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

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1. **VISION OF A NEW INDIA – USD 5 TRILLION ECONOMY**

- The Ministry of Commerce & Industry is creating an action-oriented plan which highlights specific sector level interventions to bolster India's march towards becoming a USD 5 trillion economy before 2025. o Services sector – USD 3 trillion, o Manufacturing sector – USD 1 trillion, and o Agriculture sector – USD 1 trillion.
- **Impact on Services Sector:**

• The share of India's services sector in global services exports was 3.3% in 2015 compared to 3.1% in 2014. Based on this initiative, a goal of 4.2% has been envisaged for 2022.

• As the Services sector contributes significantly to India's GDP, exports and job creation, increased productivity and competitiveness of the Champion Services Sectors will further boost exports of various services.

• Embedded services are substantial part of 'Goods' as well. Thus, competitive services sector will add to the competitiveness of the manufacturing sector as well.

- **Promotion of Trade:**

• Commerce Ministry is closely working with the Finance Ministry to ease credit flow to the export sector, especially small exporters to ensure adequate availability of funds to them.

• The Commerce Minister has identified 15 strategic overseas locations where the Trade Promotion Organizations (TPOs) are proposed to be created.

- **Trade Infrastructure for Export Scheme (TIES):**

• TIES aid with setting up and up-gradation of infrastructure projects with overwhelming export linkages like the Border Haats, Land customs stations, etc.

• The Central and State Agencies, including Export Promotion Councils, Commodities Boards, SEZ authorities and apex trade bodies recognized under the EXIM policy of Government of India, are eligible for financial support under this scheme.

- **India Improves Ranking in Ease of Doing Business**:

• India had made a leap of 23 ranks in the World Bank's Ease of Doing Business Ranking this year (2018) to be ranked at 77.

• India now ranks first in Ease of Doing Business Report among South Asian countries compared to 6thin 2014.

- **Multi-Modal Logistics Parks Policy (MMLPs):**

• MMLPs is to improve the country's logistics sector by lowering over freight costs, reducing vehicular pollution and congestion and cutting warehouse costs with a view to promoting moments of goods for domestic and global trade.

- **Reasons for Improvement in Ease of Doing Business:**

• To support start-ups and lower tax rates for MSMEs quicker environmental clearances from 600 days to 140 days has been implemented,
• Abolition of inter-state check post after implementation of GST has been done,
• Enhanced input tax credit and electronic GST network has been put in place and the creation of commercial courts to fast track enforcement of contracts and faster security clearances has lent support to the start-ups in the country.
• Among BRICS countries, India improved its rank from 5th (in 2010) to 3rd (in 2018).
• Twenty-One regulatory changes have been made for ease of doing business for start-ups.
• To optimize resource utilization and enhance the efficiency of the manufacturing sector, DIPP launched the Industrial Information System (IIS), a GIS-enabled database of industrial areas and clusters across the country in May 2017.

2. **GOVT SEEKS ₹41,000 CRORE MORE FOR BANK RECAPITALISATION**
   - The government has sought Parliament's approval for supplementary grants worth ₹41,000 crore to infuse fresh capital into ailing state-run banks in the current fiscal.
   - **Implications**:

• The additional capital could help as many as five such state-run banks exit the prompt corrective action (PCA) framework that mandates them to pare lending to companies and cut concentration of loans to certain sectors. Eleven banks were put under the PCA framework by the Reserve Bank of India between February 2014 and January 2018.
• The government had budgeted ₹65,000 crore for infusion into public sector banks (PSBs) through recapitalization bonds this fiscal, of which ₹42,000 crore is still to be allotted. With the additional ₹41,000 crore of capital infusion by 31 March, the government will be infusing a total ₹83,000 crore into public sector banks this year.
• The capital infusion will be utilized to ensure that the better-performing banks under the PCA framework meet their regulatory capital norms and non-PCA banks do not breach the threshold.

- **Concerns associated with recapitalization of banks:**

• The government as the major owner is free to recapitalise but the issue is, at what cost, for how long, and whether recapitalisation alone is enough.
• The government is finding it increasingly difficult to recapitalize public sector banks due to the compulsion to adhere to the stringent budgetary deficit benchmarks.
• Bankers become lackadaisical toward debt recovery and tend to escalate provisions and contingencies to be adjusted against the fresh capital.
• In different-banks-same-pay situations, employees in the loss-making, but recapitalized, banks become unenthusiastic while those in profit-making, but not recapitalized are demotivated.
• It also implies cross-subsidization: dividend-paying PSU banks subsidizing the non-dividend paying. Ultimately, systemic efficiency suffers.

- **Conclusion**:

• PSBs are in very real danger of losing not only their market share but also their identity unless the government intervenes with surgical precision and alacrity.
• Hence, policymakers and bankers need to put their heads together and come up with a smart option to resolve an issue that can no longer be put on the backburner.

3. **PUBLIC CREDIT REGISTRY**

- The Reserve Bank of India has shortlisted six major IT companies, including TCS, Wipro and IBM India, to set up a wide-based digital Public Credit Registry (PCR) to capture details of all borrowers and willful defaulters. The RBI will soon seek request for proposal from the six vendors.
- **About Public Credit Registry: What is it?**

• The PCR will be an extensive database of credit information for India that is accessible to all stakeholders. The idea is to capture all relevant information in one large database on the borrower and, in particular, the borrower's entire set of borrowing contracts and outcomes.

• The proposed PCR will also include data from entities like market regulator Sebi, the corporate affairs ministry, Goods and Service Tax Network (GSTN) and the Insolvency and Bankruptcy Board of India (IBBI) to enable banks and financial institutions to get a 360-degree profile of the existing as well as prospective borrowers on a real-time basis.

- **Management of PCR:**

• Generally, a PCR is managed by a public authority like the central bank or the banking supervisor, and reporting of loan details to the PCR by lenders and/or borrowers is mandated by law. • The contractual terms and outcomes covered and the threshold above which the contracts are to be reported vary in different jurisdictions, but the idea is to capture all relevant information in one large database on the borrower, in particular, the borrower's entire set of borrowing contracts and outcomes.

- **Need for a PCR:**

• A central repository, which, for instance, captures and certifies the details of collaterals, can enable the writing of contracts that prevent over-pledging of collateral by a borrower. In absence of the repository, the lender may not trust its first right on the collateral and either charge a high cost on the loan or ask for more collateral than necessary to prevent being diluted by other lenders. This leads to, what in economics is termed as, pecuniary externality – in this case, a spillover of one loan contract onto outcomes and terms of other loan contracts.

• Furthermore, absent a public credit registry, the 'good' borrowers are disadvantaged in not being able to distinguish themselves from the rest in opaque credit markets; they could potentially be subjected to a rent being extracted from their existing lenders who enjoy an information monopoly over them. The lenders may also end up picking up fresh clients who have a history of delinquency that is unknown to all lenders and this way face greater overall credit risk.

- **Benefits of having a PCR**:

• A PCR can potentially help banks in credit assessment and pricing of credit as well as in making risk based, dynamic and counter-cyclical provisioning.

• The PCR can also help the RBI in understanding if transmission of monetary policy is working, and if not, where are the bottlenecks.

• Further, it can help supervisors, regulators and banks in early intervention and effective restructuring of stressed bank credits.

• A PCR will also help banks and regulators as credit information is a 'public good' and its utility is to the credit market at large and to society in general.

- **Task force on PCR**:

• The Reserve Bank of India (RBI) had formed a high-level task force on public credit registry (PCR) for India. The task force was chaired by **Y M Deosthalee.**

• The task force has suggested the registry should capture all loan information and borrowers be able to access their own history. Data is to be made available to stakeholders such as banks, on a need-to-know basis. Data privacy will be protected.

4. **'ANGEL TAX' CONTROVERSY**

- Over the past few weeks, several startups have reportedly been receiving notices from the I-T department asking them to clear taxes on the angel funding they raised, and in some cases, levying a penalty for not paying Angel Tax.
- However, this is not the first time that this issue has come up. Startups have been raising the issue of Angel Tax for years, requesting the government to do away with it.
- **What is Angel Tax?**

• Angel Tax is a 30% tax that is levied on the funding received by startups from an external investor. However, this 30% tax is levied when startups receive angel funding at a valuation higher than its 'fair market value'. It is counted as income to the company and is taxed.

• The tax, under section 56(2) (vii b), was introduced by in 2012 to fight money laundering. The stated rationale was that bribes and commissions could be disguised as angel investments to escape taxes. But given the possibility of this section being used to harass genuine startups, it was rarely invoked.

- **Why is Angel tax problematic?**

• There is no definitive or objective way to measure the 'fair market value' of a startup. Investors pay a premium for the idea and the business potential at the angel funding stage. However, tax officials seem to be assessing the value of the startups based on their net asset value at one point. Several startups say that they find it difficult to justify the higher valuation to tax officials.

• In a notification dated May 24, 2018, the Central Board of Direct Taxes (CBDT) had exempted angel investors from the Angel Tax clause subject to fulfilment of certain terms and conditions, as specified by the Department of Industrial Policy and Promotion (DIPP). However, despite the exemption notification, there are a host of challenges that startups are still faced with, in order to get this exemption.

5. **RBI PANEL ON ECONOMIC CAPITAL FRAMEWORK**

- RBI has constituted a panel on economic capital framework. It will be headed by Ex-RBI governor Bimal Jalan.
- The expert panel on RBI's economic capital framework has been formed to address the issue of RBI reserves—one of the sticking points between the central bank and the government.
- **What's the isssue?**

• The government has been insisting that the central bank hand over its surplus reserves amid a shortfall in revenue collections. Access to the funds will allow the government to meet deficit targets, infuse capital into weak banks to boost lending and fund welfare programmes.

- **Terms of reference:**

• The panel will decide whether RBI is holding provisions, reserves and buffers in surplus of the required levels.
• It would propose a suitable profits distribution policy taking into account all the likely situations of the RBI, including the situations of holding more provisions than required and the RBI holding less provisions than required.
• The ECF committee will also suggest an adequate level of risk provisioning that the RBI needs to maintain. That apart, any other related matter, including treatment of surplus reserves created out of realized gains, will also come within the ambit of this committee.

- **What is economic capital framework?**

• Economic capital framework refers to the risk capital required by the central bank while taking into account different risks.
• The economic capital framework reflects the capital that an institution requires or needs to hold as a counter against unforeseen risks or events or losses in the future.

- **Why it needs a fix?**

• Existing economic capital framework which governs the RBI's capital requirements and terms for the transfer of its surplus to the government is based on a conservative assessment of risk by the central bank and that a review of the framework would result in excess capital being freed, which the RBI can then share with the government.
• The government believes that RBI is sitting on much higher reserves than it actually needs to tide over financial emergencies that India may face. Some central banks around the world (like US and UK) keep 13% to 14% of their assets as a reserve compared to RBI's 27% and some (like Russia) more than that.
• Economists in the past have argued for RBI releasing 'extra' capital that can be put to productive use by the government. The Malegam Committee estimated the excess (in 2013) at Rs 1.49 lakh crore

- **What is the nature of the arrangement between the government and RBI on the transfer of surplus or profits?**

• Although RBI was promoted as a private shareholders' bank in 1935 with a paid-up capital of Rs 5 crore, the government nationalised it in January 1949, making the sovereign its "owner". • What the central bank does, therefore, is transfer the "surplus" — that is, the excess of income over expenditure — to the government, in accordance with Section 47 (Allocation of Surplus Profits) of the Reserve Bank of India Act, 1934.

- **Does the RBI pay tax on these earnings or profits?**

• No. Its statute provides exemption from paying income-tax or any other tax, including wealth tax.

6. **<u>RIGHT TO FAIR COMPENSATION AND TRANSPARENCY IN LAND ACQUISITION REHABILITATION AND RESETTLEMENT ACT (LAND ACQUISITION ACT), 2013</u>**

- The Supreme Court has asked five states to give their response to a petition filed by social activists questioning the state amendments made to the land acquisition law, which the petitioners claim have diluted the safeguards the central law provides for against forcible acquisition.
- **What's the issue?**

• The activists have questioned the changes made to the Right to Fair Compensation and Transparency in Land Acquisition Rehabilitation and Resettlement Act (Land Acquisition Act), 2013 by Gujarat, Andhra Pradesh, Telangana, Jharkhand and Tamil Nadu. The petitioners have contended that the amendments by the states are identical and go against the "basic structure" of the central law.

• According to the petition the states amended the act by way of ordinances to exempt broad categories of land projects from consent provisions, social impact assessment, objections by affected citizens and participation of local bodies. Projects exempted are linear category projects such as industrial corridors, expressways, highways etc.

• Petitioners have challenged the power of the states to introduce such amendments that are conflicting with the central law and want them to be declared as illegal.

• Petitioners contend that the amendments made by the states were in violation of Article 21, which guarantees the right to live with dignity and personal liberty.

- **Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (LARR Act): Main features of act:**

• Clearly defines various types of "public purpose" projects for which, Government can acquire private land.

• Acquiring land: For private project, 80% affected families must agree. For PPP project, 70% affected families must agree. Only then land can be acquired.

• Social impact assessment: Under Social impact assessment (SIA) even need to obtain consent of the affected artisans, labourers, share-croppers, tenant farmers etc. whose (sustainable) livelihood will be affected because of the given project.

• Compensation: Compensation proportion to market rates. 4 times the market rate in rural area. 2 times in urban area. Affected artisans, small traders, fishermen etc. will be given one-time payment, even if they don't own any land.

• To ensure food security: Fertile, irrigated, multi-cropped farmland can be acquired only in last resort. If such fertile land is acquired, then Government will have to develop equal size of wasteland for agriculture purpose.

• Private entities: If Government acquires the lands for private company- the said private company will be responsible for relief and rehabilitation of the affected people. Additional rehabilitation package for SC/ST owners.

• Safeguards: State Governments have to setup dispute settlement Chairman must be a district judge or lawyer for 7 years.

• Accountability: Head of the department will be made responsible, for any offense from Government's side. If project doesn't start in 5 years, land has to be returned to the original owner or the land bank. Establishment of Land Acquisition, Rehabilitation and Resettlement Authority for speedy disposal of disputes.

- **Limitations**:

• The Central Act of 2013 was brought to give effect to pre-existing fundamental right to livelihood of citizens.

• It ensures that livelihood will not be taken away unless

(i) it is in public interest and that is seen by social impact assessment

(ii) The affected citizens are given rehabilitation.

• The amendments made without considering the above factors will take away fundamental rights of the citizens.

7. **PCS 1X SYSTEM**

- Indian Ports Association (IPA) under the guidance of Ministry of Shipping launched the Port Community System 'PCS1x'.
- **Significance**:

• The platform has the potential to revolutionize maritime trade in India and bring it at par with global best practices and pave the way to improve the Ease of Doing Business world ranking and Logistics Performance Index (LPI) ranks.

- **About PCS 1x:**

• 'PCS 1x' is a cloud based new generation technology, with user-friendly interface.
• This system seamlessly integrates stakeholders from the maritime trade on a single platform.
• The platform offers value added services such as notification engine, workflow, mobile application, track and trace, better user interface, better security features, improved inclusion by offering dashboard for those with no IT capability.
• Another major feature is the deployment of a world class state of the art payment aggregator solution which removes dependency on bank specific payment eco system.

- **Other Features:**

• It is an initiative that supports green initiatives by reducing dependency on paper.
• It has been developed indigenously and is a part of the 'Make in India' and 'Digital India'

- **Indian Ports Association (IPA):**

• IPA was constituted in 1966 under Societies Registration Act, with the idea of fostering growth and development of all Major Ports which are under the supervisory control of Ministry of Shipping.

8. **NATIONAL MEDICAL DEVICES PROMOTION COUNCIL**

- The government is planning to set up a National Medical Devices Promotion Council under the Department of Industrial Policy and Promotion (DIPP) in the Ministry of Commerce and Industry.
- The announcement was made on the occasion of 4th WHO Global Forum on Medical Devices at Andhra Pradesh MedTech Zone in Vishakhapatnam.
- **National Medical Devices Promotion Council:**

• The Council will be headed by Secretary of the Department of Industrial Policy and Promotion (DIPP).
• Apart from the concerned departments of Government, it will also have representatives from health care industry and quality control institutions.
• The Andhra Pradesh MedTech Zone of Visakhapatnam, will provide technical support to the Council.

- **The Prime objectives of the National Medical Devices Promotion Council are:**

• Act as a facilitating, promotional & developmental body for the Indian Medical Devices Industry (MDI).
• Render technical assistance to the agencies and departments concerned to simplify the approval processes for MDI promotion and development.

• Enable entry of emerging interventions and support certifications for manufacturers to reach levels of global trade norms and lead India to an export driven market in the sector.

• Support dissemination and documentation of international norms and standards for medical devices by capturing the best practices in the global market.

• Facilitate domestic manufacturers to rise to international level of understanding of regulatory and non-regulatory needs of the industry.

• Drive a robust and dynamic Preferential Market Access (PMA) policy by identifying the strengths of the Indian manufacturers and discouraging unfair trade practices in imports

• Ensure pro-active monitoring of public procurement notices across India to ensure compliance with PMA guidelines of DIPP and DoP.

• Undertake validation of Limited Liability Partnerships (LLPs) and other such entities within MDI sector, which add value to the industry strength in manufacturing to gain foothold for new entrants.

• Make recommendations to government based on industry feedback and global practices on policy and process interventions to strengthen the medical technology sector.

- **Significance**:

• The Medical Devices Industry (MDI) plays a critical role in the healthcare ecosystem and is crucial to achieve the goal of health for all citizens of the country. The manufacturing and trade in MDI are growing steadily in double digits. However, it is largely import-driven with imports accounting for over 65 percent of the domestic market.

• The setting-up of the Council will spur domestic manufacturing in this sector as Indian companies and startups have stated moving towards creating innovative products.

9. STATES' START-UP RANKING 2018

- The Department of Industrial Policy and Promotion (DIPP) has announced the results of the first ever States' Start-up Ranking 2018.
- **Background**:

• DIPP began the exercise to review the Start-up ecosystem of the states from January 2016.

• The key objective of the exercise was to encourage States and Union Territories to take proactive steps towards strengthening the Start-up ecosystems in their states. The entire exercise was conducted for capacity development and to further the spirit of cooperative federalism.

• The methodology behind the exercise was aimed at creating a healthy competition environment wherein States were encouraged further to learn, share and adopt good practices.

- **States' Startup Ranking 2018:**

• Top Performers: Karnataka, Kerala, Odisha, and Rajasthan.

• Leaders: Andhra Pradesh, Bihar, Chhattisgarh, Madhya Pradesh, and Telangana.

• Aspiring Leaders: Haryana, Himachal Pradesh, Jharkhand, Uttar Pradesh, and West Bengal.

• Emerging States: Assam, Delhi, Goa, Jammu & Kashmir, Maharashtra, Punjab, Tamil Nadu, and Uttarakhand.

• Beginners: Chandigarh, Manipur, Mizoram, Nagaland, Puducherry, Sikkim, and Tripura.

• Champions: 51 officers from States and Union Territories were identified as "Champions", who have made significant contributions towards developing their State's Start-up ecosystem.

- **Start-up definition by government**

Start-up means an entity, incorporated or registered in India not prior to seven years, with annual turnover not exceeding INR 25 crores in any preceding financial year, working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.

- **Start-Ups in India**

• India is the third largest start up hub in the world with 20% of the startups emerging from tier 2 and tier 3 cities.
• The major start-ups in India comprise of tech based (close to 45%) and about 72% being young founder below the age of 35 years.
• The growth drivers of the flourishing start-up ecosystem are – government focused on policy start-ups, demographic dividend, rapid urbanisation, large number of internet users and India being an emerging market.

10. ESTABLISHMENT OF NIMZS

- National Investment & Manufacturing Zones (NIMZs) are one of the important instruments of National Manufacturing Policy, 2011.
- NIMZs are envisaged as large areas of developed land with the requisite eco-system for promoting world class manufacturing activity.
- **Objective of Special Economic Zones –**

• To promote exports, while NIMZs are based on the principle of industrial growth in partnership with States and focuses on manufacturing growth and employment generation.
• NIMZs are different from SEZs in terms of size, level of infrastructure planning, governance structures related to regulatory procedures, and exit policies.
• For the Financial Year 2016 – 2017, Rs. 3.35 crores have been earmarked under the 'Scheme for Implementation of National Manufacturing Policy' for 'Master Planning of NIMZs' and Technology Acquisition and Development Fund (TADF).

11. GUIDELINES FOR GROUND WATER EXTRACTION

- The Central Ground Water Authority of the Union Ministry of Water Resources, River Development and Ganga Rejuvenation on December 12, 2018 notified revised guidelines for ground water extraction. The revised guidelines, which will be effective from June 1, 2019, aim to ensure a more robust ground water regulatory mechanism in the country.
- The guidelines were revised in the wake of the directions issued by the National Green Tribunal (NGT) to address various shortcomings in the existing guidelines of ground water extraction.
- **The revised guidelines provide for the:**

• Encouraged use of recycled and treated sewage water by industries.
• Provision of action against polluting industries.
• Mandatory requirement of digital flow meters, piezometers and digital water level recorders, with or without telemetry depending upon quantum of extraction.

• Mandatory water audit by industries abstracting ground water 500 m3/day or more in safe and semi critical area and 200 m3/day or more in critical and over-exploited assessment units.

• Mandatory roof top rain water harvesting except for specified industries.

• Measures to be adopted to ensure prevention of ground water contamination in premises of polluting industries/ projects.

- **Exemptions under the revised guidelines:**

• The revised guidelines exempt the requirement of NOC for agricultural users, users employing non energised means to extract water, individual households (using less than 1-inch diameter delivery pipe) and Armed Forces Establishments during operational deployment.

• Other exemptions have been granted to strategic and operational infrastructure projects for Armed Forces, Defence and Paramilitary Forces Establishments and Government water supply agencies.

- **Water Conservation Fee:**

• One of the important features of the revised guidelines is the introduction of the concept of Water Conservation Fee (WCF), the fee charged on extraction of ground water.

• The WCF payable varies with the category of the area, type of industry and the quantum of ground water extraction.

- **Implications of Water Conservation Fee:**

• The high rates of WCF are expected to discourage setting up of new industries in over-exploited and critical areas as well as may limit large scale ground water extraction by industries, especially in overexploited and critical areas.

- **Background**:

• In India, extracted groundwater is mainly used for irrigation and accounts for about 228 BCM (billion cubic metre) — or about 90% of the annual groundwater extraction. The rest, 25 BCM, is drawn for drinking, domestic and industrial uses.

• India is the largest user of groundwater in the world, and accounts for about 25% of the global water extraction.

12. SDG INDIA INDEX 2018

- The NITI Aayog has released the Baseline Report of the Sustainable Development Goals (SDG) India Index 2018, documenting the progress made by India's States and Union Territories (UTs) towards implementation of the 2030 SDG targets.
- **Background**:

• The SDG India Index was developed in collaboration with the Ministry of Statistics & Programme Implementation (MoSPI), Global Green Growth Institute and United Nations in India.

• The index comprises a composite score for each State and Union Territory based on their aggregate performance across 13 of the 17 SDGs. The score, ranging between 0 and 100, denotes the average performance of the State/UT towards achieving the 13 SDGs and their respective targets.

• The aim of the index is to instill competition among States to improve their performance across social indices as the States' progress will determine India's progress towards achieving the set goals by 2030. Using the index, States will be monitored on a real-time basis.

- **Significance**:

• The SDG India Index acts as a bridge between these mandates, aligning the SDGs with the Prime Minister's clarion call of 'Sabka Saath, Sabka Vikas', which embodies the five Ps of the global SDG movement – People, Planet, Prosperity, Partnership and Peace.

- **Highlights of the report and performance of various states:**

• According to the SDG India Index, the nation as a whole has a score of 58, showing the country has reached a little beyond the halfway mark in meeting the sustainable development goals adopted by India and 192 other nations in 2015.

• The SDG Index Score for Sustainable Development Goals 2030 ranges between 42 and 69 for States and between 57 and 68 for UTs.

• Top 3 states in terms of being on track to achieve the United Nations' Sustainable Development Goals (SDG): Himachal Pradesh, Kerala, and Tamil Nadu.

- **Among the UTs, Chandigarh is the front runner with a score of 68**.

o Tamil Nadu has a score 66, and is the top scorer on the goals to do with eradicating poverty and also providing clean and affordable energy.

o Kerala's top rank is attributed to its superior performance in providing good health, reducing hunger, achieving gender equality and providing quality education. Himachal Pradesh ranks high on providing clean water and sanitation, in reducing inequalities and preserving the mountain ecosystem.

o Among the UTs, Chandigarh takes the lead because of its exemplary performance in providing clean water and sanitation to its people. It has further made good progress towards providing affordable and clean energy, generating decent work and economic growth, and providing quality education.

o the toppers in gender equality, Sikkim and Union territories Andaman and Nicobar Islands and Chandigarh have crossed the half way mark in reaching the goals.

o Jharkhand, Odisha and Nagaland are also among the states that have a lot more ground to cover in the overall rankings.

o Overall, the average score for the States was the worst when it came to gender equality (36), in creating sustainable cities and communities (39), in enabling industry, innovation, and infrastructure (44), and in eradicating hunger (48).

- **SDGs**:

• Agenda 2030 and the Sustainable Development Goals, adopted by all member states of the United Nations in 2015, describe a universal agenda that applies to and must be implemented by all countries. Sound metrics and data are critical for turning the SDGs into practical tools for problem solving.

13. ONE DISTRICT, ONE PRODUCT REGIONAL SUMMIT

- The One District, One Product Regional Summit was held recently in Varanasi.
- **About ODOP**:

• ODOP is aimed at giving a major push to traditional industries synonymous with the respective districts of the state.

• The objective of the ODOP is to optimise production, productivity and income, preservation and development of local crafts, promotion of art, improvement in product quality and skill development.

- **Background**:

• ODOP is basically a Japanese business development concept, which gained prominence in 1979. It is aimed at promoting a competitive and staple product from a specific area to push sales and improve the standard of living of the local population.

• Over time, it has been replicated in other Asian countries as well.

- **The main objectives of the One District One Product Scheme of Uttar Pradesh are as follows:**

• Preservation and development of local crafts / skills and promotion of the art.

• Increase in the incomes and local employment (resulting in decline in migration for employment).

• Improvement in product quality and skill development.

• Transforming the products in an artistic way (through packaging, branding).

• To connect the production with tourism (Live demo and sales outlet – gifts and souvenir).

• To resolve the issues of economic difference and regional imbalance.

• To take the concept of ODOP to national and international level after successful implementation at State level.

- **Facts for Prelims:**

• UP is uniquely famous for product-specific traditional industrial hubs across 75 districts, including Varanasi (Banarasi silk sari), Bhadohi (carpet), Lucknow (chikan), Kanpur (leather goods), Agra (leather footwear), Aligarh (locks), Moradabad (brassware), Meerut (sports goods) and Saharanpur (wooden products).

14. DISTRIBUTION OF SOIL HEALTH CARDS (SHC) FOR OPTIMAL UTILIZATION OF FERTILIZERS

- Soil Health Card Scheme has been taken up for the first time in a comprehensive manner across the country. It is provided to all farmers.
- **Objective**:

• It is to enable the farmers to apply appropriate recommended dosages of nutrients for crop production and improving soil health and its fertility.

- **Unique Features:**

• Collecting soil samples at a grid of 2.5 ha in irrigated area and 10 ha in un-irrigated areas.

• Uniform approach in soil testing adopted for 12 parameters primary nutrients (NPK), secondary nutrient (S); micronutrients (B, Zn, Mn. Fe & Cu); and other (pH, EC & OC) for comprehensiveness.

• GPS enabled soil sampling to create a systematic database and allow monitoring of changes in the soil health over the years.

- **Background**:

• National Mission for Sustainable Agriculture (NMSA) will be implemented during 12th Plan to make agriculture more productive, sustainable and climate resilient; to conserve natural resources; to adopt comprehensive soil health management practices; to optimize utilization of water resources; etc.

• Soil Health Management (SHM) is one of the most significant interventions under NMSA.

- **Aims of SHM:**

• To promote Integrated Nutrient Management (INM) through judicious use of chemical fertilizers including secondary and micro nutrients in conjunction with organic manures and bio-fertilisers for improving soil health and its productivity;

• To strengthen soil and fertilizer testing facilities to give soil test-based recommendations to farmers for improving soil fertility;
• To ensure quality control requirements of fertilizers, bio-fertilizers under Fertiliser Control Order, 1985;
• To upgrade skill and knowledge of soil testing laboratory staff, extension staff and farmers through training and demonstrations;
• To promote organic farming practices, etc.

15. FOOD AND AGRICULTURE ORGANIZATION (FAO) COUNCIL APPROVES INDIA'S PROPOSAL TO OBSERVE AN INTERNATIONAL YEAR OF MILLETS IN 2023

- Union Minister of Agriculture and Farmers' Welfare has said that the 160th session of the Food and Agriculture Organization (FAO) Council, currently underway in Rome, approved India's proposal to observe an International Year of Millets in 2023.
- In addition, the FAO Council also approved India's membership to the Executive Board of the United Nations World Food Program (WFP) for 2020 and 2021.
- **Minister's statement:**

• This international endorsement comes in the backdrop of India celebrating 2018 as the National Year of Millets for promoting cultivation and consumption of these nutria-cereals.
• This is further supported by increase in Minimum Support Prices (MSP) of millets.
• Millets consists of Jowar, Bajra, Ragi and minor millets together termed as nutria-cereals.
• Through the Department of Food and Public Distribution, State Governments are allowed to procure jowar, bajra, maize and ragi from framers at MSP.

- **About FAO –**

• The Food and Agriculture Organization (FAO) is specialized agency of the United Nations that leads international efforts to defeat hunger.
• Headquarters: Rome, Italy
• Founded: 16 October 1945
• Goal of FAO: Their goal is to achieve food security for all and make sure that people have regular access to enough high-quality food to lead active, healthy lives.

- **FAO Council –**

• **Origin**: Established by the Conference at its Third Session (1947) to replace the original "Executive Committee of FAO" in accordance with a recommendation of the Preparatory Commission on World Food Proposals.
• **Purpose**: The Council, within the limits of the powers, acts as the Conference's executive organ between sessions.
• It exercises functions dealing with the world food and agriculture situation and related matters, current and prospective activities of the Organization, including its Programme of Work and Budget, administrative matters and financial management of the Organization and constitutional matters.

16. ONLINE PORTAL "ENSURE"

- Union Minister of Agriculture and Farmers' Welfare launched a portal ENSURE – National Livestock Mission-EDEG developed by NABARD and operated under the Department of Animal Husbandry, Dairying & Fisheries.

- **Entrepreneurship Development and Employment Generation (EDEG):**

• Under the Mission's component EDEG, subsidy payment for activities related to poultry, small ruminants, pigs etc., through Direct Benefit Transfer (DBT) goes directly to the beneficiary's account.

• To make it better, simpler and transparent, the NABARD has developed an online portal "ENSURE" which makes the information related to beneficiary and processing of application readily available.

- **Benefits**:

• The flow of information/funds will be quicker and more accountable.

• The burden of extra interest due to delay in the disbursal of the subsidy would now be reduced.

• Accessing the portal will be on real-time basis and list of beneficiaries can be easily prepared.

17. FARM LOAN WAIVER

- Former Reserve Bank of India governor Raghuram Rajan has stressed on the need to do away with farm loan waivers citing "enormous" problems for state finances and investment. He also said that farm loan waiver should not form part of poll promises and he has written to Election Commission that such issues should be taken off the table.
- **Why?**

• According to Rajan, loan waivers not only inhibit investment in the farm sector but put pressure on the fiscal of states which undertake farm loan waiver.

• In every state election during the last five years, loan waiver promise made by one political party or other.

• The recently concluded assembly election in five states, agriculture loan waiver and increasing minimum support price (MSP) of cereals was again part of manifesto of some of the political parties.

• Also, loan waivers, as the RBI has repeatedly argued, vitiate the credit culture, and stress the budgets of the waiving state or central government.

- **Background**:

• According to a 2017 report by the RBI, farm loan waiver amounting to Rs 88,000 crore likely to be released in 2017-18 by seven states, including Uttar Pradesh and Maharashtra, may push inflation on permanent basis by 0.2%.

- The ever- rising demand:

• Agriculture currently contributes just about 15% to the national output and about 50% of the population directly or indirectly depends on it for employment.

• Farmer distress is a real and pressing problem, as evidenced by the protests currently taking place in various parts of the country. In the recent past, widespread demands have been heard for farm loan waivers amid continuing agrarian distress.

- **Drawbacks of loan waivers**:

• Firstly, it covers only a tiny fraction of farmers. The loan waiver as a concept excludes most of the farm households in dire need of relief and includes some who do not deserve such relief on economic grounds.

• Second, it provides only a partial relief to the indebted farmers as about half of the institutional borrowing of a cultivator is for non-farm purposes.

• Third, in many cases, one household has multiple loans either from different sources or in the name of different family members, which entitles it to multiple loan waiving.
• Fourth, loan waiving excludes agricultural labourers who are even weaker than cultivators in bearing the consequences of economic distress.
• Fifth, it severely erodes the credit culture, with dire long-run consequences to the banking business.
• Sixth, the scheme is prone to serious exclusion and inclusion errors, as evidenced by the Comptroller and Auditor General's (CAG) findings in the Agricultural Debt Waiver and Debt Relief Scheme, 2008.
• Lastly, schemes have serious implications for other developmental expenditure, having a much larger multiplier effect on the economy.

- **What needs to be done?**

• Proper identification: For providing immediate relief to the needy farmers, a more inclusive alternative approach is to identify the vulnerable farmers based on certain criteria and give an equal amount as financial relief to the vulnerable and distressed families. • Enhance non- farm income: The sustainable solution to indebtedness and agrarian distress is to raise income from agricultural activities and enhance access to non-farm sources of income. The low scale of farms necessitates that some cultivators move from agriculture to non-farm jobs.
• Improved technology, expansion of irrigation coverage, and crop diversification towards high-value crops are appropriate measures for raising productivity and farmers' income. All these require more public funding and support.

- **Way ahead:**

• The magic wand of a waiver can offer temporary relief, but long-term solutions are needed to solve farmer woes. There are many dimensions of the present agrarian crisis in India.
• The search for a solution therefore needs to be comprehensive by taking into consideration all the factors that contribute to the crisis.
• Furthermore, both short- and long-term measures are required to address the numerous problems associated with the agrarian crisis.

18. <u>KRUSHAK ASSISTANCE FOR LIVELIHOOD AND INCOME AUGMENTATION (KALIA) SCHEME</u>

- Odisha cabinet has approved the Krushak Assistance for Livelihood and Income Augmentation (KALIA) scheme, worth over Rs. 10,000 crores, for the development of farmers in the state.
- **Key features of the scheme:**

• As per the scheme, an amount of Rs. 10,000 per family at the rate of Rs. 5,000 each for Kharif and Rabi seasons shall be provided as financial assistance for taking up cultivation.
• The assistance will be provided to take care of sustenance of farmers not able to take up cultivation due to old age, disability, disease or other reasons.
• The scheme also has a component for livelihood support for landless households. The landless households will have the option of selecting any of the units. The scheme, among others, will particularly benefit schedule caste and scheduled tribe households. • Deserving families will be identified and selected by gram panchayats. About 10 lakh households will be covered over two years under this scheme at a cost of Rs. 100 crores.
• The scheme also includes life insurance cover of Rs. 2 lakh and additional personal accident cover of Rs. 2 lakhs will be provided to both cultivators

and landless agriculture labourers covering about 74 lakh households.

- **Significance of the scheme:**

• The KALIA is historic and it will further accelerate agricultural prosperity in the state and reduce poverty. It is a progressive and inclusive scheme and will make a direct attack on poverty by way of massive investment in this sector and making benefits reach the neediest through Direct Benefit Transfer (DBT) mode.

• Ten lakh landless households will be supported with a unit cost of Rs. 12,500 to take up activities like goat rearing units, mini layer units, duckery units, fishery kits for fishermen and women, mushroom cultivation and bee keeping.

19. RYTHU BANDHU SCHEME

- Recently, Chairman of India's largest lender State Bank of India (SBI), Rajnish Kumar, said that loan waivers are not a permanent solution; instead, he argued for an investment scheme to increase the income of farmers on similar lines of Telangana's Rythu Bandhu.
- **What is Rythu Bandhu?**

• In August this year, Telangana government launched 'Rythu Bandhu' investment support scheme for farmers.

• The Rythu Bandhu (Agriculture Investment Support Scheme) takes care of initial investment needs of every farmer.

• Aimed at relieving farmers of debt burden and cease them from falling into the debt trap again, the scheme provides a grant of Rs 4,000 per acre per farmer each season for the purchase of inputs like seeds, fertilizers, pesticides, labour and other investments in the field operations of farmer's choice for the crop season.

- **A quasi UBI scheme:**

• Former Chief Economic Advisor Arvind Subramanian, who floated the idea of Universal Basic Income (UBI) for farmers in the Economic Survey, has said that Rythu Bandhu is a quasi UBI scheme, which had manifold benefits.

• If Rythu Bandhu could be fiscally unsustainable but if it replaces some and all of the schemes such as schemes for bad harvests (monsoon failures), crop insurance and loan waivers, it could be advantageous. However, he also said that a scheme like Rythu Bandhu will take some time for implementation.

20. STATE OF MAHARASHTRA'S AGRIBUSINESS AND RURAL TRANSFORMATION (SMART) PROJECT

- Maharashtra Government has launched World Bank assisted State of Maharashtra's Agribusiness and Rural Transformation (SMART) Project to transform rural Maharashtra. Aim: to revamp agricultural value chains, with special focus on marginal farmers across 1,000 villages.
- **State of Maharashtra's Agribusiness and Rural Transformation (SMART) Project:**

• The objective of project is to create and support value chains in post-harvest segments of agriculture, facilitate agribusiness investment, stimulate SMEs within the value chain.

• Focus: It will also support resilient agriculture production systems, expand access to new and organised markets for producers and enhance private sector participation in the agribusiness.

- **Coverage**:

• It will cover almost one-fourth of Maharashtra. Its focus is on villages which are reeling under worst agriculture crisis compounded by lack of infrastructure and assured value chains to channelize farm produce.

- **Significance**:

• The project is giant step towards transformation of rural economy and empowerment of farmers and also sustainable agriculture through public-private partnership (PPP) model.

• It seeks to ensure higher production of crops and create robust market mechanism to enable farmers to reap higher remunerations for the yield. It unites agriculture-oriented corporates and farmers by providing them common platform.

21. FLOATING SOLAR PLANT

- A 50MW floating solar plant will be set up in the country's largest reservoir Rihand dam in Sonbhadra district in UP.
- **Floating solar plants-significance:**

• Floating solar plants are considered an alternate option to tackle land availability issues. The concept involves setting up solar panels on floats placed on dams, lakes and similar water bodies.

• Floating solar makes intuitive sense in geographies with high land costs and poor availability. Floating solar is a definite reprieve for states that are a significant market for more renewable energy but with little land to spare, as is the case with Uttar Pradesh.

• The global floating solar market is driven by Asian countries, with China and Japan being home to bulk of the existing operational capacity of 259 MW.

- **Challenges**:

• In India, floating solar is likely to face challenges scaling up to the level of ground-mounted plants.

• Cost: Despite being land neutral, the cost of the floating systems including anchoring, installation, maintenance and transmission renders the overall cost of the floating solar systems are much higher than the land-based systems at this initial stage of development.

• Technical issues: Besides the two major issues of corrosion and instability, other issues like the long-term impact of moist environment on modules, cables, safe transmission of power through the floats to the nearest feeder point, the environmental impact on the water body and the marine life etc. needs to be addressed and – make the system cost effective.

- **What ails floating solar?**

• Non-availability of floats in India makes it an expensive option.

• Project costs higher by 30%-50%than ground mounted solar.

• Dependent on European or Chinese suppliers.

- **Facts for Prelims**:

• The largest floating solar plant to date is a 2MW one in Vishakhapatnam. Another is a 500-kWh plant built by the Kerala State Electricity Board at the Banasura Sagar Dam.

22. REGULATORY INDICATORS FOR SUSTAINABLE ENERGY (RISE) 2018

- World Bank has released its report — Regulatory Indicators for Sustainable Energy (RISE) 2018— charting global progress on sustainable energy policies. The report was released on the sidelines of the 24th Conference of the Parties to the UN Framework Convention on Climate Change (COP24).

- **Highlights of the report**:

• Many of the world's largest energy-consuming countries significantly improved their renewable energy regulations since 2010.

• Progress was even more marked in energy efficiency, with the percentage of countries establishing advanced policy frameworks growing more than 10-fold between 2010 and 2017.

• Among countries with large populations living without electricity, 75 per cent had by 2017 put in place the policies and regulations needed to expand energy access. But there were still significant barriers to global progress on sustainable energy.

• While countries continue to be focused on clean energy policies for electricity, policies to decarbonize heating and transportation, which account for 80 per cent of global energy use, continued to be overlooked.

• This momentum was particularly marked in renewable energy. Among the countries covered by RISE, only 37 per cent had a national renewable energy target in 2010. By 2017, that had grown to 93 per cent.

• By last year, 84 per cent of countries had a legal framework in place to support renewable energy deployment, while 95 per cent allowed the private sector to own and operate renewable energy projects.

• Among the four SDG7 target areas — renewable energy, energy efficiency, electricity access and access to clean cooking — the last one continued to be the most overlooked and underfunded by policymakers.

• There has been little progress on standard-setting for cookstoves or on consumer and producer incentives to stimulate adoption of clean technologies.

- **Indian scenario**:

• India has gained a great success in renewable energy auctions that delivered record-setting low prices for solar power.

• However, to realize its full potential, the country needs to address critical gaps, such as failing utilities, clean cooking, and the slow progress on decarbonizing heating and transport.

23. FLIGHT AND MARITIME CONNECTIVITY RULES, 2018

- The government recently notified Flight and Maritime Connectivity Rules, 2018 thereby allowing phone calls and internet on flights and ship voyage within India's territory.
- **The guidelines:**

• **Who can provide?**

The in-flight and maritime connectivity (IFMC) can be provided by a valid telecom licence holder in India through domestic and foreign satellites having the permission of the Department of Space.

• In case of using satellite system for providing IFMC, the telegraph message shall be passed through the satellite gateway earth station located within India and such satellite gateway earth stations shall be interconnected with the NLD (national long distance) or access service or ISP licensee's network for further delivery of service.

• The IFMC services will be activated once the aircraft attains a minimum height of 3,000 metres in Indian airspace to avoid interference with terrestrial mobile networks.

• The IFMC licences will be granted against an annual fee of Re 1 for a period of 10 years and the permit holder will have to pay licence fees and spectrum charges based on revenue earned from providing services.

24. INDIA'S LONGEST RAILROAD BRIDGE

- The Bogibeel bridge is India's longest railroad bridge. It was inaugurated recently.
- **Key facts:**

• The bridge is 4.94 km long in length. The double decker rail and road bridge, on the Bramhaputra river, will cut down the train-travel time between Tinsukia in Assam to Naharlagun town of Arunachal Pradesh by more than 10 hours.

• Built by the Indian Railways, the double-decker bridge is strong enough to withstand movement of heavy military tanks.

• The Bogibeel bridge will connect the south bank of the Brahmaputra river in Assam's Dibrugarh district with Silapathar in Dhemaji district, bordering Arunachal Pradesh. The railways have reduced the distance between Dhemaji and Dibrugarh from 500 Kms to 100 kms with the completion of the project.

- **Significance of the Bogibeel Bridge:**

• The bridge spanning the River Brahmaputra between Dibrugarh and Dhemaji districts of Assam is of immense economic and strategic significance.

• This bridge is a marvel of engineering and technology.

• This bridge reduces distances between Assam and Arunachal Pradesh.

• This bridge would greatly enhance "ease of living" in the region.

• The bridge is 4.94 km long and is India's longest railroad bridge. Since Dibrugarh is an important centre of healthcare, education and commerce in the region, and the people living north of the Brahmaputra, can now access this city, more conveniently.

- **Background**:

• Construction of the Bogibeel Bridge was agreed by the government as part of a 1985 agreement to end years of deadly agitation by Assamese nationalist groups.

• The Bogibeel project was a part of the 1985 Assam Accord and was sanctioned in 1997-98.

• The Bogibeel Bridge, which will have a serviceable period of around 120 years, is India's only fully welded bridge for which European welding standards were adhered to for the first time in the country.

25. NEW RULES FOR E-COMMERCE

- Recently, government introduced changes in e-commerce norms which are said to be clarificatory in nature and are not new restrictions.
- **Changes introduced by the new rules**

• From February 1, 2019, e-commerce companies running marketplace platforms — such as Amazon and Flipkart — cannot sell products through companies, and of companies, in which they hold equity stake.

• It put a cap of 25% on the inventory that a marketplace entity or its group companies can sell from a particular vendor. Inventory of a vendor will be deemed to be controlled by e-commerce marketplace entity if more than 25% its purchases are from the marketplace entity or its group companies.

• No seller can be forced to sell its products exclusively on any marketplace platform, and that all vendors on the e-commerce platform should be provided services in a "fair and non-discriminatory manner". Services include fulfilment, logistics, warehousing, advertisement, cashbacks, payments, and financing among others.

• The marketplaces will not be allowed to offer deep discounts through their in-house companies listed as sellers (check price cartelization).

• E-commerce marketplace entity will be required to furnish a certificate along with a report of statutory auditor to Reserve Bank of India, confirming compliance of the guidelines, by September 30 every year for the preceding financial year.

• E-commerce entities will have to maintain a level playing field and ensure that they do not directly or indirectly influence the sale price of goods and services.

- The above-mentioned rules explain certain principles laid down in a 2017 circular on the operations of online market places, wherein 100% foreign direct investment through automatic route is allowed. Some other discussion points in the circular were as follows:

• Scope of Marketplace Model: E-Marketplace would include warehousing, logistics, order fulfillment, call centre, payment collection etc.

o the move was aimed at bringing new entrants/smaller players in the e-commerce business.

o It would also increase the need for office spaces, warehouses & logistics, providing a boost to the real estate business.

o It would also check tax evasion through illegal warehousing.

• Predatory Pricing: Predator pricing (dominant player reducing prices to such an extent to edge out other players) is an anti-competition practice under Competition Act 2002. The government would appoint a regulator to check discounts offered by e-commerce players, so that they don't sell below market prices & compliance with FDI norms.

• Cap on % sale by single vendor to 25% (explained above).

- **Impact**

• **E-commerce companies**:

o Most of e-commerce firms source goods from sellers who are related 3rd party entities. E.g. WS Retail contributes to 35-40% of Flipkart's overall sales. Cloudtail India, the biggest retailer operating on Amazon, has its 49% equity held up by Amazon or its subsidiaries. Amazon also holds up 48% equity in another major retailer, Appario Retail. This will impact backend operations of e-commerce firms, as group entities would now have to be removed from the e-commerce value chain.

o Also, players like Amazon and Flipkart, who have their private labels, will not be able to sell them on their platforms if they hold equity in the company manufacturing them.

o Currently, most of the e-commerce are burning cash to attract consumer base and hence, are in deep losses. In the long run, this will help large companies build a viable business rather than just depend on discounts.

• **Retailers**:

o the absence of large retailers will bring relief to small retailers selling on these platforms. Traditional brick and-mortar stores, who now find it difficult to compete with the large e-commerce retailers with deep pockets, will become more competitive.

o Marketplaces are meant for independent sellers, many of whom are MSMEs (Micro, Small &

Medium Enterprises). These changes will enable a level playing field for all sellers, helping them leverage the reach of e-commerce.

o But, it may also become difficult for small start-ups to raise funds from big e-retailer companies. Also, mandatory listing of inventory on different platforms may increase sales cost for MSMEs.

• **Consumers**: Consumers may no longer enjoy the deep discounts offered by retailers that have a close association with marketplace entities.

• **Employment**: The threat of job losses in the supply chain network has emerged as a major concern, as the number of e-commerce orders will go down, warehouse expansion plans may take a hit and the utilization of delivery executives will reduce, leading to significant job losses.

• Growth of the sector: By 2022, the size of digital economy in India will be approximately $ 1 trillion and by 2030, it could constitute almost 50% of the entire economy. Licensing and price controls may depress a fast-growing sector.

• International Trade Outlook: As 71 members led by countries like China, Japan and the US began exploring possible WTO framework on free cross-border e-commerce at Buenos Aires ministerial (2017), the new guidelines preempt any possible obligations on e-commerce imposed by WTO. It would enable Govt. to take a stand in international trade negotiations and discussions, which is fully cognizant of the need to preserve flexibility and create a level-playing field for domestic players.

- **Way Forward**

• E-Marketplaces should change their business model and begin to look at franchise channels, rather than equity investments channels, to do business in India.

• The Government should come out with an E-Commerce policy which establishes a commonly accepted definition of e-commerce, provides a level playing field for domestic & foreign businesses. Draft ECommerce Policy has already been submitted by the commerce ministry.

• A single legislation should be enacted to address all aspects of e-commerce so that the legal fragmentation seen across the various laws is reduced, viz. the Information Technology Act, 2000, Consumer Protection Act 1986 etc.

• Setting up an accreditation system for vetting e-commerce platforms which adhere to good business practices is the need of the hour.

Models of E-Commerce

- **Marketplace Model**

• E-commerce Company provides an IT platform on a digital or electronic network to act as facilitator between buyers & sellers without warehousing the products.

• It aggregates various retailers/brands and provide a sales channel (offers shipment, call centre, delivery and payment services) to them but cannot exercise ownership of the inventory.

• It allows for a superior customer service experience, as many smaller brands have greater outreach now, with their fulfillment processes taken care of by online marketplaces. E.g. eBay/Shop clues etc.

• 100% FDI is allowed in marketplace model of e-commerce.

- **Inventory Model**

• Products are owned by the online shopping company. The whole process end-to-end, starting with product purchase, warehousing and ending with product dispatch, is taken care of by the company. • Allows speedier delivery, better quality control and improved customer experience and trust. But it restricts cash flow and is difficult to scale • FDI in multi-brand retail is prohibited, including e-commerce retail (B2C);

• E.g. Jabong, YepMe etc.

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