GOOD MORNING TIMES

Economics –PT Shots (AUGUST-2020)

August 2020

1) What are Participatory Notes?

Investments through participatory notes (P-notes) in the domestic capital market soared to Rs 63,288 crore till July-end, making it the fourth consecutive monthly rise.

• Of the total money invested through the route till July, Rs 52,356 crore was invested in equities, Rs 10,429 crore in debt, Rs 250 crore in the hybrid securities and Rs 190 crore in derivatives segment.

What are Participatory Notes?

Participatory Notes or P-Notes (PNs) are financial instruments issued by a registered foreign institutional investor (FII) to an overseas investor who wishes to invest in Indian stock markets without registering themselves with the market regulator, the Securities and Exchange Board of India (SEBI).

Key points:

• P-Notes are Offshore Derivative Investments (ODIs) with equity shares or debt securities as underlying assets.

• They provide liquidity to the investors as they can transfer the ownership by endorsement and delivery.

• While the FIIs have to report all such investments each quarter to SEBI, they need not disclose the identity of the actual investors.

What are govt & regulator's concerns?

The primary reason why P-Notes are worrying is because of the anonymous nature of the instrument as these investors could be beyond the reach of Indian regulators.

Further, there is a view that it is being used in money laundering with wealthy Indians, like the promoters of companies, using it to bring back unaccounted funds and to manipulate their stock prices.

2) NATIONAL STRATEGY FOR FINANCIAL EDUCATION (NSFE) 2020- 2025

Recently, Reserve Bank of India (RBI) released the National Strategy for Financial Education (NSFE): 2020-2025. **About NFSE**

• First NFSE was released in 2013 for the period 2013-2018.

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

• NSFE recommends multi-stakeholder-led approach for creating a financially aware and empowered India.

• NSFE, has been prepared by the National Centre for Financial Education (NCFE) in consultation with all the Financial Sector Regulators (RBI, SEBI, IRDAI and PFRDA), DFS and other Ministries and other stakeholders (DFIs, SROs, IBA, NPCI).

• Technical Group on Financial Inclusion and Financial Literacy would be responsible for periodic monitoring and implementation of NSFE.

What is Financial Literacy and Financial Education?

Financial Education and Financial Literacy are related concepts but not the same. People achieve Financial Literacy through the process of Financial Education.

• Financial Literacy is defined as a combination of financial awareness, knowledge, skills, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.

• Financial Education, on the other hand is defined as the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and through information, instruction and/or objective advice, develop the skills and confidence to

o Become more aware of financial risks and opportunities.

o Make informed choices.

o Know where to go for help.

o Take other effective actions to improve their financial well-being.

• Thus, the achievement of Financial Literacy empowers the users to make sound financial decisions which result in financial well-being of the individual.

Why is the process of financial education important?

• Lack of financial education is a major impediment to eradication of economic poverty, enhancement of livelihood opportunities, building asset base, supporting income generating activities and expanding range of choices available to the population.

• According to a survey, more than 75% of Indian adults do not adequately understand basic financial concepts. It’s even worse when it comes to women. More than 80% of women are financially illiterate.

o Financial literacy is central to ensure that the accounts opened through financial inclusion efforts are used by the people by availing products/ services relevant to them.

• A thrust on financial education is essential to make financial inclusion more meaningful and enabling for citizens' reach to economic well-being.

• It is needed under heightened uncertainty and volatility of the financial sector with increased influence of private players, shrinking public support system, rise of cost of living and availability of large number of financial products and services to choose from.

• Financial education will help people achieve financial well-being by accessing appropriate financial products and services through regulated entities.

What are the challenges to this process of financial education?

• Low income levels: A large number of people who have come into the financial system now have low or uncertain incomes. With little or no savings, they hardly have any incentive to acquire Basic Financial Education.

• Information asymmetry: Difficulty of consumers in identifying and understanding the fine print from the large volume of convoluted information, leads to an information asymmetry between the financial intermediary and the customer.

• Low technological inclusion: The hesitation to use ATMs, mobile banking, net banking etc. act as a technological barrier in the acquisition of process education.

• Too much documentation: Participation in formal financial services requires various documents of proof regarding persons' identity, income, birth certificates, etc. But poor people generally lack these documents and thus remain marginalized from the process.

• Absence of reach and coverage: Many of the schemes that are useful to the poor don't reach them further closing the paths that can help poor enter the financial system.

Way forward: Vision provided by NSFE 2020-2025

• Inculcation of financial literacy concepts among the various sections of the population through financial education to make it an important life skill. Financial education should start at school, for people to be educated as early as possible.

• Improve usage of digital financial services in a safe and secure manner.

• Manage risk at various life stages through relevant and suitable insurance cover. For example, planning for old age and retirement through coverage of suitable pension products.

• Document also recommends adoption of a '5 C' approach for dissemination of financial education:

o Content: Creating Financial literacy content for all.

o Capacity: Develop the capacity of various intermediaries who can be involved in providing financial literacy and develop a ‘Code of Conduct’ for financial education providers.

o Community: Evolve community led approaches for disseminating financial literacy in a sustainable manner.

o Communication: Use technology, mass media channels and innovative ways of communication for dissemination of financial education messages.

o Collaboration: Integrate financial education content in school curriculum, various Professional and Vocational courses.

3) RULES OF ORIGIN

Department of Revenue has recently notified the 'Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020' which would come into force on September 21, 2020.

What are Rules of Origin?

• These are the criteria prescribed to determine the national origin of an imported product in a country.

• These are mainly used: o to implement measures and instruments of commercial policy such as anti-dumping duties and safeguard measures;

o to determine whether imported products shall receive most-favoured-nation (MFN) treatment or preferential treatment;

o for the purpose of trade statistics;

o for the application of labelling and marking requirements; and o for government procurement.

• Rules of Origin are primarily of two types:

o Non-preferential rules of origin: These apply in the absence of any trade preference, where certain trade policy measures such as quotas, anti-dumping or “made in” labels may require a determination of origin.

o Preferential rules or origin: These apply in reciprocal trade preferences (i.e. regional trade agreements or customs unions) or in non-reciprocal trade preferences (i.e. preferences in favour of developing countries or least-developed countries (LDCs)).

✓ Each trade agreement has its own set of Rules of Origin that is agreed upon by involved nations, which includes guidelines for issuing a legitimate Certificate of Origin (CO).

✓ Preferential rules of origin are more restrictive than nonpreferential ones.

• Criteria commonly used to determine the country of origin of goods:

o Wholly obtained criterion: These include goods produced or obtained in a given country without incorporation of any input material from other country.

o Substantial/sufficient transformation criterion: Under it goods are required to undergo substantial transformation in a country for the good to be qualified as originating. Some methods used, in combination or standalone, to meet this criteria are-

✓ Value Content Method: A good is considered substantially transformed when the value added of a good in a country increases up to a specified level.

✓ Change in Tariff Classification (CTC) Method: A good is considered substantially transformed when the good is classified in a heading or subheading different from all non originating materials used.

✓ Process Rule Method: A good is considered substantially transformed when the good has undergone specified manufacturing or processing operations.

o De minimis or tolerance rule: It permits a specific share of the value or volume of the final product to be non-originating without the final product loosing its originating status.

Significance of ROO

• Addressing trade distorting practices: Determination of product origin is essential to implement trade policy measures in a country for purposes like

o correcting "unfair trade" (e.g. imposition of anti-dumping or countervailing duties against imported products causing material injury to domestic industry)

o protecting local industry (e.g. safeguard measures to protect against an unforeseen increase of imported products causing serious injury to a specific domestic industry).

• Ensuring effectiveness of Trade Agreements: Stringent rules of origin can check the wrongful practice of availing concessional customs duty by routing exports to India through preferential trade countries.

• Transparency in customs procedures: Rules of origin make it clear for the businesses in India and abroad to know the exact procedures that would be adopted for custom clearance.

• Implementing environmental or sanitary measures: For e.g. preventing the import of contaminated foodstuff or plants from a specific country or import of nuclear and hazardous material and their waste.

• Administering "buy national" policies: for adjusting balance of payment with specific countries.

• Ensuring national security or political policy: by controlling trade in strategic weapons or specific products to which sanctions are applied. About Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 (CAROTAR, 2020)

• These rules will be applicable on import of goods into India where the importer makes claim of preferential rate of duty in terms of a trade agreement (TA).

• CAROTAR, 2020 aims to supplement the operational certification procedures related to implementation of the Rules of Origin, as prescribed under the respective TAs of India viz. Free Trade Agreement (FTA), Preferential Trade Agreement (PTA), Comprehensive Economic Cooperation Agreement (CECA), Comprehensive Economic Partnership Agreement (CEPA) etc.

• Key Provisions:

o To claim preferential rate of duty under a TA, the importer, at the time of filing bill of entry, has to-

✓ make a declaration in the bill that the imported products qualify as originating goods for preferential rate of duty under that agreement.

✓ produce certificate of origin (CO).

o The claim of preferential rate of duty may be denied by the proper officer without verification if the CO-

✓ Is incomplete or

✓ has any alteration not authenticated by the issuing authority or

✓ has expired.

o The importer also has to submit all relevant information related to country of origin criteria, including the regional value content.

O An officer may, during the course of customs clearance or thereafter, request for verification of CO from verification authority where there is a doubt regarding genuineness or authenticity of the certificate. Conclusion The rules of origin enable the preferential agreements to be correctly implemented, which promotes the development of trade and encourages investment.

Measures that can ensure their productive use include:

• Clearly defined terms and procedures, where any changes are published promptly

• Ensuring that they do not create restrictive, distorting or disruptive effects on international trade and do not require the fulfilment of conditions not related to manufacturing or processing of the product in question

• Administering the rules in a consistent, uniform, impartial and reasonable manner

• Facilitating review of any administrative action in relation to the determination of origin by judicial, arbitral or administrative tribunals.

• Non-disclosure of confidential information without the specific permission of the person providing such information.

About Certificate of Origin (CO)

• A CO is an important international trade document that certifies that goods in a particular export shipment are wholly obtained, produced, manufactured or processed in a particular country.

o They declare the 'nationality' and 'content' of the product and also serve as a declaration by the exporter to satisfy customs or trade requirements.

• An exporter has to submit a CO at the landing port of the importing country.

World Trade Organization's Agreement on Rules of Origin

• The agreement aims at long-term harmonization of non preferential rules of origin and to ensure that such rules do not themselves create unnecessary obstacles to trade.

• It sets out a work programme for the harmonization of rules of origin, negotiations for which are still ongoing. For this process two institutions were established:

o A Committee on Rules of Origin within the framework of the WTO, open to all WTO Members.

o A Technical Committee on Rules of Origin, created under the auspices of the World Customs Organization.

• The agreement also provides general principles for prescribing rules of origins, such as transparency, positive standards, administrative assessments, judicial review etc., which shall also apply to preferential rules of origin

Concerns related to Rules of Origin

• Effect on international trade flows: Rules of origins and related procedures be used as instruments to reinforce protectionist tendencies.

• Restrictive origin regulations can affect investment flows: since they might lead to excessive investments in the territories of major importers to satisfy local content requirements to meet the origin criteria.

• Increased administrative burdens: Strict regulations can make it difficult for genuine importers to avail the benefits of trade agreements.

• High cost of trade: Studies have revealed that origin certificates cost about 5% of the goods' value.

• Lack of Uniformity: WTO's General Agreement on Tariffs and Trade (GATT) has no specific rules governing the determination of the country of origin of goods in international commerce. Each contracting party of a trade agreement is free to determine its own origin rules

4) What is the production linked incentive scheme for electronics manufacturers?

Global electronics giants such as Samsung, Pegatron, Flex, and Foxconn among others are in final stages of negotiations to benefit from the Ministry of Electronics and

Information Technology's (MeitY) production linked incentive (PLI) scheme for making mobile phones and certain other specified electronic components.

About the PLI scheme: Notified on April 1 as a part of the National Policy on Electronics. It proposes a financial incentive to boost domestic manufacturing and attract large investments in the electronics value chain.

Key features of the scheme:

1. The scheme shall extend an incentive of 4% to 6% on incremental sales (over base year) of goods manufactured in India and covered under target segments, to eligible companies, for a period of five (5) years with financial year (FY) 2019-20 considered as the base year for calculation of incentives.
2. The Scheme is open for applications for a period of 4 months initially which may be extended.
3. The Scheme will be implemented through a Nodal Agency which shall act as a Project Management Agency (PMA) and be responsible for providing secretarial, managerial and implementation support and carrying out other responsibilities as assigned by MeitY from time to time.

Eligibility: According to the scheme, companies that make mobile phones which sell for Rs 15,000 or more will get an incentive of up to 6 per cent on incremental sales of all such mobile phones made in India. In the same category, companies which are owned by Indian nationals and make such mobile phones, the incentive has been kept at Rs 200 crore for the next four years.

What kind of investments will be considered?

1. All electronic manufacturing companies which are either Indian or have a registered unit in India will be eligible to apply for the scheme.
2. These companies can either create a new unit or seek incentives for their existing units from one or more locations in India.
3. However, all investment done by companies on land and buildings for the project will not be considered for any incentives or determine eligibility of the scheme.

Why we need such scheme?

The domestic electronics hardware manufacturing sector faces lack of a level playing field vis-à-vis competing nations.

• The sector suffers disability of around 8.5% to 11% on account of lack of adequate infrastructure, domestic supply chain and logistics; high cost of finance; inadequate availability of quality power; limited design capabilities and focus on R&D by the industry; and inadequacies in skill development.

• Therefore, to position India as a global hub for Electronics System Design and Manufacturing (ESDM), it is necessary to encourage and drive capabilities in the country for developing core components and create an enabling environment for the industry to compete globally.

5) What is Business Responsibility Reporting?

Ministry of Corporate Affairs (MCA) releases the Report of the Committee on Business Responsibility Reporting.

Key recommendations:

1. A new reporting framework called the 'Business Responsibility and Sustainability Report (BRSR)' has been recommended to better reflect the intent and scope of reporting on non-financial parameters.
2. The BRSR would be integrated with the MCA 21 portal.
3. The information captured through BRSR filings should be used to develop a Business ResponsibilitySustainability Index for companies.
4. The top 1000 listed companies are to undertake this reporting mandatorily.
5. The reporting requirement may be extended by MCA to unlisted companies above specified thresholds of turnover and/or paid-up capital.

What is Business Responsibility Reporting?

It is a disclosure of adoption of responsible business practices by a listed company to all its stakeholders.

• Business Responsibility Reporting is applicable to all types of companies including manufacturing, services etc.

Evolution of Business Responsibility Reporting in India:

1. Corporate Voluntary Guidelines in 2009;
2. Endorsement of United Nations Guiding Principles on Business & Human Rights by India in 2011;
3. MCA issued 'National Voluntary Guidelines on Social, Environmental and Economical Responsibilities of Business' which encourages reporting on environment, social and governance issues in 2011;
4. SEBI mandates top 100 listed companies by market capitalization to file Business Responsibility Reports (BRR) based on NVGs in 2012;
5. SEBI extends BRR reporting to top 500 companies by market capitalization in 2015;
6. National Guidelines on Responsible Business Conduct (NGRBC) released in 2019.

Why we need Business Responsibility Reporting?

• At a time and age when enterprises are increasingly seen as critical components of the social system, they are accountable not merely to their shareholders from a revenue and profitability perspective but also to the larger society which is also its stakeholder.

• This is important considering the fact that these companies have accessed funds from the public, have an element of public interest involved, and are obligated to make exhaustive disclosures on a regular basis.

6) What is line of credit?

India announced a slew of new connectivity measures for the Maldives, including air, sea, intra-island and telecommunications in an effort to help the Indian Ocean Islands deal with the economic impact of the COVID19 pandemic.

Initiatives announced:

1. Air connectivity "bubble" for travel.
2. A direct ferry service.
3. A submarine cable for telecom connectivity.
4. Assistance for the Greater Male Connectivity project (GMCP) to connect Male to three neighbouring islands- Villingili, Thilafushi and Gulhifahu islands.

Background: India will support the implementation of the GMCP in Maldives, through a financial package consisting of a grant of USD 100 million and a new Line of Credit (LoC) of USD 400 million.

• The GMCP would be the "largest civilian infrastructure project in Maldives".

What is Line of Credit (LOC)?

The Line of Credit is not a grant but a 'soft loan' provided on concessional interest rates to developing countries, which has to be repaid by the borrowing government. The LOCs also helps to promote exports of Indian goods and services, as 75% of the value of the contract must be sourced from India.

7) TRANSPARENT TAXATION – 'HONOURING THE HONEST' PLATFORM

• Recently a platform – "Transparent Taxation — Honouring the Honest" was launched by Prime Minister to strengthen the efforts of reforming and simplifying India's tax system.

About the platform

• It is aimed at easing the tax compliance and also rewarding honest taxpayers.

• Main features of Platform are Faceless Assessment, Faceless Appeal and Taxpayer Charter.

o Faceless assessment: To eliminate direct contact between Taxpayer and Income Tax officer.

✓ Under this system, the selection of a taxpayer will be done only through systems using data analytics and AI.

o Faceless appeals: Appeals will be randomly allotted to any officer in the country and identity of the officer deciding the appeal will remain unknown.
o Taxpayer charter: It outlines the rights and responsibilities of both tax officers and taxpayers. It is likely to empower citizens by ensuring timely services by the IT Department.
• It aims to resolve the problems of a taxpayer instead of entangling him further and ensure that there is no direct contact in all matters of scrutiny, notice, survey or assessment.
• The new platform apart from being faceless is also aimed at boosting the confidence of the taxpayer and decreasing the fear associated with the taxation process.
o It helps to maintain the privacy and confidentiality of income taxpayers.
o It seeks to eliminate corrupt practices by doing away with the territorial jurisdiction of incometax offices
• It is a shift towards rationalization, simplification, greater transparency, ease of managing tax issues and creating an overall taxpayer-friendly ecosystem.
• Faceless Assessment and Taxpayers Charter have come into force from 13th August 2020 while the facility of faceless appeal will be available for citizens across the country from 25th September.

Need for Direct Tax reforms
• Rationalization and simplification of Income Tax Structure: The rate structure has broadly remained the same in the last 20 years. Further, there is a need for rationalization of exemptions and a rethink of incentives on savings (such as small savings schemes like PPF).
• Simplify corporate tax rate structure and phase out exemptions: Exemptions are not equitable vertically (small firms end up paying more taxes) and also there is a loss of revenue due to large number of exemptions.
• Widen tax base: It will help to deal with the problem of potential revenue loss due to lower tax rates and simplified tax structure.
• Reducing tax litigations: Tendency of tax officials to initiate an action without the necessary justification or assessment is reflected from low success rate of appeals (~30%). There is a need for providing alternate ways of dispute resolutions.
• Need of Technology infusion in the tax administration to improve efficiency of tax collection as well as to aid the taxpayer
• Better sync with global economy: Since India is much more integrated with the world globally in terms of business linkages and capital account convertibility, the differential treatment of foreign and domestic

companies in the country should be gradually phased out.

Recent steps taken to improve direct tax ecosystem

• Personal Income Tax - Finance Act, 2020 has provided an option to individuals and co-operatives for paying income-tax at concessional rates if they do not avail specified exemption and incentive.

• Abolition of Dividend Distribution Tax (DDT) - In order to increase the attractiveness of the Indian Equity Market and to provide relief to a large class of investors companies are not required to pay DDT with effect from 01.04.2020.

• Vivad se Vishwas: To provide for resolution of pending tax disputes which will not only benefit the Government by generating timely revenue but also the taxpayers as it will bring down mounting litigation costs.

• Faceless E-assessment Scheme – It provides for making assessment by eliminating the interface between the Assessing Officer and the assessee, optimizing use of resources through functional specialization and introducing the team-based assessment.

• Document Identification Number (DIN) - In order to bring efficiency and transparency in the functioning of the Income Tax Department, every communication of the Department is mandatorily having a computer-generated unique DIN.

• Simplification of compliance norms for Start-ups - Start-ups have been provided hassle-free tax environment which includes simplification of assessment procedure, exemptions from Angel-tax, constitution of dedicated start-up cell etc.

• Raising of monetary limit for filing of appeal - To effectively reduce taxpayer grievances/ litigation monetary thresholds for filing appeals have been raised from Rs. 20 lakh to Rs. 50 lakh for appeal before Income Tax Appellate Tribunal, from Rs. 50 lakh to Rs. 1 crore for appeal before the High Court and from Rs. 1 crore to Rs. 2 crore for appeal before the Supreme Court.

8) AGRICULTURAL EXPORTS

Recently, the High-Level Expert Group (HLEG) on Agricultural Exports set up by the Fifteenth Finance Commission had submitted its report to the Commission.

Terms of reference of the HLEG

• To assess export & import substitution opportunities for Indian agricultural products in the changing international trade.

• To recommend strategies and measures to increase farm productivity and enable higher value addition.

• To identify the impediments for private sector investments along the agricultural value.

• To suggest appropriate performance-based incentives to the state governments for the period 2021-22 to 2025-26. India's status in Agricultural Export

• India is the second largest agriculture producer in the world and has the largest arable land of 156 million hectares.

• In 2019, India exported USD 38.7 billion of agricultural goods, which is only 7% of Indian agriculture production.

• India ranks 13th in the world in agriculture exports despite being leading producer of milk, bananas, mangoes etc. o One key cause of the discrepancy between rank in production and exports is the large domestic demand of a population of 1.34 bn people.

• From 2013 to 2018, growth has slowed down relative to the impressive growth of 2009 to 2011.

o Exports dropped by 10% CAGR due to a drop in global process and back to back drought in 2014, 2015 and 2016.

• India exports 70% of its commodities and agricultural product exports to nearby geographies, including the Middle East, Africa and Asia Pacific, only exporting 30% to Europe and the Americas showing low agri market diversification.

• India has a 2018 Agri Export Policy which is framed with a focus on agriculture export-oriented production, export promotion, better farmer realization and synchronization within policies and programmes of Government. **Why there is a slowdown in Agri Export growth?**

• Low productivity: Indian farms are smaller (1-2 hectares on average), making it harder to achieve economies of scale.

• Low mechanization: It is relatively low and Indian farmers do not utilise many high-yield input varieties used in other agri-producing countries.

• High logistics costs: India's cost of logistics is currently around 14% of GDP – higher than developed country exporters like the US (9.5%).

• Limited value addition: India is a more prolific exporter of primary commodities than of value-added agriculture products – the country ranks 10th globally in processed meat, 18th in the export of processed fruits and vegetables and 35th in dairy.

o Reasons for low value addition include relative lack of private sector investment and adequate incentives.

• Decreasing incentives to agri exports: While India has invested heavily in a broad range of export promotion schemes such as Agriculture Export

Zones (AEZ), India's export incentives have declined over time.

• Non-tariff barriers (NTB): Indian agriculture exports also face non-tariff barriers stringent sanitary and phytosanitary (SPS) standards, residue Limits for various pesticides, antibiotics, etc in attractive markets such as Europe (e.g., more stringent shrimp inspections than for other top exporting countries).

o NTB refer to restrictions that result from prohibitions, conditions, or specific market requirements that make importation or exportation of products difficult and/or costly.

o SPS measures are biosecurity measures which are applied to protect human, animal or plant life or health risks arising from additives, toxins and contaminants in food and feed. These measures are governed by the WTO Agreement.

• COVID 19: The pandemic has accentuated the global food and agriculture trends, which may result in decrease of agricultural exports.

Recommendations of HLEG

• Crop value chains: Focus on 22 crop value chains with demand driven approach with a potential of taking Indian exports from USD ~40 bn today to USD ~70 bn in a few years.

o HLEG also identified 7 "must-win" lighthouse value chains using parameters of competitiveness, export potential, agricultural diversity etc. These are rice, shrimps, buffalo, spices and fruits and vegetables, vegetable oils and wood.

• Target markets for export: Identify markets with high export potential for competitive value chains and sign beneficial bilateral or multilateral trade agreements with them, raising sanitary and phytosanitary production levels to meet their quality standards and negotiating with them to remove non-tariff barriers.

• Solve Value Chain Clusters (VCC) holistically with focus on value addition: The clusters would also serve to converge the government's spends and schemes, as well as seek any additional funding required, for building the necessary infrastructure at competitive costs for value addition, promoting research and development and promoting "Brand India" in global markets.

• Creating State-led Export Plan: It is a business plan for a crop value chain, that will lay out the opportunity, initiatives and investment required to meet the desired value chain export aspiration.

• Centre as an enabler: Centre should play an active role in enabling the players involved in the agriculture exports and encourage them for more production.

• Private investment: To make the proposed state-level plans viable, both the central and state governments will need to incentivise private investors as well as provide viability gap funding, wherever necessary.

• Robust institutional mechanism to fund: Funding through the convergence of existing schemes, Finance Commission allocation and private sector investment should be promoted.

• Long term contracts: Due to Covid 19 large food importers may seek to enter into long-term contracts with exporters that can assure supply during crises also.

o India could position itself well to capitalise on these emerging opportunities.

Agri Export Policy 2018

• Implemented by the Department of Commerce under Ministry of Commerce and Industry.

• It aims to double agricultural exports from US$ 30+ Billion (2018) to US$ 60+ Billion by 2022 and reach US$ 100 Billion in the next few years thereafter.

• It tries to promote novel, indigenous, organic, ethnic, traditional and non-traditional Agri products exports.

• It tries to provide an institutional mechanism for pursuing market access, tackling barriers and deal with sanitary and phytosanitary issues.

• It has both strategic and operational elements. o Strategic elements include both general and commodity specific measures, Infrastructure and logistics, Greater involvement of State Governments and multiple ministries in Agriculture Exports.

o Operational elements include focusing on clusters, marketing and promotion of “Brand India”, establishment of Strong Quality Regime, creation of Agri-start-up fund etc.

Agricultural and Processed Foods Export Development Authority (APEDA)

• It is an apex body responsible for the export promotion of agricultural products established under the Agricultural and Processed Food Products Export Development Authority Act, 1985.

• It works under Ministry of Commerce and Industry.

Significance of Agriculture Export

• High growth potential: India’s agricultural export has the potential to grow from USD 40 billion to USD 70 billion in a few years.

• Job creation: Additional exports are likely to create an estimated 7-10 million jobs.

• Enhancing farm income: A growth in agri exports can lead to doubling of farm income, expansion of diversified

markets for Indian agricultural commodities etc.
• Earns foreign exchange

9) AGRICULTURAL EDUCATION

The Prime Minister recently pitched for taking agricultural education to middle school level using reforms proposed by National Education Policy (NEP), 2020.

What is Agricultural education?

• Agricultural education focuses on, but is not limited to, study in horticulture, forestry, conservation, natural resources, agricultural products and processing, production of food and fiber, aquaculture and other agricultural products, mechanics, sales and service, economics, marketing, and leadership development.
• It encompasses the study of applied sciences (e.g., biology, chemistry, physics), and business management principles. One of the major purposes of agricultural education is to apply the knowledge and skills learned in several different disciplines to agriculture.
• Current status in India: Formal agricultural education in India is mostly confined to higher educational institutions. Currently, there are three central agricultural universities, around 65 State Agricultural Universities (SAUs) and 4 Deemed-to be-Universities (DUs) in India which focus on imparting formal education in the field of agriculture. Significance of agricultural education in India
• Self-reliance of a village/rural economy: Streamlining the flow of knowledge about agriculture, its modern farming techniques and marketing, to farmers will improve profitability of agriculture and promote agro-entrepreneurship in the country.
o The growth of farmers and overall farm sector will lead to creation of jobs and supplement the efforts of poverty alleviation at village level.
• Emerging food processing industry: Agriculture sector in India suffers from high post- harvest losses and fragmented food processing industry and needs technical and skills based intervention in food processing technologies, storage infrastructure, marketing etc. This can be facilitated through agricultural education.
• Promoting Sustainable agricultural practices: Technical education in the field of rainwater harvesting, micro irrigation, organic farming, climate resilient agriculture, zero budget farming, accurate use of chemical fertilizers etc. will enable farmers to minimize environmental damage, ensure food security in the future and adapt and mitigate for climate change.
• Boosting agricultural exports in changing globalized scenario: Development of analytical and professional skills and knowledge in

areas such as Intellectual property Rights (IPRs), WTO's Sanitary and Phytosanitary Measures (SPS), techno-legal specialties etc. is a necessity in today's time.

• Increased access to information: A robust agricultural education system can strengthen Farmers Researchers linkages through cooperation of the universities in streamlining the flow of knowledge and expertise from campus to agriculture fields.

• Expanding agricultural research: India needs skilled students for research in technologies such as biosensors, precision farming, genetic engineering, bio-fuels, nanotechnology, farm equipments etc.

• Transforming agricultural market and economy: There is need for agricultural graduates having knowledge, skills and entrepreneurship to provide a class of economics and market-based services such as market intelligence, avenues for development of corporate and contract farming etc.

Challenges to agricultural education

• Difficulty in attracting talented rural and urban youth: Low returns, poor quality of education and limited career opportunities make agricultural education a less preferred choice amongst students.

• Shortage of competent faculty: There exists high number of vacancies, especially in disciplines like Agricultural Economics, Agricultural Meteorology, Agricultural Statistics etc., in agricultural institutions with limited opportunities for faculty to improve and update their knowledge.

• Issues in State institutions: Lack of significant efforts by states have led to deteriorating conditions in some SAUs. Since agriculture is a state subject, central bodies such as the Indian Council of Agricultural Research (ICAR) can play only a facilitating role.

• Inadequate funding support: Over the years, increase in the level of public finances of the states to the agricultural universities has been far below their requirements in the context of contemporary needs of higher agricultural education.

• Integrating Agricultural Education with job creation: Due to absence of a creditable system of assessment of job profiles and skills needed in the sector, agricultural graduates in various streams often find difficulty in accessing gainful employment.

• Outdated curriculum: Curriculums have not been changed keeping in view the advances in science and technology in general and agriculture and allied sectors in particular, changing economic status, life styles, food habits and demand for processed/value added foods.

• Lack of holistic education: Agricultural education in India concentrates mainly on primary agricultural activities, such as crop production and management, etc. and lack components relating to supply chain management like processing, grading, packaging, transportation, marketing etc.

o There is also a need to shift from information-based syllabus to skill-based curriculum.

Way Forward

• Extending Non-formal education in rural regions to tap the agricultural potential of workforce.

o Basic agricultural subjects can also be introduced at pre-high school and higher secondary level with the purpose of imparting firsthand knowledge on a particular agro-business or agricultural production self-earning aspects.

• Updating course curriculum: Agricultural education needs to keep pace with the changing agricultural scenario and developing technology and incorporate aspects of agro-business management and sustainable practices.

• Training the academic staff and collaborating with other national or international centres of excellence can give better exposure to the teachers.

• Providing students guidance and counseling: through training and placement cells to attract students in agriculture and to prepare them for job markets.

• Effective accreditation system should be evolved for monitoring the quality of SAUs and they can be incentivized to adopt the Model Act for Agricultural Universities in India (2009) developed by the ICAR through performance-based grants.

• Release of fund through the ICAR Development Grant should be directly made available to the colleges with a freedom to the Deans for better utilization of the fund in the areas of specific need.

• Public–private partnerships in education: Models of public-private partnerships must be evolved for curriculum delivery and educational research which can encourage hands on training and experience in real life situations. Conclusion Agriculture is the primary source of livelihood for 58 per cent of India’s population and the sector contributed 16.5 per cent to India’s Gross Value Added (GVA) in 2018-2019. Therefore, for a holistic development of the sector and to achieve the goal of doubling farmers' income by 2022, it becomes imperative to expand the scope of agricultural education in India.

Government Initiatives for Agriculture Education

• **Attracting and Retaining Youth in Agriculture (ARYA):** The scheme aims to attract and empower the Youth in Rural Areas to take up various Agriculture, allied and service sector enterprises for sustainable income and gainful employment through skill development.

• **Dedicated Agriculture Education Portal:** It was developed as a single window platform for providing vital education information, e-learning resources etc. from Agricultural Universities across the country in an easy and fast way.

• **Student READY (Rural Entrepreneurship Awareness Development Yojana) programme:** It provides job based and entrepreneurial training to students and consists of — Experiential learning (Business Mode); Hands on training (Skill Development Mode); Rural Awareness Work Experience (RAWE); In Plant Training/ Industrial attachment; and students projects.

• **National Agricultural Higher Education Project (NAHEP):** It is designed to strengthen the national agricultural education system in India with an overall objective to provide more relevant and high-quality education to agricultural university students.

• **International collaborations:** ICAR coordinates the India-Africa Forum Summit (IAFS), Indo-Afghan Fellowship Scheme etc. to support the agricultural human resource development in India.

10) What is Submarine communications cable?

Prime Minister Narendra Modi recently inaugurated the Chennai-Andaman and Nicobar Island Submarine Cable System, which will provide better connectivity to the archipelago.

• The foundation stone for the project was laid by PM Modi in December 2018 at Port Blair.

Key points:

• About 2,300 km of submarine optical fibre cable (OFC) has been laid at a cost of about Rs 1,224 crore to provide better connectivity in the UT.

• The project envisages better connectivity from Chennai to Port Blair and seven other Islands -- Swaraj Deep (Havelock), Long Island, Rangat, Hutbay (Little Andaman), Kamorta, Car Nicobar and Campbell Bay (Great Nicobar). • The project is funded by the government through the Universal Service Obligation Fund under the ministry of communications.

Who will benefit?

1. Better connectivity in the region will facilitate the delivery of e-governance services such as telemedicine and tele-education.

2. Small enterprises will benefit from opportunities in e-commerce, while educational institutions will utilise the enhanced availability of bandwidth for e-learning and knowledge sharing.

3. Business Process Outsourcing services and other medium and large enterprises too also benefit from better connectivity.

4. After the launch of the project by PM Modi, the internet bills in Andaman and Nicobar will also come down substantially.

What is Submarine Communications cable?

It is a cable laid on the sea bed between land-based stations to carry telecommunication signals across stretches of ocean and sea.

• The optical fiber elements are typically individually coated with plastic layers and contained in a protective tube suitable for the environment where the cable will be deployed.

Importance of submarine cables:

• Currently 99 per cent of the data traffic that is crossing oceans is carried by undersea cables.

• The reliability of submarine cables is high, especially when multiple paths are available in the event of a cable break.

• The total carrying capacity of submarine cables is in the terabits per second, while satellites typically offer only 1,000 megabits per second and display higher latency.

Challenges: A typical multi-terabit, transoceanic submarine cable system costs several hundred million dollars to construct.

11) Export Preparedness Index (EPI) 2020:

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

EPI is the first report to examine export preparedness and performance of Indian states.

How were states ranked?

The index ranked states on four key parameters – policy; business ecosystem; export ecosystem; export performance.

The index also took into consideration 11 sub-pillars -- export promotion policy; institutional framework; business environment; infrastructure; transport connectivity; access to finance; export infrastructure; trade support; R&D infrastructure; export diversification; and growth orientation.

Highlights of the report:

1. Top 3 states: Gujarat, Maharashtra and Tamil Nadu.

2. Among the landlocked states, Rajasthan has performed the best, followed by Telangana and Haryana.

3. Among the Himalayan states, Uttarakhand topped the chart, followed by Tripura and Himachal Pradesh.
4. Across Union Territories/ City States, Delhi has performed the best, followed by Goa and Chandigarh.
5. On policy parameters, Maharashtra topped the index followed by Gujarat and Jharkhand.
6. On business ecosystem parameter, Gujarat was ranked number one followed by Delhi and Tamil Nadu.
7. In the export ecosystem parameter, Maharashtra topped the Index followed by Odisha and Rajasthan.
8. On the export performance parameter, Mizoram led the index, followed by Gujarat and Maharashtra.
9. At present, 70 per cent of India's export has been dominated by five states – Maharashtra, Gujarat, Karnataka, Tamil Nadu and Telangana.

Export promotion in India faces three fundamental challenges:

1. Intra- and inter-regional disparities in export infrastructure.
2. Poor trade support and growth orientation among states.
3. Poor R&D infrastructure to promote complex and unique exports.

<u>What needs to be done?</u>

1. A joint development of export infrastructure.
2. Strengthening industry-academia linkages.
3. Creating state-level engagements for economic diplomacy.
4. Revamped designs and standards for local products.
5. Harness the innovating tendencies to provide new use cases for such products, with adequate support from the Centre.

Way ahead:

Rapid growth of exports is a crucial component for long-term economic growth. A favourable ecosystem enables a country to contribute significantly to global value chains and reap the benefits of integrated production networks, globally.

<u>12) What is Business Responsibility Reporting?</u>

Ministry of Corporate Affairs (MCA) releases the Report of the Committee on Business Responsibility Reporting.

Key recommendations:

1. A new reporting framework called the 'Business Responsibility and Sustainability Report (BRSR)' has been recommended to better reflect the intent and scope of reporting on non-financial parameters.
2. The BRSR would be integrated with the MCA 21 portal.
3. The information captured through BRSR filings should be used to develop a Business ResponsibilitySustainability Index for companies.

4. The top 1000 listed companies are to undertake this reporting mandatorily.
5. The reporting requirement may be extended by MCA to unlisted companies above specified thresholds of turnover and/or paid-up capital.

What is Business Responsibility Reporting?

It is a disclosure of adoption of responsible business practices by a listed company to all its stakeholders.

• Business Responsibility Reporting is applicable to all types of companies including manufacturing, services etc.

Evolution of Business Responsibility Reporting in India:

1. Corporate Voluntary Guidelines in 2009;
2. Endorsement of United Nations Guiding Principles on Business & Human Rights by India in 2011;
3. MCA issued 'National Voluntary Guidelines on Social, Environmental and Economical Responsibilities of Business' which encourages reporting on environment, social and governance issues in 2011;
4. SEBI mandates top 100 listed companies by market capitalization to file Business Responsibility Reports (BRR) based on NVGs in 2012;
5. SEBI extends BRR reporting to top 500 companies by market capitalization in 2015;
6. National Guidelines on Responsible Business Conduct (NGRBC) released in 2019.

Why we need Business Responsibility Reporting?

• At a time and age when enterprises are increasingly seen as critical components of the social system, they are accountable not merely to their shareholders from a revenue and profitability perspective but also to the larger society which is also its stakeholder.

• This is important considering the fact that these companies have accessed funds from the public, have an element of public interest involved, and are obligated to make exhaustive disclosures on a regular basis.

13) National Food Security Act 2013:

Department of Food &Public Distribution issues directions to States/UTs to include all eligible disabled persons under the National Food Security Act 2013.

• It has also asked the states to ensure that they get their entitled quota of food grains under NFSA & Pradhan Mantri Garib Kalyan Anna Yojana.

Enabling provisions:

Section 38 of the Act mandates that the Central Government may from time to time give directions to the State Governments for effective implementation of the provisions of the Act.

The Section 10 of the National Food Security Act, 2013 provides for coverage of persons under the Antyodaya Anna Yojana in accordance with the guidelines applicable to the said scheme and the remaining households as priority households in accordance with such guidelines as the States Government may specify.

• Disability is one of the criteria for inclusion of beneficiaries under AAY households

National Food Security Act (NFSA), 2013:

The objective is to provide for food and nutritional security in human life cycle approach, by ensuring access to adequate quantity of quality food at affordable prices to people to live a life with dignity.

Key features:

1. Coverage and entitlement under Targeted Public Distribution System (TPDS): The TDPS covers 50% of the urban population and 75% of the rural population, with uniform entitlement of 5 kg per person per month. However, the poorest of the poor households will continue to receive 35 kg per household per month under Antyodaya Anna Yojana (AAY).
2. Subsidised prices under TPDS and their revision: For a period of three years from the date of commencement of the Act, Food grains under TPDS will be made available at subsidised prices of Rs. 3/2/1 per kg for rice, wheat and coarse grains.
3. Identification of Households: The identification of eligible households is to be done by States/UTs under TDPS determined for each State.
4. Nutritional Support to women and children: Children in the age group of 6 months to 14 years and pregnant women and lactating mothers will be entitled to meals as per prescribed nutritional norms under Integrated Child Development Services (ICDS) and Mid-Day Meal (MDM) schemes. Malnourished children up to the age of 6 have been prescribed for higher nutritional norms.
5. Maternity Benefit: Pregnant women and lactating mothers will also be receiving maternity benefit of Rs. 6,000.
6. Women Empowerment: For the purpose of issuing of ration cards, eldest woman of the household of

age 18 years or above is to be the head of the household.

7. Grievance Redressal Mechanism: Grievance redressal mechanism available at the District and State levels.

8. Cost of transportation & handling of food grains and FPS Dealers' margin : the expenditure incurred
by the state on transportation of food grains within the State, its handling and FPS dealers' margin as per norms to be devised for this purpose and assistance to states will be provided by the Central Government to meet the above expenditure.

9. Transparency and Accountability: In order to ensure transparency and accountability, provisions have been made for disclosure of records relating to PDS, social audits and setting up of Vigilance Committees.

10. Food Security Allowance: In case of non-supply of entitled food grains or meals, there is a provision for food security allowance to entitled beneficiaries.

11. Penalty: If the public servant or authority fails to comply with the relief recommended by the District Grievance Redressal Officer, penalty will be imposed by the State Food Commission according to the provision.

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All the Best to all my Economics students…
Hope this material will help you.
God bless…
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