for the purpose of verification in a prescribed format.

☐ No person shall be required to appear personally or through authorized representative before the designated authority in connection with any proceedings.

☐ It will also set up call centres to address taxpayer queries and a grievance redressal system.

11. URBAN INFRASTRUCTURE FINANCE

- In a written reply in Lok Sabha, the Minister of Housing and Urban Affairs said that the investments required in urban areas for a 20-year period between 2012-13 and 2031-32 is estimated to be Rs 39 lakh crore based on the report of the high-powered expert committee.
- **Status of urban infrastructure spending**

☐ India's annual per capita spending on cities is $50 which is less than that of China ($362), South Africa ($508) and U.K. ($1772).

☐ The projected figure of Rs.39 lakh crore goes up to Rs.59 lakh crore, if operation and maintenance expenses are included.

☐ The total combined outlay of the Smart Cities Mission and AMRUT is only Rs.1 lakh crore, or about 2% of the funds required by 2031.

- **Issues with urban infrastructure finance**

☐ Dependence for funds on states and centre: Devolution of funds is not predictable and timely, especially from the state governments. Further, these devolved funds are largely tied in nature, to either specific sectors or schemes. This constraint the ability of local governments to spend on local public good as per their own priorities.

☐ Inadequate revenue generation: They generate revenue below their potential and spend even less on services and infrastructure. Indian cities revenue is less than 1% of GDP. o ULBs' revenue share often doesn't rise with economic growth of an area due to factors like undervaluation (Land), limits on taxation power (Professional tax) etc.

☐ Weak credit worthiness & underdeveloped municipal bond market due to outdated and mismanaged accounting practices leads to lack of interest from private investors, for example 39 out of 94 surveyed cities received credit ratings below the investment grade (BBB-).

☐ Absence of financial investment: plans due to lack of expertise and resources.

☐ Lack of stakeholder consultation: while formulating and implementing projects leads to a disconnect between ULBs and citizens

☐ Weak Asset Management leads to loss of revenue for the ULBs, even though they own substantial assets.

☐ Absence of data availability and mapping leads to litigations and inefficient policy making and implementation.

- **Way forward**

☐ The costs of providing water and sewer lines, as well as public roads, must be recovered from developers through a combination of land tax, development charges and betterment fees.

☐ Rational user charges should be levied for the continued provision of public services like water supply, with a fairly priced monthly lifeline charge for the poor and a graded increase in charges (based on usage) to ensure the rich don't end up getting subsidised.

☐ There is a need for use of financial instruments like municipal bonds to raise money to direct development along certain corridors or geographies, so that the city government can control growth instead of leaving it to developers.

☐ India needs to develop its own National Urban Policy (NUP) as an instrument for applying a coherent set of interventions in relation to the future growth of cities, in partnership with all stakeholders. Globally, around one-third of countries have a NUP in place.

- **Why is urban infrastructure important?**

☐ Cities are the engines of economic growth due to a variety of factors ranging from availability of skilled manpower to the benefits of agglomeration, much of India's future growth is expected to come from its cities.

☐ Nearly 31% of India's current population lives in urban areas contributing to 63% of India's GDP (Census 2011) and with increasing urbanisation, urban areas are expected to house 40% of India's population and contribute to 75% of India's GDP by 2030.

- **Government initiatives to increase investments in urban infrastructure**

☐ Credit linked subsidy under Pradhan Mantri Awas Yojana- Housing for All (URBAN)

☐ 100% deduction for profits to an undertaking in housing project for flats up to 30 sq. metres in four metro cities and 60 sq. metres in other cities to promote affordable housing.

☐ Establishing National Investment and Infrastructure Fund (NIIF) for infrastructure development in commercially viable projects, both Greenfield and Brownfield, including stalled projects.

☐ 100% FDI is allowed under the automatic route for urban infrastructure areas like urban transport, water supply, sewerage and sewage treatment subject to relevant rules and regulations.

☐ Credit Rating of cities and towns, 94 of the 500 cities included in Smart City Mission and AMRUT have obtained such ratings which are necessary for issuing Municipal Bonds for mobilization of resources.

☐ Value Capture Financing (VCF): The VCF policy framework was introduced by the Ministry of Urban Development in February 2017. VCF is a principle that states that people benefiting from public investments in infrastructure should pay for it.

☐ Swachh Bharat Mission-Urban – This will also spur economic growth thus, creating avenues for more investments as a World Bank study on the economic impacts of inadequate sanitation in India estimated that India lost the equivalent of 6.4 per cent of GDP due to inadequate sanitation.

12. NATIONAL URBAN HOUSING FUND (NUHF)

- The union cabinet has approved the creation of NUHF of Rs 60,000 crore to finance its flagship program Pradhan Mantri Awas Yojana-Housing for All (Urban) by 2022.
- **Details**

☐ The fund will be placed under Building Material and Technology Promotion Council (an autonomous society under Ministry of Housing and Urban affairs).

☐ NUHF will facilitate raising the funds in next four years through non-budgetary sources.

☐ This year's budget says that 3.7 million houses are to be built in urban areas in 2018-19.

- **About Pradhan Mantri Awas Yojana-Urban:**

☐ Launched in June 2015. 1.2 Crore Houses to be built by 2022.

☐ Aims at providing affordable pucca houses with water facility, sanitation and electricity supply round-the-clock.

☐ Covers Extremely Weaker Section (EWS-Annual income < Rs 3 Lakh), Low-Income Group (LIG-Annual income < Rs 6 Lakh) and Mid-Income Group (MIG).

☐ Central assistance under different verticals:

1. In-Situ Slum Redevelopment (ISSR) - Private developers will collaborate in transforming slum areas by building homes. (1 Lakh assistance to EWS)
2. Credit Linked Subsidy Scheme (CLSS) - An interest subsidy of 3% (For MIG of loans upto 12 lakh) to 6.5% (For EWS and LIG for loans upto 6 Lakh) for new construction/extension.
3. Affordable Housing in Partnership (AHP) - with States/UTs for EWS (1.5 Lakh assistance)
4. Beneficiary Linked Construction (BLC)- Rs 1.5 Lakh direct financial assistance to EWS for individual house construction/expansion.

☐ Here Credit linked subsidy scheme (CLSS) is a Central Sector Scheme, while the other three are Centrally Sponsored Schemes (CSS).

☐ Houses are allotted in the name of female head or jointly with males.

- **Rationale behind the scheme:** India is having shortage of nearly 2 Crore Housing units needed by rural and urban poor at price points of Rs 5-15 Lakh.
- **How will it help:** It will provide affordable housing to the urban poor, falling interest rate will improve loan growth for banks and Housing Finance Companies, incentivise real estate sector and allied businesses such as cement and steel.

13. KUSUM

- Kisan Urja Suraksha evam Utthaan Mahaabhiyan (KUSUM) scheme was announced in Budget 2018-19.
- **About KUSUM**

☐ It aims to incentivise farmers to run solar farm water pumps and use barren land for generating solar power to have extra income.

☐ The total cost of the capacities under this scheme would be Rs 1.4 lakh crore, out of which, the Centre will provide Rs 48,000 crore financial assistance.

- **Components of KUSUM**

☐ Utilisation of barren land by farmers to generate 10,000 MW of solar energy and sell it to grid. For this, discoms would be given 50 paise per unit as generation-based incentives to buy power from farmers for five years.

☐ The government will provide subsidy to farmers for buying 17.5 lakh off grid solar farm pumps. The Centre and the states will provide 30% subsidy each on solar pumps. Another 30% will be met through loans while 10% of the cost will be borne by the farmer.

☐ Solarisation of grid-connected farm pumps involving 7,250 MW capacity.

☐ Solarisation of government departments' grid connected water pumps.

- **Expected Benefits**

☐ It would help in de-dieseling of the agriculture sector which currently uses approximately 10 lakh diesel run pumps.

☐ Help the financial health of DISCOMs by reducing the subsidy burden to the agriculture sector.

☐ Promotion of decentralised solar power production

☐ Provide water security to farmers through provision of assured water sources through solar water pumps – both off-grid and grid connected

☐ To support States to meet the renewable purchase obligation targets

☐ To fill the void in solar power production in the intermediate range between roof tops and large parks

☐ Reduce transmission losses through off-grid systems.

14. PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME

- The Cabinet Committee on Economic Affairs (chaired by the Prime Minister) has approved the continuation of Prime Minister's Employment Generation Programme (PMEGP) beyond 12th Plan for three years from 2017-18 to 2019-20. Changes made in scheme

☐ A second loan of up to Rs 1 crore to existing and better performing PMEGP units for upgrading with subsidy of 15%.

☐ Me

Yojana, a credit linked subsidy scheme to establish coir units, in PMEGP

☐ Introduction of concurrent monitoring and evaluation

☐ Mandatory Aadhaar and Pan card and Geotagging of units.

☐ Dis

☐ Neg

of 30:30:40 for KVIC/KVIB/DIC.

(which contains list of activities not permitted under PMEGP for setting up of micro enterprises/ projects /units) has been amended, allowing serving/selling nonvegetarian food at Hotels/Dhabas and Off Farm/Farm Linked activities.

☐ Cap the working capital component for manufacturing units to 40% of the project cost and for service/trading sector to 60% of the project cost

☐ A minimum target of 75 project/district is awarded to all districts of the country to achieve Inclusive Growth.

- **About PMEGP**
  - ✓ It is a major credit-linked subsidy programme being implemented by the Ministry of MSME since 2008-09 by merging the two schemes, namely Prime Minister's Rojgar

Yojana (PMRY) and Rural Employment Generation Programme.

- ✓ It is aimed at generating self-employment opportunities through establishment of micro-enterprises in the non-farm sector by helping traditional artisans and unemployed youth in rural as well as urban areas.
- ✓ Decentralised Implementation: The Khadi and Village Industries Commission (KVIC) is the nodal implementation agency for the PMEGP at the national level. At the state/district level, state offices of KVIC, Khadi and Village Industries Boards (KVIBs) and District Industry Centres (DIC) are the implementing agencies.
- ✓ The scheme's targets are fixed taking into account the extent of backwardness of state; extent of unemployment; extent of fulfilment of previous year targets; population of state/union territory; and availability of traditional skills and raw material
- ✓ Higher rate of subsidy (25%-35%) will be applicable for women, SC/ST, OBC, Physically Disabled, NER applicants in rural areas

15. GOBARDHAN YOJANA

- The Gobardhan Yojana, announced in the Budget 2018-19, has been launched by the Haryana Government. About Gobardhan (Galvanising Organic Bio-Agro Resources Dhan) Yojana

☐ It would be implemented under Swacch Bharat Mission Gramin with twin objectives - To make villages clean and generate wealth and energy from cattle and other waste.

☐ It would focus on managing and converting cattle dung and solid waste in farms to compost, biogas and bio-CNG.

☐ An online trading platform will also be created to connect farmers to buyers so that they can get the right price for cow dung and agricultural waste.

☐ The challenge is to incentivise farmers to think of their cattle waste as a source of income and, in the process, also keep their communities swachh.

- **Need**

☐ The 19th Livestock Census (2012) estimates India's cattle population at 300 million (highest in the world), putting the production of dung at about 3 million tonnes per day.

☐ According to a 2014 ILO study, the productive use of dung could support 1.5 million jobs nationally. For the farmer, there is a significant potential of greater income from the sale of cow dung.

☐ The ILO study also reports that the value of one kg of cow dung multiplies over 10 times, depending on whether the end product is fresh dung (sale price of Rs 0.13) or as input for a one-megawatt biogas plant along with compost output (Rs 1.6).

16. National Productivity Council

- The National Productivity Council observed National Productivity Day on February 12th. It is the 60th Anniversary of the National Productivity Council and is being celebrated as Diamond Jubilee Year.
- **Theme:** **Leapfrog Opportunity for India "**has been selected as the theme for the National Productivity Week -2018.
- **About Industry 4.0:**

☐ Industry 4.0 or the fourth industrial revolution as it is called, is emerging globally as a powerful force and is being called as the next industrial revolution. It is characterized by the increasing digitization and interconnection of products, value chains and business models. Industry.

☐ Industry 4.0 would mean the convergence of real and virtual worlds-the next phase in bringing together conventional and modern technologies in manufacturing. This will result in the "Smart Factory", which is characterized by versatility, resource efficiency, ergonomic design and direct integration with business partners.

- **National Productivity Council: What is it?**

☐ NPC is national level organization to promote productivity culture in India. Established by the Ministry of Industry, Government of India in 1958, it is an autonomous, multipartite, non-profit organization with equal representation from employers' & workers' organizations and Government, apart from technical & professional institutions and other interests.

☐ NPC is a constituent of the Tokyo-based Asian Productivity Organisation (APO), an Inter-Governmental Body, of which the Government of India is a founder member.

- **Functions**:

☐ NPC teams up with its clients to work out solutions towards accelerating productivity, enhancing competitiveness, increasing profits, augmenting safety and reliability and ensuring better quality.

☐ Industry 4.0

☐ It provides reliable database for decision-making, improved systems and procedures, work culture as well as customer satisfaction both internal & external.

☐ The solutions can be all-encompassing or specific depending on the nature of the problem.

☐ The council also helps monitor, review and implement the identified strategies.

- **Organization**:

☐ The Union Minister for Industry is the President of the NPC, and the Secretary (Industrial Policy and Promotion) is its Chairman.

17. Privatising public sector banks

- Industry body FICCI has called for privatisation of public sector banks (PSBs), saying that the recapitalisation efforts by the government have had little effect on improving their health.

- **Need for Privatisation:**

☐ There is a continuous pressure on the government finances on account of the weak performance of the banks.

☐ Privatisation would reduce the drain on the exchequer and the money saved could be used for developmental schemes and programmes of the government.

- **Benefits of private banks:**

☐ Private banks will bring innovations in products, technology and customer servicing and a market-based discipline to lending. Private banks, knowing that they cannot count on government's protection, are unlikely to engage in the sort of risky lending that characterised public bank lending.

☐ Also, they will not be subject to the same pressure from politicians and others in government that has destroyed the public sector banks.

- **Way ahead:**

☐ The public-sector banks, which constitute almost 70% of the Indian banking system, are saddled with burgeoning stressed assets. The government has already injected over ₹2.6 lakh crore in the public-sector banks through recapitalisation in the last eleven years, which has had limited impact in improving the health of public sector banks thus far.

☐ Therefore, recapitalisation of PSBs alone is not a permanent solution and will not be effective unless the inherent issues related to governance, productivity, risk management, talent, customer service, etc. are resolved. The government should shrink unproductive public sector banks and move forward with increasing private sector participation in the banking sector.

18. Merger of PSU non-life insurers

- Finance minister Arun Jaitley had proposed a merger of these three PSU general insurers in the Union Budget on February 1. The proposed merger of three public sector insurance firms may be completed by early 2019.

☐ The three public sector general insurance companies to be merged are — National Insurance (NIC), Oriental Insurance (OIC) and United India Insurance (UII).

- **Purpose**:

☐ There are a lot of operational advantages and savings that will accrue from this proposed merger. The trigger for central government to go for merger of three general insurers is mainly to boost up their solvency ratio and divest part of its holding in the market. Merger will also stop the unhealthy competition between the government-owned insurers. It is hoped that this merger will make companies stronger.

- **Concerns**:

☐ There is also a concern that post-merger, there will be unhealthy competition between two government owned general insurers – New India Assurance and the new company that emerges out of the proposed merger. Also, it will be a big task to build the brand equity for a new entity in a highly competitive market.

- **Way forward**:

☐ Few experts are of the view that the government should go one step further and merge all the four public sector general insurers.

19. Ombudsman scheme for NBFCs

- The Reserve Bank of India (RBI) has issued an ombudsman scheme for nonbanking finance companies (NBFCs), offering a grievance redressal mechanism for their customers.

☐ The scheme will come into effect immediately.

Details:

- **Who will be the ombudsman?**

☐ An officer at the RBI not below the rank of general manager will be appointed by the regulator as the ombudsman with territorial jurisdiction being specified by the central bank.

☐ The tenure of each ombudsman cannot exceed three years and can be reduced by the regulator if needed.

- **Who can file the complaint?**

☐ Any customer or person can file a complaint with the ombudsman on various grounds like non-payment or inordinate delay in payment of interest, non-repayment of deposits, lack of transparency in loan agreement, non-compliance with RBI directives on fair practices code for NBFCs, levying of charges without sufficient notice to the customers and failure or delay in returning the securities documents despite repayment of dues among others.

☐ Only written complaints or those in electronic format will be accepted.

- **Appeal:**

☐ If a complaint is not settled by agreement within a specified period as the ombudsman may allow the parties, he may, after affording the parties a "reasonable opportunity to present their case, either in writing or in a meeting, pass an award either allowing or rejecting the complaint".

☐ The scheme also allows a person to appeal in case of dissatisfaction with any award by the ombudsman.

- **Compensation:**

☐ The ombudsman may also award compensation not exceeding one hundred thousand rupees to the complainant, taking into account the loss of time, expenses incurred, harassment and mental anguish suffered by the complainant.

- **Report:**

☐ The ombudsman will be required to send a report to the RBI governor annually on 30 June containing general review of the activities of his office during the preceding financial year and other information required by the central bank.

20. Government reboots eNAM

- In a bid to engage more farmers on the electronic National Agriculture Market (eNAM) platform, the government has unveiled mobile payment facility BHIM, and other features in regional languages as well.
- The eNAM has been strengthened with features like MIS dashboard for better analysis, BHIM and other mobile payment facilities, enhanced features on mobile app such as gate entry and payment via mobiles, integration of farmers database and e-learning module.
- **About eNAM:**

☐ It is an online platform with a physical market or mandi at the backend.

☐ It is an instrument to create a national network of physical mandis which can be accessed online.

☐ It seeks to leverage the physical infrastructure of mandis through an online trading portal, enabling buyers situated even outside the state to participate in trading at the local level.

21. Hyperloop Between Mumbai and Pune

- The Virgin Group has signed an "intent agreement" with Maharashtra to build a hyperloop transportation system between Mumbai and Pune, which aims to reduce the travel time between the two mega cities to 20 minutes from the three hours at present. The hyperloop route will link central Pune with the megapolis as well as the Navi Mumbai international airport.
- **What is hyperloop transportation system?**

☐ It is a transportation system where a pod-like vehicle is propelled through a near-vacuum tube connecting cities at speeds matching that of an aircraft.

☐ The hyperloop concept is a brainchild of Tesla founder Elon Musk. US-based Hyperloop Transport Technology (HTT) claimed it costs $40 million per kilometre to build a hyperloop system while building a high-speed train line would cost almost twice. The hyperloop system is being designed to transport passengers and freight.

- **How it operates?**

☐ In hyperloop transportation, custom-designed capsules or pods are expected to zip smoothly through continuous steel tubes which are held at partial vacuum. The pod which sandwiches the passenger compartment between an air compressor upfront and a battery compartment in the rear is supported by air caster skis at the bottom.

☐ The skis float on a thin layer of air provided under high pressure, eliminating rolling resistance and allowing for movement of the pods at high speeds. These capsules are expected to be driverless with estimated speeds of 1,000 km/h. Linear induction motors that are placed along the tube control the speed of the pod. Electronically-assisted acceleration and braking determine the speed of the capsule.

- **The Problems Plaguing the Hyperloop:**

☐ Constructing a tube hundreds of kilometers long would be an engineering marvel in of itself. However, introducing a tube hundreds of kilometers long that operates at a near perfect vacuum which can support the force of capsule weighing thousands of kilograms as it travels hundreds of kilometers an hour is nothing short of sci-fi fantasy.

☐ Small scale experiments reveal the fundamentals of the idea are sound. Although, in the real world, there are too many factors that cannot be accounted for with a small-scale design. In the real world, there are tens of thousands of kilograms of atmospheric pressure which threatens to crush any vacuum chamber.

☐ There is also the problem with thermal expansion which threatens to buckle any large structure without proper thermal expansion capabilities. The Hyperloop would also be stupendously expensive. There are many unavoidable problems facing the Hyperloop that threaten the structural integrity, and every human life on board. The problems can be addressed, but at a great cost.

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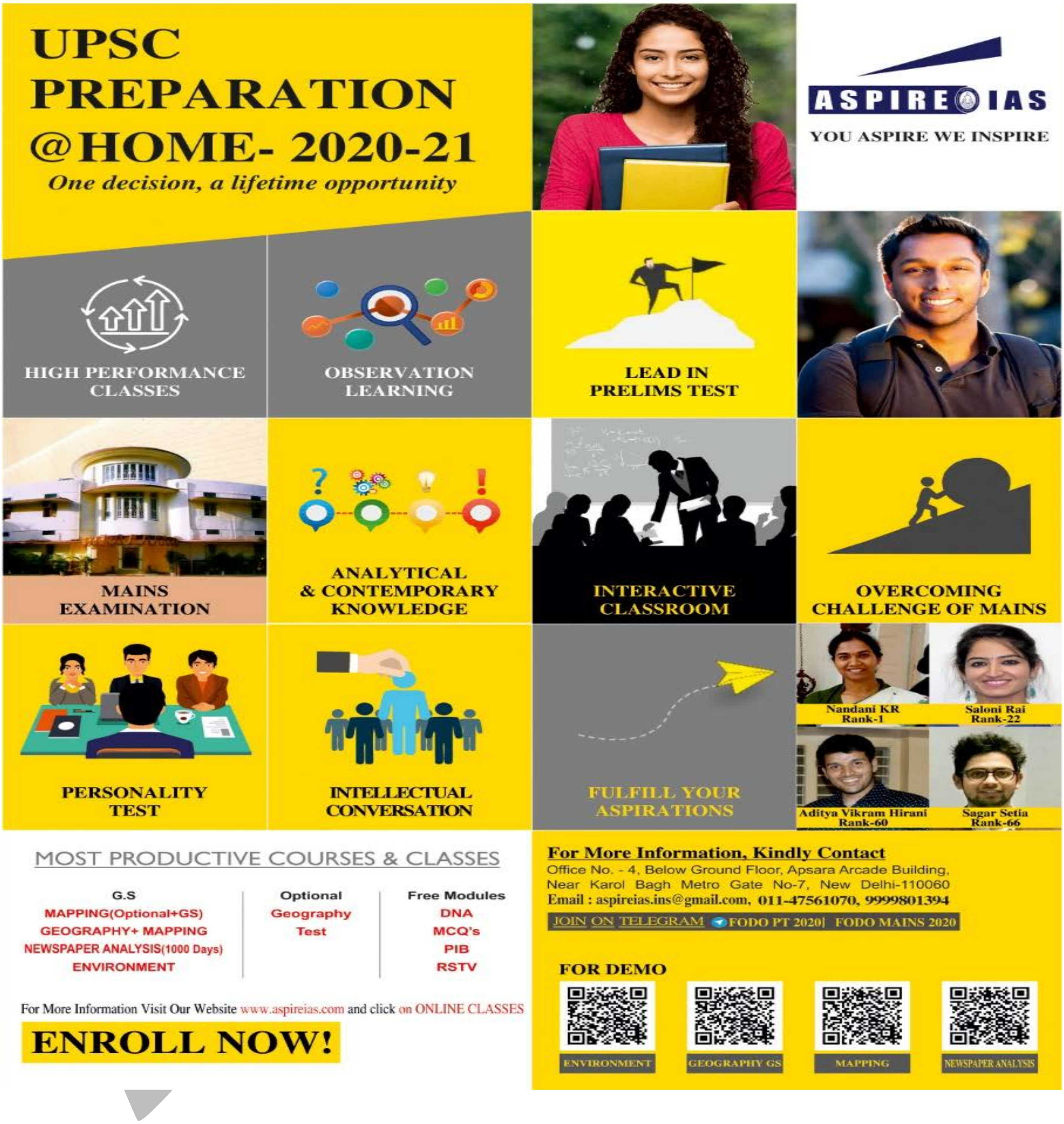

All the Best
Jai Hind ☺