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Economics – 2019

GOOD MORNING TIMES OCTOBER- 2018



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Economics – PT Shots (OCTOBER-2018)

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1. BSE FIRST TO LAUNCH COMMODITY DERIVATIVES CONTRACT IN GOLD AND SILVER

- The Bombay Stock Exchange became the first stock exchange in the country to launch commodity derivatives contract in gold and silver.
- **Background:**
 - Till date, commodity derivatives contract are available only on MCX and NCDEX, the two specialised commodity derivatives exchanges in the country.
 - The launch of commodity derivatives platform on the BSE will help in efficient price discovery, reduce timeline and make it cost-effective.
 - Definition: A derivative is a contract between two parties which derives its value/price from an underlying asset. The most common types of derivatives are futures, options, forwards and swaps.
 - Description: It is a financial instrument which derives its value/price from the underlying assets. Originally, underlying corpus is first created which can consist of one security or a combination of different securities. The value of the underlying asset is bound to change as the value of the underlying assets keep changing continuously. Generally, stocks, bonds, currency, commodities and interest rates form the underlying asset.

2. UDYAM ABHILASHA

- It is a National Level Entrepreneurship Awareness Campaign launched by Small Industries Development Bank of India (SIDBI) on the occasion of Birth Anniversary of Mahatma Gandhi.
- The campaign has been launched in 115 Aspirational Districts identified by NITI Aayog in 28 States.
- **About the Campaign:**
 - The campaign would create and strengthen cadre of more than 800 trainers to provide entrepreneurship training to the aspiring youths across these districts thus encouraging them to enter the admired segment of entrepreneurs.
 - SIDBI has partnered with CSC e-Governance Services India Limited, a Special Purpose Vehicle, (CSC SPV) set up by the Ministry of Electronics & IT, Govt. of India for implementing the campaign through their CSCs.
- **The objectives of the missionary campaign include:**
 - To inspire rural youth in aspirational districts to be entrepreneurs by assisting them to set up their own enterprise.
 - To impart trainings through digital medium across the country.
 - To create business opportunities for CSC VLEs.
 - To focus on women aspirants in these aspirational districts to encourage women entrepreneurship.

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• To assist participants to become bankable and avail credit facility from banks to set up their own enterprise.

• **About SIDBI:**

- Small Industries Development Bank of India (SIDBI) was set up on 2nd April 1990 under an Act of Parliament.
- It acts as the Principal Financial Institution for Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector as well as for co-ordination of functions of institutions engaged in similar activities.

3. WHAT IS MONETARY POLICY AND MONETARY POLICY COMMITTEE (MPC)?

- To achieve the goals of broad economic policy, the Reserve Bank of India (RBI) uses monetary policy to control inflation, interest rates, supply of money and credit availability.
- The RBI has a government-constituted Monetary Policy Committee (MPC) which is tasked with framing monetary policy using tools like the repo rate, reverse repo rate, bank rate, cash reserve ratio (CRR).
- **Composition of MPC:**
 - The committee will have six members. Of the six members, the government will nominate three. No government official will be nominated to the MPC.
 - The other three members would be from the RBI with the governor being the ex-officio chairperson. Deputy governor of RBI in charge of the monetary policy will be a member, as also an executive director of the central bank.

• **Decision:** Decisions will be taken by majority vote with each member having a vote.

• **RBI governor's role:** The RBI Governor will chair the committee. The governor, however, will not enjoy a veto power to overrule the other panel members, but will have a casting vote in case of a tie.

• **Selection:** The government nominees to the MPC will be selected by a Search-cum-Selection Committee under Cabinet Secretary with RBI Governor and Economic Affairs Secretary and three experts in the field of economics or banking or finance or monetary policy as its members.

• **Term:** Members of the MPC will be appointed for a period of four years and shall not be eligible for reappointment.

4. RBI OBJECTS TO PAYMENTS REGULATOR OUTSIDE ITS CONTROL

- The Reserve Bank of India (RBI) has opposed the Centre's proposal to set up an independent Payment Regulatory Board (PRB) which will oversee all payment systems in the country stating that the proposed body "must remain with the Reserve Bank" and headed by the RBI Governor.
- Coming out strongly against the Inter-Ministerial Committee's proposal to take PRB out of the RBI's purview, the RBI said there has been no evidence of any inefficiency in payment systems of India.
- **Background:**
 - The seven-member government panel was headed by Subhash Chandra Garg.

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- The panel proposed in August that a payments regulator should be established independent of the RBI, with a chairperson appointed by the government in consultation with the RBI.
- The proposal overruled the central bank's recommendation that its governor should be head of the payment's regulator.

- **Why the RBI is opposing this move?**

- The RBI cited the report of the Ratan Watal Committee on digital payments as recommending the establishment of the PRB within the overall structure of the RBI, arguing therefore that there is no need for any deviation.
- Also, as per RBI, there has been no evidence of any inefficiency in payment systems of India. The digital payments have made good and steady progress. India is gaining international recognition as a leader in payment systems. Given this, there need not be any change in a well-functioning system.
- The RBI has argued that the payment system is bank-dominated in India. "Regulation of the banking systems and payment system by the same regulator provides synergy and inspires public confidence in the payment instruments. Regulation of the payment system by the central bank is the dominant international model for stability consideration. Thus, having the regulation and supervision over Payment and Settlement systems with the central bank will ensure holistic benefits," it said.

- **Way ahead:**

- The RBI said it is not totally against a new Payment and Settlement System Bill but stressed that changes should not lead to existing foundations being shaken in a well-functioning structure.

5. COMMERCIAL PAPERS

- Commercial papers have become one of the popular routes for corporates to raise funds when compared with loans from banks in recent times.
- **What is a commercial paper?**
 - A commercial Paper (CP) is an unsecured loan raised by firms in money markets through instruments issued in the form of a promissory note. CPs can be issued for maturities between a minimum of 7 days and a maximum of up to one year from the date of issue.
- **Why are CPs popular?**
 - Because of surplus liquidity, short-term borrowing rates in money markets have significantly declined post demonetisation and are much lower than the lowest benchmark lending rates of the banks.
- **What are the advantages of issuing CPs?**
 - Apart from being a cheaper source of funds, it helps meet funding requirements relatively quickly for better rated corporates.
 - Procedural requirements for securing bank facilities and charge creation on assets is not required.
- **What are the key challenges with CPS?**
 - As the CP is an unsecured loan, the investor in commercial papers largely prefers highly-rated corporates or public sector entities in terms of credit rating. Lender appetite is limited to better rated companies.
 - o Also commercial paper markets can be seasonal and vulnerable to liquidity conditions. In case of sudden tightening of liquidity, a firm's ability to secure funding can be challenged. Within the year,

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liquidity conditions can become tight in certain months such as the end of a quarter, because of advance payment of taxes and the like. At such times, funding costs can also rise for the issue of CPs.

o Therefore, commercial papers should not be used as a permanent source of capital and should largely be used to benefit from liquidity conditions and arbitrage in short-term borrowing rates.

6. OPEN ACREAGE LICENSING PROGRAMME (OALP)

- Government of India recently signed the contracts of the blocks awarded under the Open Acreage Licensing Programme (OALP) Bid Round-I with the awardees.
- **Significance:**
 - Initially, 110 e-bids were received for 55 blocks on offer with participation from 9 companies, singly or in consortium. Finally, contracts have been signed for all 55 blocks with 6 companies.
 - This will add a huge accretion of 59,282 sq.km to the exploration area. This is about 65% of the area presently under exploration in the country. This will lead to significant increase in E&P activities in India and in long run discoveries from these field may significantly boost domestic production.

- **Background:**

- The bid round-I of OALP was launched in January 2018 under the liberalized Hydrocarbon Exploration and Licensing Policy (HELP). It is for the first time that bidding in the E&P sector in India was for blocks that had been selected by bidders themselves with government playing a facilitator role.

- **Open Acreage Licensing Policy (OALP):**

- The OALP, a part of the government's Hydrocarbon Exploration and Licensing Policy (HELP), gives exploration companies the option to select the exploration blocks on their own, without having to wait for the formal bid round from the Government.
- The company then submits an application to the government, which puts that block up for bid. The new policy will open up 2.8 million square kilometres of sedimentary basins for exploration and eventual production.

- **About Hydrocarbon Exploration & Licensing Policy (HELP):**

- The Hydrocarbon Exploration & Licensing Policy (HELP) opens up India's entire sedimentary basin for investment from domestic and foreign players under a simplified, transparent and investor-friendly fiscal and administrative regime.
- The new policy aims to provide Investors a ready access to huge amount of seismic data available in National Data Repository (NDR), flexibility to carve out exploration acreages through an open acreage licensing process and increased operational autonomy through a new revenue sharing model.
- The National Data Repository (NDR) manifested through an open acreage licensing (OAL) process will be a key facilitator by providing seamless access to India's entire E&P data process through a digital medium to all investors with the objective of harnessing the potential of India's large basinal area.

- **Way ahead:**

- Open Acreage Licensing Policy and the National Data Repository together are a significant and welcome step towards opening up the hydrocarbon exploration and production industry

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in India. By placing greater discretion in the hands of explorers and operators, the Licensing Policy attempts to address a major drawback in the New Exploration Licensing Policy, which forced energy explorers to bid for blocks chosen by the government. Such initiatives help India attract enough investment to meet the government's objective of reducing oil imports by 10% by 2022.

- There's a compelling opportunity for gas, which India must seize to reduce import dependency and shift to a lower carbon trajectory. HELP is more about gas than oil. While the overall thrust is positive, concerns regarding the contractual regime and gas pricing formula remain, and will need to be addressed.

7. CENTRE FOR THE FOURTH INDUSTRIAL REVOLUTION

- The World Economic Forum has announced its new Centre for the Fourth Industrial Revolution in India, which would aim to bring together the government and business leaders to pilot emerging technology policies.
- **About the Centre for the Fourth Industrial Revolution:**
 - The centre would be based in Maharashtra and it has selected drones, artificial intelligence and blockchain as the first three project areas.
 - It will work in collaboration with the government on a national level to co-design new policy frameworks and protocols for emerging technology alongside leaders from business, academia, start-ups and international organizations.
 - NITI Aayog will coordinate the partnership on behalf of the government and the work of the centre among multiple ministries. The WEF has

also entered into partnerships with the Maharashtra and Andhra Pradesh governments for the new initiative and more states would be roped in going forward.

- Projects will be scaled across India and globally. As part of the WEF's global network, the new centre in India will work closely with project teams in San Francisco, Tokyo and Beijing, where such Centres are already present.

• What is Fourth Industrial Revolution?

- As described by the founder and executive chairman of WEF, Klaus Schwab, "the fourth industrial revolution is a technological revolution that will fundamentally alter the way we live, work and relate to one another".

• Background:

- **1st industrial revolution:** The first Industrial Revolution began in Britain in the last quarter of the 18th century with the mechanisation of the textile industry, harnessing of steam power, and birth of the modern factory.
- **2nd industrial revolution:** The Second Industrial Revolution, from the last third of the nineteenth century to the outbreak of World War I, was powered by developments in electricity, transportation, chemicals, steel, and mass production and consumption. Industrialization spread even further – to Japan after the Meiji Restoration and deep into Russia, which was booming at the outset of World War I. During this era, factories could produce countless numbers of identical products quickly and cheaply.
- **3rd industrial revolution:** The third industrial revolution, beginning c. 1970, was digital — and applied electronics and information technology to processes of production. Mass customisation and additive manufacturing — the so-called '3D printing' — are its key concepts, and its

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applications, yet to be imagined fully, are quite mind-boggling.

- **How different will be the 4th industrial revolution?**

- There are three reasons why today's transformations represent not merely a prolongation of the Third Industrial Revolution but rather the arrival of a Fourth and distinct one: velocity, scope, and systems impact.

- o the speed of current breakthroughs has no historical precedent. When compared with previous industrial revolutions, the Fourth is evolving at an exponential rather than a linear pace.

- o Moreover, it is disrupting almost every industry in every country. And the breadth and depth of these changes herald the transformation of entire systems of production, management, and governance.

- o the 4th revolution will be characterized by the advent of cyber-physical systems which, while being reliant on the technologies and infrastructure of the third industrial revolution, represent entirely new ways in which technology becomes embedded within societies and even our human bodies. Examples include genome editing, new forms of machine intelligence, and breakthrough approaches to governance that rely on cryptographic methods such as blockchain.
- o Hence, it can be said that the 4th industrial revolution is conceptualised as an upgrade on the third revolution and is marked by a fusion of technologies straddling the physical, digital and biological worlds.

8. INVEST INDIA

- Invest India, the country's investment promotion body, has won United Nations (UN) Award

for excellence in promoting investments in sustainable development.

- Invest India received this award for excellence in servicing and supporting major global wind turbines company in establishment of blade manufacturing plant in India while committing to train local staff and produce 1 gigawatt (GW) of renewable energy. Implementation of this project is expected to reduce India's wind energy cost significantly.

- **What is Invest India?**

- Invest India is the National Investment Promotion and Facilitation Agency of India and acts as the first point of reference for investors in India.

- Invest India is set up as a non-profit venture under the Department of Industrial Policy and Promotion, Ministry of Commerce and Industries, Government of India.

- A joint venture: Operationalized in early 2010, Invest India is set up as a joint venture company between the Department of Industrial Policy & Promotion (DIPP), Ministry of Commerce & Industry (35% equity), Federation of Indian Chambers of Commerce and Industry (FICCI) (51% equity), and State Governments of India (0.5% each).

- Functions: The core mandate of Invest India is investment promotion and facilitation. It provides sector specific and state-specific information to a foreign investor, assists in expediting regulatory approvals, and offers hand-holding services. Its mandate also includes assisting Indian investors to make informed choices about investment opportunities overseas.

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• Why Invest in India?

- India to remain one of the fastest growing economies in the world- International Monetary Fund.
- FDI inflows increased by 37% since the launch of Make in India initiative.
- Leading investors ranked India as the most attractive market.
- Largest youth population in the world.
- Huge domestic market.
- Rising economic influence- IOR and INSTC.
- India registered a record improvement on EoDB ranking from 142 to 100 between 2014-2017.

• UN Investment Promotion Award:

- The awards are given annually by United Nations Conference on Trade and Development (UNCTAD) since 2002 as part of its investment promotion and facilitation programme.
 - o It honours investment promotion agencies (IPAs) and their governments for their achievements.
 - o It also seeks to showcase best practices in attracting investment into Sustainable Development Goals (SDGs)-related projects that can inspire investment promotion practitioners in developing and developed countries.

9. DISPUTE SETTLEMENT BODY (DSB)

- The World Trade Organisation's dispute settlement body has set up a panel to examine the US complaint against certain export-subsidy measures by India as both the sides failed to resolve the issue at consultation level.
- **What's the issue?**

- In March, the US dragged India to the global trade body's dispute settlement mechanism over export subsidies, saying that these incentives were harming the American companies.
- The US has challenged India's export subsidy programmes such as Merchandise Exports from India Scheme in the WTO, asserting that these initiatives harm its companies by creating an uneven playing field.

• Dispute Settlement Body:

- The General Council convenes as the Dispute Settlement Body (DSB) to deal with disputes between WTO members. Such disputes may arise with respect to any agreement contained in the Final Act of the Uruguay Round that is subject to the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU).
- The DSB has authority to establish dispute settlement panels, refer matters to arbitration, adopt panel, Appellate Body and arbitration reports, maintain surveillance over the implementation of recommendations and rulings contained in such reports, and authorize suspension of concessions in the event of non-compliance with those recommendations and rulings.

• About MEIS- What is it?

- Merchandise Exports from India Scheme (MEIS) under Foreign Trade Policy of India (FTP 2015-20) is one of the two schemes introduced in Foreign Trade Policy of India 2015-20, as a part of Exports from India Scheme.
- Objective of Merchandise Exports from India Scheme (MEIS) as per Indian Foreign Trade Policy 2015-20 (FTP 2015-20) is to offset infrastructural inefficiencies and associated costs involved in export of goods/products, which are produced/manufactured in India, especially those having high export intensity, employment

potential and thereby enhancing India's export competitiveness.

10. TEA BOARD

- Tea Board of India is planning to launch an app aimed at guiding small growers, whose share in total tea production is increasing. The proposed name of the app is Chai Sahay (tea help).
- **Key facts:**
 - The mobile platform would have user-interface facilities with the targeted user groups (the small tea grower) and the various officials. It would also have information on the various activities of the board officials.
 - The existing database of the STGs would be incorporated in the app, which would also give information on their registration process. There would be advisories on application of farm inputs and pesticide use. Small growers can also post queries for advice on pest control.

• About Tea Board of India:

- The Tea Board is set up under the Tea Act 1953. It has succeeded the Central Tea Board and the Indian Tea Licencing Committee which functioned respectively under the Central Tea Board Act, 1949 and the Indian Tea Control Act, 1938 which were repealed.
- The Tea Board is functioning as a statutory body of the Central Government under the Ministry of Commerce.
- The Board is constituted of 31 members (including Chairman) drawn from Members of Parliament, tea producers, tea traders, tea brokers, consumers, and representatives of Governments from the principal tea producing states, and trade unions. The Board is reconstituted every three years.

• Functions:

- The Tea Board India is responsible for the assignment of certification numbers to exports of certain tea merchants. This certification is intended to ensure the teas' origin, which in turn would reduce the amount of fraudulent labelling on rare teas.
- The Tea Board India's tasks include endorsement of the diverse production and productivity of tea, financial support of research organisations and the monitoring of advances in tea packaging as it relates to health beneficial aspects.
- It coordinates research institutes, the tea trade and government bodies, ensuring the technical support of the tea trade in the global industry.

11. PMFBY TO INCLUDE CROP DAMAGES FROM WILD ANIMAL ATTACKS

- Union Government has decided to cover damages to crops in wild animal attacks under Pradhan Mantri Fasal Bima Yojna in select districts on an experimental basis.
- In this regard, Government has amended provisions of crop insurance scheme in consultation with various stakeholders after review of its working for the last two years. The amended provisions of the scheme have been implemented from October 2018.
- **As per the new provisions:**
 - Certain horticultural crops have been brought under ambit of PMFBY on experimental basis.
 - Damages due to individual fields due to incidents of localised disasters like water logging,

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land slide, cloud bursts, hailstorms and fire too are brought under scheme.

- Henceforth, insurance firms will also have to spend 0.5% of their earnings from annual premium to advertise provisions of the scheme.
- Fines in cases of delay in clearing insurance claims for crop damages have been proposed.
- In case firm delays insurance clearances beyond two months, it will have to pay an annual interest of 12%.
- Similarly, State government too will have to pay interest of 12% in case of delay in release of state's share of subsidy in premium to insurance firms.

12. SIKKIM WINS FAO'S FUTURE POLICY AWARD 2018

- Sikkim has been awarded UN Food and Agriculture Organisation's (FAO) Future Policy Gold Award (Gold Prize) for its achievement in becoming the world's first totally organic agriculture state.
- **Background:**
 - Sikkim became the first fully organic state of India in 2016. Over the years around 75000 hectares of land in the state has been converted into certified organic farms following the guidelines as prescribed by National Programme for Organic Production.
 - Within 1.24 million tonnes of organic production in the country around 80000 million is supplied by Sikkim alone.
- **Organic farming and its significance:**
 - Organic cultivation doesn't involve the use of chemical pesticides and fertilizers and thus helps to maintain a harmonious balance among the various complex ecosystems.

- Also, it improves the quality of the soil which further improves the standards of the crops produced there. In the long term, organic farming leads in subsistence of agriculture, bio-diversity conservation and environmental protection.
- It will also help in building the soil health resulting in sustainable increased crop production.

- **The first steps towards an Organic State:**

- The first step towards making Sikkim an organic state was to recognise its natural factors that made it an ideal location for organic farming. These included its topography, the local use of traditional farming systems, the diversity of its climatic conditions and the fact the local soil is rich in organic carbon.
- Then, in 2003, the 'Going for Organic Farming in Sikkim' programme was prepared, along with the Sikkim State Organic Board, which prioritised the creation of new infrastructures and the mobilising of resources.
- From here, a seven-year plan was introduced to ban chemical fertilisers – gradually replacing them with organic plant nutrients.

- **The initiatives that propelled Sikkim's progress:**

- In 2004, the production of organic manure began, replacing other compost.
- Between 2004 and 2006, two seed testing and processing units were introduced, as well as soil testing laboratories for studying soil health.
- The Centre of Excellence for Organic Farming was created.
- Starting in 2008, several organic certification programmes took place, with much of the land being certified by organisations such as the Department of Science and Technology and the Food Security and Agriculture Department.

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• In 2010, a bio fertiliser production unit was put together, and the National Level Workshop was introduced in Sikkim's villages.

• Later that year, a plan for the adoption of fully organic farming was put into place, known as the Sikkim Organic Mission.

- **Maintaining the state for the future-** To ensure Sikkim stays green in the long term, there are a few additional initiatives that have been introduced to the state:

• Firstly, animals are no longer allowed to graze in the reserve forest in order to conserve natural resources. There are still plenty of other spaces for animals to graze, while protecting this land.

• Plastic bags have been banned, encouraging shoppers to take their own bags to the store to cut down on plastic manufacturing and waste.

• The State Green Mission was launched, which includes planting fruit bearing trees, plantation drives and more.

- **Future Policy Gold Award:**

• The prizes, nicknamed the "Oscar for best policies", honour exceptional policies adopted by political leaders who have decided to act, no longer accepting widespread hunger, poverty or environmental degradation.

• Previously it was honoured for policies combating desertification, violence against women and girls, nuclear weapons and pollution of the oceans.

13. SOIL MOISTURE MAP

- With the rabi season around the corner, a countrywide forecast has been prepared. This forecast, following a joint exercise by IIT Gandhinagar and the India Meteorological Department (IMD),

for the first time, provides a country-wide soil moisture forecast at seven and 30-day lead times.

- **How was it developed?**

• The experts used the 'Variable Infiltration Capacity' model to provide the soil moisture prediction.

• The product, termed 'Experimental Forecasts Land Surface Products', is available on the IMD website. It has been developed using the hydrological model that takes into consideration soil, vegetation, land use and land cover among other parameters.

- **Highlights of the findings:**

• In Bundelkhand, most farmers keep their land fallow or just grow some fodder crop during the kharif season since the rains are unpredictable and there could be extended dry spells after sowing. They then mainly cultivate the rabi crop using the soil moisture left behind by the monsoon rains.

• It is a similar trend in Bihar, in low lying areas of Seemanchal and Kosi belt, where no crop is grown during Kharif because of inundated lands. This means that if there is not enough rainfall in one or two months, these are regions which will demand heavy irrigation whether that comes from groundwater or surface water storage (reservoirs).

• Based on observed conditions at present, Gujarat, parts of Maharashtra, Chhattisgarh, Jharkhand, Tamil Nadu and parts of Andhra Pradesh are deficient in terms of soil moisture right now.

- **Significance and the need for data on soil moisture:**

• Soil moisture is crucial for agriculture since it directly affects crop growth and how much irrigation is required for the area. It is because crucial information needed for agriculture is not revealed only through rainfall data.

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• Soil moisture gives us more information on what is needed for crop growth in different parts of the country. Besides, timely soil moisture forecasts will help target interventions, in terms of seed varieties for better planning in agriculture.

**14. FISHERIES AND AQUACULTURE
INFRASTRUCTURE
DEVELOPMENT FUND (FIDF)**

- The Cabinet Committee on Economic Affairs chaired by the Prime Minister Shri Narendra Modi has given its approval for creation of special Fisheries and Aquaculture Infrastructure Development Fund (FIDF).
- The approval entails an estimated fund size of Rs.7,522 crore, comprising Rs.5,266.40 crore to be raised by the Nodal Loaning Entities (NLEs), Rs. 1,316.6 crore beneficiary's contribution and Rs.939.48 crore budgetary support from the Government of India.
- National Bank for Agriculture and Rural Development (NABARD), National Cooperatives Development Corporation (NCDC) and all scheduled Banks (hereinafter referred as Banks) shall be the nodal Loaning Entities.
- **Benefits- it helps in:**
 - Creation of fisheries infrastructure facilities both in marine and Inland fisheries sectors.
 - Employment opportunities to over 9.40 lakh fishers/fishermen/fisherfolk and other entrepreneurs in fishing and allied activities.
 - Attracting private investment in creation and management of fisheries infrastructure facilities.

- Adoption of new technologies.
- Augmenting fish production to achieve its target of 15 million tonne by 2020 set under the Blue Revolution; and achieving a sustainable growth of 8% -9% thereafter to reach the fish production to the level of about 20 MMT by 2022-23.

• Funds:

- FIDF would provide concessional finance to State Governments / UTs and State entities, cooperatives, individuals and entrepreneurs etc., for taking up of the identified investment activities of fisheries development.
- Under FIDF, loan lending will be over a period of five years from 2018-19 to 2022-23 and maximum repayment will be over a period of 12 years inclusive of moratorium of two years on repayment of principal.

15. KRISHI KUMBH-2018

- The government of Uttar Pradesh in association with the Government of India is organizing a mega Agriculture Expo called "Krishi Kumbh-2018".
- **About Krishi Kumbh- 2018:**
 - Krishi Kumbh-2018 would comprise of the National level exhibition, technical sessions around the theme of doubling farmers income, Business Meet, and host of other engaging activities.
 - The primary objective of Krishi Kumbh 2018 is to provide a common platform to farmers, farmers group, technical experts and entrepreneurs for seamless exchange of knowledge regarding agriculture production food processing and marketing, agriculture mechanization, agro-food processing, high value crops, input and technology management in agriculture etc.
- **Significance:**

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• As Uttar Pradesh is the state with the largest number of farm holdings and largest numbers of farmers, this event offers a great opportunity for showcasing their work to the stakeholders in this field.

o the event is planned to project the state's agriculture potential on one hand and provide a platform for interaction among stakeholders on the other hand.

o Participation of over one lakh farmers is expected in this mega event besides several ministers, senior Government officials and other Policy makers, international organizations, heads of banks and development institutions and captains of industries working in this vast area.

16. 11TH GLOBAL AGRICULTURE SUMMIT – 2018

- 11th Global Agriculture Leadership Summit & Awards were recently organised by Indian Council of Food and Agriculture (ICFA) with support of Ministry of Agriculture and Farmers' Welfare; Ministry of Food Processing Industries and Ministry of Commerce.

- **Outcomes of the 2018 summit:**

- 11th Global Leadership Awards were announced and the Agriculture Year Book 2018 was launched.
- Leveraging upon its past experiencing, ICFA has launched 1st World Agriculture Prize and MS Swaminathan Global Dialogue on Climate Change and Food Security to come up with blue print for sustained agriculture growth in changing face of climate and weather extremes.

- **Global Agriculture Summit:**

- Global Agriculture Summit is an annual event organized by Indian Council of Food and

Agriculture to discuss the broad scenario and trends in agriculture sector, trade, technology, investments and the need for appropriate policy initiatives on the part of the Government by bringing together eminent personalities of Indian and global agriculture on one platform.

• The summit aims to discuss the broad issues in agriculture and agribusiness, and measures to empower farmers and unleash the potential of India's agriculture sector by deliberating upon national and global challenges for farmers, agribusinesses and startups, the issue of employment and agriculture development and bring out a road map for the same.

- **About Global Leadership Awards:**

• ICFA had established the Agriculture Leadership Awards in 2008 to recognize the leadership roles played by individuals and institutions positively impacting the lives of farmers and rural masses.

- **Notable facts and winners:**

• Andhra Pradesh CM N. Chandrababu Naidu was awarded the Policy Leadership Award for his proactive policies for uplifting the farming community by focusing on irrigation, investment, global partnerships, marketing initiatives and zero budget natural farming.

• Best States in Various Fields: The best fisheries State Award was given Jharkhand for efforts in augmenting the production potential of the state in fisheries segment. Further, Bihar is Best Animal Husbandry State, Nagaland is best Horticultural state, Gujarat is Best Agriculture State and Haryana has been conferred with Program Leadership Award.

- **About ICAF:**

• Indian Council of Food and Agriculture is an apex think tank for addressing policy issues concerning farmers, food and agro industries.

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• ICFA is serving as global platform for trade facilitation, partnerships, technology, investments and agribusiness services.

17. INDIA AND BANGLADESH SIGN AGREEMENTS FOR ENHANCING INLAND AND COASTAL WATERWAYS CONNECTIVITY

- India and Bangladesh have signed several milestone agreements for enhancing inland and coastal waterways connectivity between the two countries for trade and cruise movements.
- These agreements will facilitate easier movement of goods and passengers between the two countries, giving an impetus to trade and tourism.
- **Key facts:**
 - The two countries have signed an agreement to use Chattogram and Mongla Ports in Bangladesh for movement of goods to and from India. A Standard Operating Procedure (SOP) has also been signed for movement of passenger and cruise services.
 - An addendum to 'Protocol on Inland Water Transit and Trade' (PIWTT) between India and Bangladesh has been signed for inclusion of Dhubri in India and Pangaon in Bangladesh as new Ports of Call.
 - The two sides have also agreed to consider inclusion of Rupnarayanriver (National Waterway-86) from Geonkhali to Kolaghat in the protocol route and to declare Kolaghat in West Bengal as new Port of Call.
 - Both sides agreed to declare Badarpur on river Barak (NW 16) as an Extended Port of Call of

Karimganj in Assam and Ghorasal of Ashuganj in Bangladesh on a reciprocal basis.

• Both sides have also agreed for development of Jogighopa as a hub/trans-shipment terminal for movement of cargo to Assam, Arunachal Pradesh, Nagaland and Bhutan and notifying Munsiganj River terminal by Bangladesh Customs for routing third party Exim cargo through Kolkata Port.

• **Benefits and significance:**

- The new arrangement will facilitate the movement of fly ash, cement, construction materials from India to Bangladesh through IWT on Rupnarayanriver.
 - o The North Eastern states would get connected to directly to the ports of Kolkata and Haldia in India and Mongla in Bangladesh through waterways which would facilitate movement EXIM cargo and would also reduce the logistic costs.
 - o the reconstruction and opening up of Jangipur navigational lock on river Bhagirathi subject to the provisions of the Treaty between India and Bangladesh on Sharing of Ganga Waters at Farakka, 1996. This move has the potential to reduce the distance to Assam by more than 450 kms on the protocol routes.

18. INDIA'S FIRST CONTAINER MOVEMENT ON INLAND WATERWAYS

- Inland Waterways Authority of India (IWAI) will transport container cargo belonging to the food and beverage giant PepsiCo (India) from Kolkata to Varanasi on river Ganga (National Waterway-1).
- **Significance:** This would be the country's first container movement

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on inland vessel post-independence.

- **Facts for Prelims:**

- PepsiCo (India) will move 16 containers – equivalent to 16 truckloads- filled with food and snacks in the vessel MV RN Tagore which will reach Varanasi in 9-10 days. MV RN Tagore will make its return journey with fertilizers belonging to IFFCO that will be procured from its Phulpur plant near Allahabad.

- The government is developing NW-1 (River Ganga) under Jal Marg Vikas Project (JMVP) from Haldia to Varanasi (1390 Km) with the technical and financial assistance of the World Bank at an estimated cost of Rs 5369 crore. The project would enable commercial navigation of vessels with capacity of 1500-2,000 DWT.

- States covered under NW-1: States: Uttar Pradesh, Bihar, Jharkhand, West Bengal.

- **Benefits of container movement on inland waterways:**

- Container cargo transport comes with several inherent advantages.

- Even as it reduces the handling cost, allows easier modal shift, reduces pilferages and damage, it also enables cargo owners to reduce their carbon footprints.

- **Know about IWAI:**

- Inland Waterways Authority of India (IWAI) is the statutory authority in charge of the waterways in India.

- Its headquarters is located in Noida, UP. It does the function of building the necessary infrastructure in these waterways, surveying the economic feasibility of new projects and also administration.

19. FIXED-TERM EMPLOYMENT RULES

- The Union Ministry of Labour has urged States to issue orders permitting fixed-term employment (FTE) across all industries.

- **Background**

- As per the Industrial Employment (Standing Order) Act 1946, Fixed-term employment was initially made available only to apparel manufacturing sector in 2016 and then to Footwear manufacturing sector in 2017 through amendments.

- Industrial Employment (Standing Orders) Central (Amendment) Rules, 2018 in March notification allowed all industries to hire workers on contract with a fixed tenure.

- But under the Industrial Employment Act, 1946, the central government can frame rules for industries belonging to the central sphere only i.e. for central PSUs and Private sector units in the civil aviation, banking and finance, telecommunications, insurance, ports, dock, and mines sectors only.

- Also, Labour is a Concurrent List subject and without a Parliamentary ratification, States are not really obliged to follow these orders.

- This created confusion in private sector firms which do not belong to central sphere and prevented them from taking the benefits of this reform.

- In order to plug this gap, the Central Government has asked the states to issue separate notifications for the same.

- **What is fixed term employment?**

- FTE is a contract in which a company hires an employee for a specific period of time.

- The employee is not on the payroll of the company.

- Their payment is fixed in advance and is not altered till the term expires.

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- Such contracts are given out for temporary jobs and not for routine jobs. It cannot be used to replace existing employees who are on a long leave.
- Such workers are entitled to all statutory benefits (work hours, wages etc.) available to a permanent worker in the same establishment. However, other benefits such as Provident Fund is not available to them.
- The employers can terminate the contract on certain grounds (fraud, non-performance, etc.) even before the due date. The temporary worker having completed 3 months in service shall get 2 weeks' notice before termination.

• Benefits of Fixed-Term Employment:

- Fixed wages and work conditions: The workers are ensured to have a fixed wage and work conditions from before. This provides them livelihood security for the given period.
- Accountability: The workers are entitled to have statutory benefits. Therefore, they gain greater sense of accountability from the principal employer.
- Forecast labour costs: The fixed term contract enables the business to forecast their labour costs. It also provides relief against protests related to salary hikes etc.
- Short term Employment shortage: During peak seasons, industries face shortage of workers. Fixed-term employment will help them to hire and remove workers according to their requirements without extra legislative burdens. FTEs are particularly useful in executing specific projects, such as in the infrastructure sector, apparel, footwear and sections of the media.
- Commercial Competitiveness: Due to in-built flexibility in hiring and firing the workers, the business will be able to safeguard its commercial

competitiveness through finding suitable employees.

- Work Environment: It will become better as workers working conditions would be better in terms of working hours, wages etc.
- Middle men: The role of middle men in providing labour will be minimised henceforth.
- Job Creation: FTE is expected to boost job creation, provided the cost of capital does not remain so low as to deter labour use.
- Labour Reform: It can be considered a major labour law reform and a positive step towards ease of doing business as it removes restriction on firing.

• Criticism against the move

- Hire-and-fire: All central trade unions are protesting against the government's policy of hire-and-fire. Trade unions will go unrecognised by the move.
- Removal of Safety nets: The government has enabled the employers to sidestep even the minimum protection offered by the Factories Act 1948, Industrial Disputes Act 1947 and Contract Labour (Regulation and Abolition) Act 1970.
- Undermines Job Regularisation: Collective bargaining talks for wage increase will not be possible. Business will have no incentive to regularise the jobs.
- Against the earlier judgments of Supreme court: The courts have allowed FTE only in seasonal activities. The Supreme Court has ruled earlier that a fixed-term contract worker who had worked for 7 years should be regularised.
- Industries will be converted into Sweatshops: The major reason of conflict of workers with management (e.g. in Maruti-Suzuki incident) is common issues of non-recognition of trade unions, temporary workers far outnumbering

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regular workers and paying them very low wages. The move will encourage the same.

- **What needs to be done?**

- The FTE conditions need to be defined clearly to make them acceptable to both employers and employees.

- o the present rules are silent about the minimum or maximum term of an FTE and the maximum permissible number of consecutive FTEs.

- o In China, a worker employed without an FTE for a year is deemed to be on an open-ended contract. She is considered a permanent employee after two successive renewals.

- The norms should be arrived at in a transparent, consensual manner. Labour reforms will not be politically acceptable in the absence of a better social safety net.

- Countries with flexible labour markets have superior and state-funded health and education facilities.

- Since labour comes under Concurrent list, a suitable and well discussed legislation for FTE should come through Parliament.

20. NATIONAL COUNCIL FOR VOCATIONAL EDUCATION & TRAINING

- The Cabinet approved the merger of National Council of Vocational Training (NCVT) and National Skill Development Agency (NSDA) into National Council for Vocational Education and Training (NCVET) for improving the outcome of the Skill India mission.

- **About NCVET**

- It will regulate functions of entities engaged in vocational education and training and establish minimum standards for functions of such entities.

- The various functions of NCVET includes
 - o Recognition and regulation of awarding bodies, assessment bodies and skill related information providers.
 - o Approval of qualifications developed by awarding bodies and Sector Skill Councils (SSCs).
 - o Indirect regulation of vocational training institutes through awarding bodies and assessment agencies.
 - o Research and information dissemination.
 - o Grievance redressal.

- **Benefits**

- This institutional reform will lead to improvement in quality and market relevance of skill development programs lending credibility to vocational education and training encouraging greater private investment and employer participation in the skills space.

- This in turn will help achieve the twin objectives of enhancing aspirational value of vocational education and of increasing skilled manpower furthering the Prime Minister's agenda of making India the skill capital of the world.

- This is also expected to facilitate the ease of doing business by providing a steady supply of skilled workforce to the industry and services.

21. RURAL HAATS IN GRAM SCHEME

- The Centre has identified 1,878 rural haats for modernisation and development of infrastructure through MGNREGA till March 2019 under Gramin Agriculture Markets (GrAM) programme in the first phase.

- **More on News**

- In total, infrastructure in around 22,000 rural haats is to be upgraded and modernised with a

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corpus of almost Rs 20 billion spread over 2-3 years.

- Of this in the first phase, Centre has identified around 1,878 rural haats, which includes, the maximum around 564 haats in Andhra Pradesh, followed by 188 in Gujarat, 186 in Rajasthan, 182 in Tamil Nadu and 176 in Telangana.

- **Rural Haats Existing in the Country**

- Ownership: These are owned by Local Bodies (Panchayats/councils), Agricultural/ Horticultural Departments of State Governments, Cooperatives, Marketing Boards/APMCs and Private Sector.

- Quantity: As per information provided by State Agricultural Marketing Boards/State Governments, there are 22941 Rural Haats
 - o Under local Bodies including Councils- 11811
 - o Under Marketing Board/APMCs- 1274
 - o Under Private sector (Trust, individuals, etc.)- 9856

- However, State Marketing Boards provided only numbers without other information like location, etc. on village haats under local bodies and under private sector.

- **Functioning of Rural Markets**

- The rural markets which are multi commodity in nature are first contact point of market where farmer – producers sell their surplus to local consumers.

- In some of these markets' livestock is also assembled for sale in bigger markets. Also, non-farm products for daily needs are sold.

- In Rural Markets, trade is characterized by direct sales of small quantities of produce by producers to village traders and by retail sales to rural consumers.

- Besides goods, that are not produced locally, are brought by smaller; occasional traders to retail to local population.

- **Why Upgrade Rural Markets into GrAMs?**

- As per the recommendations of Ashok Dalwai Report on doubling farmers' income, the rural periodic markets need to be upgraded into a function that enables aggregation and transportation from village level to wholesale market.

- It has been advised to build on the available infrastructure to establish large number of primary rural agricultural markets to provide the following two services:

- o Direct marketing between producers and consumers

- o Aggregation platforms for the small lots of farmers

- These markets, through their interconnections, are a farmer's main connection point with the inter and intra-regional marketing system. Under GrAMs, infrastructure and business linkages with markets will get a boost. This will also ensure participation of small and marginal farmers to markets especially eNAM.

- Lower Prices: The ruling prices in these primary markets are invariably much lower. Price variations are attributed to lack of infrastructure such as storage, transport, etc.

- Due to lack of infrastructure, many times the farmer is forced to sell at harvest time, at low prices, only to buy back in off season at higher prices.

- There is an increasing awareness amongst the rural population about advantages of selling their produce at market points to secure competitive prices.

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• **Rising Production:** Awareness, coupled with increase in Agricultural & Horticultural production, will generate larger arrivals in Rural Markets. Handling of larger turnovers will necessitate providing appropriate infrastructure facilities at these markets.

• **Issues in developing GrAMs:**

• **Parallel Acts:** The issue in developing Rural periodic markets are the parallel acts i.e. which administer the ownership and operation of these markets. For example- multiplicity of regulatory Acts- Agricultural Produce market act 1972, Panchayat Act and Municipal Act etc. acting in parallel has resulted in absence of unidirectional development.

• **Role of Private sector:** The upgradation of rural markets will require greater role of public and private sector in providing enabling environment for growth, enhancing market facilities and market information. A PPP model for developing these markets needs to be developed.

• **Capacity building and awareness creation:** Capacity building and awareness building of farmers and traders about marketing is required to be in place. Empowering farmers with information, services and linkages through training will help in bringing the desired change in rural markets faster.

• **Gramin Agricultural Markets (GrAMs)-Budget 2018-19 Announcement**

• Develop and upgrade existing 22,000 rural haats into Gramin Agricultural Markets (GrAMs).

• Physical infrastructure to be strengthened using MGNREGS and other Government Schemes.

• PMGSY (Phase-III) to be used for strengthening road linkages from habitations to GrAMs.

• Setting up of Agri-Market Infrastructure Fund with a corpus of Rs. 2000 crore to

✓ Develop and upgrade agricultural marketing infrastructure in 22,000 GrAMs

✓ Strengthening 585 APMC market

• GrAMs to be linked to e-NAM.

• GrAMs to be outside the APMC Act regulation.

22. INSURANCE SECTOR IN INDIA

• India's insurance gap widens despite deeper penetration according to report "A world at risk- Closing the insurance gap" by Lloyd's of London.

• **Insurance Sector in India**

• The Indian Insurance Sector is basically divided into two categories – Life Insurance and Non-life Insurance.

• Both the Life Insurance and the Non-life Insurance is governed by the IRDAI (Insurance Regulatory and Development Authority of India).

• Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. Apart from that, among the non-life insurers there are six public sector insurers. The Non-life Insurance sector is also termed as General Insurance.

• In India, the insurance gap has widened from \$19.7 billion in 2012 to \$27 billion in 2018, even though non-life insurance penetration has improved marginally from 0.7 per cent of Gross Domestic Product (GDP) in 2012 to 0.9 per cent as of 2018.

• The Indian insurance market is a huge business opportunity. India currently accounts for less than 1.5 per cent of the world's total insurance premiums and about 2 per cent of the world's life insurance premiums despite being the second most populous nation.

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• India's life insurance sector is the biggest in the world with about 360 million policies which are expected to increase at a Compound Annual Growth Rate (CAGR) of 12-15 per cent over the next five years. The insurance industry plans to hike penetration levels to five per cent by 2020.

• India had also increased FDI limit to 49 per cent from 26 per cent in insurance sector to increase the investments in insurance.

• **Role of Insurance**

• Provide safety and security: Insurance provide financial support and reduce uncertainties in business and human life.

• Generates financial resources: It generate funds by collecting premium which are further invested in government securities and stock. It also helps in providing Employment opportunities leading to capital formation.

• Promotes economic growth: It generates significant impact on the economy by mobilizing domestic savings. It provides capital into productive investments especially for long-term investment needs. It enables to mitigate loss, financial stability and promotes trade and commerce activities those results into economic growth and development.

• Spread of financial services in rural areas: IRDA Regulations provide certain minimum business to be done in rural areas, in the socially weaker sections.

• Spreading of risk: Insurance facilitates spreading of risk from the insured to the insurer. A large number of persons get insurance policies and pay premium to the insurer. Whenever a loss occurs, it is compensated out of funds of the insurer.

Challenges in Insurance Sector

• Low Awareness: A huge part of Indian population does not use health insurance to finance their medical expenditures. A large

majority of people in India believe that health insurance is not a worthy investment and therefore, avoid buying such insurance products.

• Poor Distribution: Distribution outside large cities is poor. There are large parts of the country where access to general insurance is limited. The reason insurers and distributors do not build a presence in small towns is that it is unviable.

• Fewer product innovations: While many essential products to mitigate risk are available, there are gaps in the insurance product portfolio that leaves large risks uninsured.

• Pricing: Insurers have been focusing on growing sales even if that creates a distortion in pricing for individuals.

• Perception by influencers: Another major challenge is posed by the media and influencers. Often, the life insurance industry is portrayed in a negative manner and hence the consumers become skeptical of the life insurance industry. The result is that, they may not purchase life insurance, even though a legitimate need exists.

• **Way forward**

• Promote Awareness: It is necessary to promote more awareness among public about benefits of insurance. It can be raised through videos, social media, ads, organizing campaigns etc.

• Multiple Channels of Distribution: This is a key determinant of success for companies which creates larger database. Linking insurance with allied finance products like housing loan, mutual fund investment in companies, banks credit cards etc. are the new channels for life insurance.

• Huge Untapped Market: Middle class people are having more awareness than the lower class and high-class people. The demographics and macro-economic factors in India are diverse and insurance systems have to be aligned to other

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programmes in the country in order to target every section.

- **Better regulation:** Regulatory policies can be made to ensure that insurance companies focus more on insurance targets than profitability.
- **Use of Technology:** Stakeholders will have to leverage Internet and other technology options to provide single window service so as to cross-sell and retain customers. It will also be easier and cheaper for them to process requests, claims settlement process, complaints and payments online.

• Govt's Initiatives for Insurance

• **National Health Protection Scheme launched under Ayushman Bharat** to provide coverage of up to Rs 500,000 to more than 100 million vulnerable families for secondary and tertiary care hospitalization.

• **Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)** and **Pradhan Mantri Suraksha Bima Yojana (PMSBY)** to cover all poor households will bring the security of insurance benefits to the marginalised sections, giving basic economic protection in cases of death or injury through accidents of a family member.

• **Prime Minister Jan Dhan Yojana (PMJDY)** proposes to bring 60-crore basic accounts within its fold and providing services of micro insurance and unorganised sector pension schemes through these accounts, which will further bolster the economic security of lower income groups.

• **Pradhan Mantri Fasal Bima Yojana (PMFBY)** provides crop insurance to farmers against any losses to their crops.

• **Insurance gap:** It is a measure of the total value of assets divided by the value of assets that are protected by an insurance cover.

• **Insurance penetration:** It is the ratio of the total premium underwritten in a particular year to the

GDP of the country or industry. It was 3.49% in 2016-17.

• **'Penetration'** states the value of total premiums in relation to GDP, while 'Gap' measures the total cost not covered by

• Insurance Regulatory and Development Authority (IRDA)

- Established in 1999 under the IRDA Act
- Responsible for regulating, promoting and ensuring orderly growth of the insurance and re-insurance business in India.

23. NOBEL PRIZE IN ECONOMICS

- American economists William Nordhaus and Paul Romer have been awarded the Nobel Prize for their work on understanding how economies can grow sustainably, by integrating innovation and climate with economic growth.

• What is unique about this year's Nobel Prize winners?

This year's Nobel Prizes have been awarded to Economic theories with direct political and practical implications. Both the Laureates life work goes against the traditional model of growth and development. e.g. Growth model of Nobel Laureate Robert Solow which provides a relationship between growth of workforce and capital with long term economic growth.

Nobel Winners' Work

• William Nordhaus

- Nordhaus believes that climate change can be addressed by ensuring correct pricing of polluting resources like fuel through government interventions e.g. higher taxes on petrol, diesel.
- His models that integrated population growth, fossil fuel use, income growth, and global warming became the basis for most calculations of

the costs and benefits of various anti-global warming interventions.

- First person to create an “integrated assessment model”, a quantitative model that describes the interplay between economy and climate.
- Putting a price on carbon is the main tool for alleviating climate change.

- **Paul Romer**

- Technological innovation and skilling of workforce are the real sources of sustainable growth.
- Proposes the “endogenous growth model” where technological progress is seen as the outgrowth of businesses and other entities investing in research and development.
- A market led economy may undersupply technological innovations
- He recommended the use of subsidies, patents and other forms of government intervention to encourage economic growth through increased investment in technology.

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Hope this material will help you.

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