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Economics –PT Shots (SEPTEMBER-2018)

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

SEPTEMBER 2018

1. PUBLIC CREDIT REGISTRY

- Recently, RBI Deputy Governor Viral Acharya made a case for setting up a Public Credit Registry (PCR), incorporating unique identifiers: Aadhaar for individual borrowers and Corporate Identification Number for firms.
- **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.

- 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.

2. DEBTS RECOVERY TRIBUNALS

- The central government has raised the pecuniary limit from Rs 10 lakh to Rs 20 lakh for filing application for recovery of debts in the Debts Recovery Tribunals by such banks and financial institutions.
- **Implications**:

• The move is aimed at helping reduce pendency of cases in the 39 DRTs in the country.

• As a result, no bank or financial institution or a consortium of banks or financial institutions can approach the DRTs if the amount due is less than Rs 20 lakh.

- **What are DRTs?**

• Debt Recovery Tribunals were established to facilitate the debt recovery involving banks and other financial institutions with their customers. DRTs were set up after the passing of Recovery of Debts due to Banks and Financial Institutions Act (RDBBFI), 1993. ➢ Section 3 of the RDDBFI Act empowers the Central government to establish DRTs. ➢ Appeals against orders passed by DRTs lie before Debts Recovery Appellate Tribunal (DRAT).

- **Powers and functions:**

• The Debts Recovery Tribunal (DRT) enforces provisions of the Recovery of Debts Due to Banks and Financial Institutions (RDDBFI) Act, 1993 and also Securitization and Reconstruction of Financial Assets and Enforcement of Security Interests (SARFAESI) Act, 2002.

• The Debts Recovery Tribunal (DRT) are fully empowered to pass comprehensive orders and can travel beyond the Civil procedure Code to render complete justice. A Debts Recovery Tribunal (DRT) can hear cross suits, counter claims and allow set offs.

• However, a Debts Recovery Tribunal (DRT) cannot hear claims of damages or deficiency of services or breach of contract or criminal negligence on the part of the lenders. In addition, a Debts Recovery Tribunal (DRT) cannot express an opinion beyond its domain, or the list pending before it.

• The Debts Recovery Tribunal can appoint Receivers, Commissioners, pass ex-parte orders, ad-interim orders, interim orders apart from powers to Review its own decisions and hear appeals against orders passed by the Recovery Officers of the Tribunal.

- **Other key facts:**

• A DRT is presided over by a presiding officer who is appointed by the central govt. and who shall be qualified to be a District Judge; with tenure of 5 years or the age of 62, whichever is earlier.

• No court in the country other than the SC and the HCs and that too, only under articles 226 and 227 of the Constitution have jurisdiction over this matter.

3. **GOVT PROPOSES TO MERGE DENA BANK, VIJAYA BANK AND BANK OF BARODA**

- The Centre has proposed the amalgamation of state-owned Bank of Baroda, Dena Bank and Vijaya Bank to create India's third largest bank as parts of reforms in the public sector banking segment.
- The proposal will now need the approval of the boards of these individual banks. The banks' boards will shortly meet and take up the decision.
- Background:

• The merger of these three state-owned banks is a part of the government's agenda of consolidation of public sector banks. The consolidation was proposed by the Alternative Mechanism.

• The Union Cabinet in August 2017 approved amalgamation of Public Sector Banks through Alternative Mechanism (AM) with an aim to facilitate consolidation among the Nationalised Banks to create strong and competitive banks.

- **Why merger is good?**

• The merger benefits include getting economies of scale and reduction in the cost of doing business.

• Technical inefficiency is one of the main factors responsible for banking crisis. The scale of inefficiency is more in case of small banks. Hence, merger would be good.

• Mergers help small banks to gear up to international standards with innovative products and services with the accepted level of efficiency.

• Mergers help many PSBs, which are geographically concentrated, to expand their coverage beyond their outreach.

• A better and optimum size of the organization would help PSBs offer more and more products and services and help in integrated growth of the sector.

• The size of each business entity after merger is expected to add strength to the Indian Banking System in general and Public Sector Banks in particular.

• This will also end the unhealthy and intense competition going on even among public sector banks as of now. In the global market, the Indian banks will gain greater recognition and higher rating.

• The volume of inter-bank transactions will come down, resulting in saving of considerable time in clearing and reconciliation of accounts.

• The burden on the central government to recapitalize the public sector banks again and again will come down substantially. This will also help in meeting more stringent norms under BASEL III, especially capital adequacy ratio.

• A great number of posts of CMD, ED, GM and Zonal Managers will be abolished, resulting in savings of crores of Rupee. This will also reduce unnecessary interference by board members in day to day affairs of the banks.

• After mergers, bargaining strength of bank staff will become more and visible. Bank staff may look forward to better wages and service conditions in future. The wide disparities between the staff of various banks in their service conditions and monetary benefits will narrow down.

• Customers will have access to fewer banks offering them wider range of products at a lower cost. From regulatory perspective, monitoring and control of less number of banks will be easier after mergers. This is at the macro level.

- **Concerns associated with merger:**

• Immediate negative impact would be from pension liability provisions (due to different employee benefit structures) and harmonisation of accounting policies for bad loans recognition.
• There are many problems to adjust top leadership in institutions and the unions.
• Mergers will result in shifting/closure of many ATMs, Branches and controlling offices, as it is not prudent and economical to keep so many banks concentrated in several pockets, notably in urban and metropolitan centres.
• Mergers will result in immediate job losses on account of large number of people taking VRS on one side and slow down or stoppage of further recruitment on the other. This will worsen the unemployment situation further and may create law and order problems and social disturbances.
• The weaknesses of the small banks may get transferred to the bigger bank also. New power centres will emerge in the changed environment. Mergers will result in clash of different organizational cultures. Conflicts will arise in the area of systems and processes too.
• When a big bank books huge loss or crumbles, there will be a big jolt in the entire banking industry. Its repercussions will be felt everywhere.
• Also, India right now needs more banking competition rather than more banking consolidation. In other words, it needs more banks rather than fewer banks. This does not mean that there should be a fetish about small scale lending operations, but to know that large banks are not necessarily better banks.

4. NATIONAL MISSION ON GEM

- The government has launched the National Mission on Government eMarketplace (GeM) for increasing awareness and accelerating the use of (GeM).

- **Highlights of the mission**:

• The National Mission will cover all central government departments, states and public sector undertakings in a mission mode.
• It is aimed at creating awareness about GeM, train the buyers and sellers, get them registered in GeM and increase the procurement through GeM.
• It also aims to promote inclusiveness by empowering various categories of sellers and service providers such as MSMEs, start-ups, domestic manufacturers, women entrepreneurs, and Self-Help Groups.
• It will also Highlight and communicate the value addition via transparency and efficiency in public procurement, including corruption-free governance in sync with the Central Government's objective of 'Minimum Government, Maximum Governance'.
• The mission also aims to give a boost to cashless, contactless, paperless transactions in line with Digital India objectives.

- **About GeM:**

• It is an online marketplace to facilitate procurement of goods and services by various Ministries and agencies of the Government.
• The platform offers online, end to end solution for procurement of commonly used goods and services for all central government departments and state governments, public sector units and affiliated bodies.
• It aims to enhance transparency, efficiency and speed in public procurement of goods and services and eliminate corruption.

- **Performance**:

• The e-marketplace completed two years in 2018 and on August 26, 2018, it crossed Rs 10,800 crore in terms of value and 6.96 lakh in terms of volume of transactions through the platform. The platform has more than 1.35 lakh sellers offering 4.43 lakh products and around 26,500 organisations as buyers.

5. INDIA POST PAYMENTS BANK

- India Post Payments Bank (IPPB) has been launched. It will focus on providing banking and financial services to people in rural areas, by leveraging the reach of 1.55 lakh post office branches. The government aims to link all the 1.55 lakh post offices to the India Post Payments Bank system by 31 December, 2018.
- **Background**:

• In 2015, RBI had granted 'in-principle' approval to 11 entities, including Department of Posts, to set up payments banks and proposed to give such licences 'on tap' basis in future.

- **What is IPPB?**

• The India Post Payments Bank (IPPB) is a public sector company under the department of posts and ministry of communication with a 100 per cent equity of the government of India, and governed by the Reserve Bank of India (RBI).

- **Key facts:**

• It started operations on 30 January, 2017, by opening two pilot branches, one at Raipur and the other at Ranchi.

• India Post Payments Bank will offer 4 per cent interest rate on savings accounts.

• India Post Payments Bank will offer a range of products such as savings and current accounts, money transfer, direct benefit transfers, bill and utility payments, and enterprise and merchant payments.

• India Post Payments Bank has been allowed to link around 17 crores postal savings bank (PSB) accounts with its accounts.

- **What are payment banks?**

• Payment banks are non-full-service banks, whose main objective is to accelerate financial inclusion. These banks have to use the word 'Payment Bank' in its name which will differentiate it from other banks.

- **Key facts**:

• Capital requirement: The minimum paid-up equity capital for payments banks is Rs. 100 crores.

• Leverage ratio: The payments bank should have a leverage ratio of not less than 3%, i.e., its outside liabilities should not exceed 33.33 times its net worth (paid-up capital and reserves).

• Promoter's contribution: The promoter's minimum initial contribution to the paid-up equity capital of such payments bank shall at least be 40% for the first five years from the commencement of its business.

• Foreign shareholding: The foreign shareholding in the payments bank would be as per the Foreign Direct Investment (FDI) policy for private sector banks as amended from time to time.

• SLR: Apart from amounts maintained as Cash Reserve Ratio (CRR) with the Reserve Bank on its outside demand and time liabilities, it will be required to invest minimum 75% of its "demand deposit balances" in Statutory Liquidity Ratio(SLR) eligible Government securities/treasury bills with maturity up to one year and hold maximum 25% in current and time/fixed deposits with other scheduled commercial banks for operational purposes and liquidity management.

- **What are the scopes of activities of Payment Banks?**

• Payments banks will mainly deal in remittance services and accept deposits of up to Rs 1 lakh.
• They will not lend to customers and will have to deploy their funds in government papers and bank deposits.
• The promoter's minimum initial contribution to equity capital will have to be at least 40% for the first five years.
• They can accept demand deposits.
• Payments bank will initially be restricted to holding a maximum balance of Rs. 100,000 per individual customer.
• They can issue ATM/debit cards but not credit cards.
• They can carry out payments and remittance services through various channels.
• Distribution of non-risk sharing simple financial products like mutual fund units and insurance products, etc. is allowed.

6. **OMBUDSMAN SCHEME**

- The Reserve Bank of India has tightened the banking ombudsman scheme with the objective to strengthen the grievance redressal mechanism for customers.
- **New guidelines:**

• The banking regulator has asked all commercial banks having 10 or more banking outlets to have an independent internal ombudsman (IO) to review customer complaints that are either partly or fully rejected by the banks.
• The IO shall, inter alia, examine customer complaints which are in the nature of deficiency in service on the part of the bank, that are partly or wholly rejected by the bank.
• As banks should internally escalate complaints that are not fully redressed to their respective IOs before conveying the final decision to the complainant, customers need not approach the IO directly.

- **Internal Ombudsman Scheme:**

• The Internal Ombudsman Scheme of 2018 mandates banks to grant a fixed term of three to five years, which cannot be renewed, to the IO.
• The IO can be removed only with prior approval from RBI. The remuneration would have to be decided by the customer sub-committee of the board and not by any individual.
• The Ombudsman Scheme of 2018 covers appointment/tenure, roles and responsibilities, procedural guidelines and oversight mechanism for the IO, among others.
• The implementation of IO Scheme 2018 will be monitored by the bank's internal audit mechanism apart from regulatory oversight by RBI.

- **Who is a Banking Ombudsman?**

• Banking ombudsman is a quasi-judicial authority, created to resolve customer complaints against banks relating to certain services provided by them.
• The Ombudsman is a senior official, who has been appointed by the Reserve Bank of India to address grievances and complaints from customers, pertaining deficiencies in banking services.
• It covers all kinds of banks including public sector banks, Private banks, Rural banks as well as co-operative banks.

7. **PRADHAN MANTRI JAN DHAN YOJANA**

- The Union Government has decided to make the Pradhan Mantri Jan Dhan Yojana (PMJDY) an open-ended scheme and added more incentives to encourage people to open bank accounts.

- Under the new incentives:

• The overdraft limit for account holders has now been doubled to Rs 10000.
• The free accident insurance cover for those opening Jan Dhan accounts after August 28 too has been doubled to Rs 2 lakh.
• There will be no conditions attached for over-draft of up to Rs 2,000.
• The upper age limit for availing the facility has also been hiked to 65 from the earlier 60 years.

- **About PMJDY:**

• The primary aim of this scheme is to provide poor people access to bank accounts.
• The scheme covers both urban and rural areas of India. All bank accounts will be linked to a debit card which would be issued under the Ru-Pay scheme. Rupay is India's own unique domestic card network owned by National Payments Corporation of India and has been created as an alternative to Visa and Mastercard.
• Under the first phase of this scheme, every individual who opens a bank account becomes eligible to receive an accident insurance cover of up-to Rs 1 Lakh for his entire family.
• Life Insurance coverage is also available under PMJDY. Only one person in the family will be covered and in case of the person having multiple cards/accounts, the benefit will be allowed only under one card i.e. one person per family will get a single cover of Rs 30,000.
• The scheme also provides incentives to business and banking correspondents who serve as link for the last mile between savings account holders and the bank by fixing a minimum monthly remuneration of Rs 5000.

8. TOTAL EXPENSE RATIO

- Securities and Exchange Board of India (SEBI) has announced changes to total expense ratio (TER) of mutual funds.
- **What is total expense ratio and why is it important for investing in mutual funds**?

• Mutual funds are investments where an investor entrusts his/her money with an investment manager (of an asset management company) to manage the money smartly and efficiently. This money management comes at a cost, which is usually charged as a percentage of the investment. The official regulator of mutual funds has laid down rules on how much an asset management company can charge an investor to manage their funds. For an investor this is important because it is a charge (called total expense ratio or TER in short) levied on their investment, and the money they get back from their investment is reduced by this figure.
• So, for an investor, TER is an important number to focus on since it has a direct impact on their returns. However, it is not the only number to look at and investors should evaluate funds based on various parameters such as consistency of performance and risk levels.

- **What are the changes made by SEBI now to TER?**

• SEBI has, across the board, lowered the TER that a fund house can charge its investors. The reduction is higher for larger funds and lower for smaller funds — larger and smaller being a measure of how much money a fund manages.

9. FINANCIAL INCLUSION INDEX

- Financial Inclusion Index has been launched.
- Financial Inclusion Index:

• Department of Financial Services (DFS), Ministry of Finance will release an Annual

Financial Inclusion Index (FII). The single composite index gives a snap shot of level of financial inclusion that would guide Macro Policy perspective.

• The index will be a measure of access and usage of a basket of formal financial products and services that includes savings, remittances, credit, insurance and pension products.

• The index will have three measurement dimensions:

1. Access to financial services.
2. Usage of financial services.
3. Quality.

- **Utility of the Index:**

• The various components of the index will help to measure financial services for use of internal policy making.

• Financial Inclusion Index can be used directly as a composite measure in development indicators.

• It enables fulfillment of G20 Financial Inclusion Indicators requirements.

• It will also facilitate researchers to study the impact of financial inclusion and other macro-economic variables.

10. PSBLOANSIN59MINUTES.COM

- Finance and Corporate Affairs Ministry has launched a web portal which is a transformative initiative in MSME credit space. The web portal psbloansin59minutes.com will enable in principle approval for MSME loans up to Rs. 1 crore within 59 minutes from SIDBI and 5 Public Sector Banks (PSBs).
- **About the Portal "PSBLoansin59min":**

• It is one of its kind platforms in MSME segment which integrates advanced fintech to ensure seamless loan approval and management. The loans are undertaken without human intervention till sanction and or disbursement stage.

• The Portal sets a new benchmark in loan processing and reduces the turnaround time from 20-25 days to 59 minutes. Subsequent to this in principle approval, the loan will be disbursed in 7-8 working days.

• The solution uses sophisticated algorithms to read and analyse data points from various sources such as IT returns, GST data, bank statements, MCA21 etc. in less than an hour while capturing the applicant's basic details.

• The system simplifies the decision-making process for a loan officer as the final output provides a summary of credit, valuation and verification on a user-friendly dashboard in real time.

11. MOBILE APPLICATION "JAN DHAN DARSHAK"

- Department of Financial Services (DFS), Ministry of Finance and National Informatics Centre (NIC) has jointly developed a mobile app called Jan Dhan Darshak as a part of financial inclusion (FI) initiative.
- **About Jan Dhan Darshak app:**

• As the name suggests, this app will act as a guide for the common people in locating a financial service touch point at a given location in the country.

• The app will be in a unique position to provide a citizen centric platform for locating financial service touch points across all providers such as banks, post office, CSC, etc. These services could be availed as per the needs and convenience of the common people.

- **Some of the salient features of this App are as follows:**

• Find nearby Financial touch points, based on current location (Branches/ATM/Post offices).
• Search by place name.
• Search by place name also available with Voice Interface.
• Phone number of bank branches available in app, with the facility of call button for integrated dialing.
• Users' feedback will go directly to the concerned bank for carrying out the necessary updation in data on financial touch points

12. POLICY ON 'JHUM' CULTIVATION

- A recent NITI Aayog report has recommended that the Ministry of Agriculture should take up a "mission on jhum cultivation" to ensure inter-ministerial convergence.
- **Need of the hour:**

• Various authorities often have divergent approaches towards shifting cultivation. This creates confusion among grass-roots level workers and jhum farmers said the report.
• Therefore, shifting cultivation fallows must be legally perceived and categorised as 'regenerating fallows' and credit facilities must be extended to those who practise shifting cultivation.
• Land for shifting cultivation should be recognised as "agricultural land" where farmers practise agro-forestry for the production of food rather than as forestland.

- **What is Jhum cultivation?**

• Jhum cultivation, also known as the slash and burn agriculture, is the process of growing crops by first clearing the land of trees and vegetation and burning them thereafter. The burnt soil contains potash which increases the nutrient content of the soil.
• This practice is considered as an important mainstay of food production for a considerable population in North-East India.

- **Issues with Jhum Cultivation:**

• The report notes that between 2000 and 2010, the land under shifting cultivation dropped by 70 %. People are returning to fallow land left after shifting in a shorter span.
• Earlier the cultivators returned to fallows after 10-12 years, now they are returning in three to five years which has impacted on the quality of the soil.

13. TECHNOLOGY INITIATIVES FOR COFFEE STAKEHOLDERS

- The government has launched Coffee Connect – India coffee field force app and Coffee Krishi Tharanga – digital mobile extension services for coffee stakeholders.
- **Coffee Connect:**

• The mobile app Coffee Connect has been developed to ease the work of field functionaries and to improve the work efficiency.
➢ This application provides solution by harnessing the power of mobility comprising the latest technology in easing the whole process of the field. This includes activities like digitization of Coffee Growers & Estates with Geo Tagging, collecting the Plantation details.
➢ It will also help in transparency in the activities of the extension officers and officials, transparency in subsidy disbursement and real time report generation.

- **Coffee Krishi Tharanga:**

• The Coffee Krishi Tharanga services are aimed at providing customized information and services to increase productivity, profitability, and environmental sustainability. NABARD has partly funded the Pilot project.

• The solution will help in to reach maximum growers in limited period, efficient, timely, customised advisory, improve the efficiency through digitization and leverage existing mobile reach for wider delivery of improved technology.

- **Coffee cultivation in India:**

• Coffee is cultivated in India in about 4.54 lakh hectares by 3.66 lakh coffee farmers and 98% of them are small farmers. Its cultivation is mainly confined to Karnataka (54%), Kerala (19%) and Tamil Nadu (8%) which form traditional coffee tracts.

➢ Indian coffee, grown mostly in southern states under monsoon rainfall conditions, is also termed as "Indian monsooned coffee".

➢ The two well-known species of coffee grown are the Arabica and Robusta. The first variety that was introduced in the Baba Budan Giri hill ranges of Karnataka in the 17th century was marketed over the years under the brand names of Kent and S.795.

- **Coffee Board of India:**

• The Coffee Board of India is an organisation managed by the Ministry of Commerce and Industry of the government of India to promote coffee production in India.

➢ It was established by an act of Parliament in 1942.

➢ Its duties included the promotion of the sale and consumption of coffee in India and abroad, conducting coffee research, financial assistance to establish small coffee growers, safeguarding working conditions for laborers, and managing the surplus pool of unsold coffee.

14. PRADHAN MANTRI FASAL BIMA YOJNA (PMFBY)

- Government has modified operational guidelines for Pradhan Mantri Fasal Bima Yojna (PMFBY). The new operational guidelines come at the onset of the Rabi season, which starts from 1st of October.
- **Modified guidelines:**

• Provision of penalties for States and Insurance Companies for the delay in settlement of insurance claims has been incorporated.

• There is a Standard Operating Procedure for evaluation of insurance companies and remove them from the scheme if found ineffective in providing services.

• The Government has also decided to include perennial horticultural crops under the ambit of PMFBY on a pilot basis.

• The scheme, as per the new operational guidelines provides add on coverage for crop loss due to attack of wild animals, which will be implemented on a pilot basis.

• Aadhaar number will be mandatorily captured to avoid duplication of beneficiaries.

• The insurance companies are given a target of enrolling 10% more non-loanee farmers than the previous corresponding season. • The insurance companies will have to mandatorily spend 0.5% of gross premium per company per season for publicity and awareness of the scheme.

- **Significance**:

• The new operational guidelines address the current challenges faced while implementing the scheme by putting forth effective solutions. The much-demanded rationalization of premium release process has been incorporated in the new guidelines. As per this, the insurance companies need not provide any projections for the advance subsidy.

- **About PMFBY:**

• In April, 2016, the government of India had launched Pradhan Mantri Fasal Bima Yojana (PMFBY) after rolling back the earlier insurance schemes viz. National Agriculture Insurance Scheme (NAIS), Weather-based Crop Insurance scheme and Modified National Agricultural Insurance Scheme (MNAIS).

• Premium: It envisages a uniform premium of only 2% to be paid by farmers for Kharif crops, and 1.5% for Rabi crops. The premium for annual commercial and horticultural crops will be 5%. • The scheme is mandatory for farmers who have taken institutional loans from banks. It's optional for farmers who have not taken institutional credit.

- **Objectives**:

• Providing financial support to farmers suffering crop loss/damage arising out of unforeseen events.

• Stabilizing the income of farmers to ensure their continuance in farming.

• Encouraging farmers to adopt innovative and modern agricultural practices.

• Ensuring flow of credit to the agriculture sector which contributes to food security, crop diversification and enhancing growth and competitiveness of agriculture sector besides protecting farmers from production risks.

15. <u>SUSTAINABLE ALTERNATIVE TOWARDS AFFORDABLE TRANSPORTATION (SATAT) INITIATIVE</u>

- The government has launched Sustainable Alternative Towards Affordable Transportation (SATAT) Initiative to set up Compressed Bio-Gas (CBG) production plants and make available CBG in the market for use in automotive fuels.

- **About the initiative**:

• The initiative is aimed at providing a Sustainable Alternative Towards Affordable Transportation (SATAT) as a developmental effort that would benefit both vehicle-users as well as farmers and entrepreneurs.

• Compressed Bio-Gas plants are proposed to be set up mainly through independent entrepreneurs. CBG produced at these plants will be transported through cascades of cylinders to the fuel station networks of OMCs for marketing as a green transport fuel alternative.

• The entrepreneurs would be able to separately market the other by-products from these plants, including bio manure, carbon-dioxide, etc., to enhance returns on investment.

• It is planned to roll out 5,000 Compressed Bio-Gas plants across India in a phased manner, with 250 plants by the year 2020, 1,000 plants by 2022 and 5,000 plants by 2025. These plants are expected to produce 15 million tonnes of CBG per annum, which is about 40% of current CNG consumption of 44 million tonnes per annum in the country.

• At an investment of approx. Rs. 1.7 lakh crore, this initiative is expected to generate direct employment for 75,000 people and produce 50 million tonnes of bio-manure for crops.

- There are multiple benefits from converting agricultural residue, cattle dung and municipal solid waste into CBG on a commercial scale:

• Responsible waste management, reduction in carbon emissions and pollution.
• Additional revenue source for farmers.
• Boost to entrepreneurship, rural economy and employment.
• Support to national commitments in achieving climate change goals.
• Reduction in import of natural gas and crude oil.
• Buffer against crude oil/gas price fluctuations.

- **Significance**:

• This move has the potential to boost availability of more affordable transport fuels, better use of agricultural residue, cattle dung and municipal solid waste, as well as to provide an additional revenue source to farmers.
• The initiative holds great promise for efficient municipal solid waste management and in tackling the problem of polluted urban air due to farm stubble-burning and carbon emissions. Use of CBG will also help bring down dependency on crude oil imports.

- **Background:**

• Bio-gas is produced naturally through a process of anaerobic decomposition from waste / bio-mass sources like agriculture residue, cattle dung, sugarcane press mud, municipal solid waste, sewage treatment plant waste, etc. After purification, it is compressed and called CBG, which has pure methane content of over 95%.

- **What is CBG?**

• Compressed Bio-Gas is exactly similar to the commercially available natural gas in its composition and energy potential. With calorific value (~52,000 KJ/kg) and other properties similar to CNG, Compressed Bio-Gas can be used as an alternative, renewable automotive fuel. Given the abundance of biomass in the country, Compressed Bio-Gas has the potential to replace CNG in automotive, industrial and commercial uses in the coming years.
• Compressed Bio-Gas can be produced from various bio-mass/waste sources, including agricultural residue, municipal solid waste, sugarcane press mud, distillery spent wash, cattle dung and sewage treatment plant waste. The other waste streams, i.e., rotten potatoes from cold storages, rotten vegetables, dairy plants, chicken/poultry litter, food waste, horticulture waste, forestry residues and treated organic waste from industrial effluent treatment plants (ETPs) can be used to generate biogas.

- **Way ahead:**

• The potential for Compressed Bio-Gas production from various sources in India is estimated at about 62 million tonnes per annum. Going forward, Compressed Bio-Gas networks can be integrated with city gas distribution (CGD) networks to boost supplies to domestic and retail users in existing and upcoming markets.
• Besides retailing from OMC fuel stations, Compressed Bio-Gas can at a later date be injected into CGD pipelines too for efficient distribution and optimised access of a cleaner and more affordable fuel.

16. **PRADHAN MANTRI ANNADATA AAY SANRAKSHAN ABHIYAN (PMAASHA)**
    - Recently, the Union Cabinet approved a new umbrella scheme – ‘Pradhan Mantri Annadata Aay SanraksHan Abhiyan’ (PM-AASHA).
    - **Background**

• Minimum Support Price (MSP) system suffers from various shortfalls such as limited geographical reach and crop coverage (for instance it excludes oilseeds). It works well only where there was direct procurement by industries. Also, prices of key agricultural commodities have fallen below their MSP due to which there is increasing farmer unrest across the country.

• PM-AASHA scheme thus aims to plug the gaps in procurement system, address issues in MSP system and give better returns to farmers.

- **About the scheme**

It has three components complementing the existing schemes of the Department of Food and Public Distribution for procurement of paddy, wheat and other cereals and coarse grains where procurement takes place at MSP:

• Price Support Scheme (PSS): Under this, physical procurement of pulses, oilseeds and copra will be done by Central Nodal Agencies. Besides National Agricultural Cooperative Marketing Federation of India Ltd (NAFED), FCI will also take up procurement of crops under PSS. The expenditure and losses due to procurement would be borne by the Centre.

• Price Deficiency Payment Scheme (PDPS): This will cover all oilseeds for which MSP is notified and Centre will pay the difference between the MSP and actual selling/ model price to the farmer directly into his bank account. Farmers who sell their crops in recognized mandis within the notified period can benefit from it. • Pilot of Private Procurement and Stockiest Scheme (PPSS): In the case of oilseeds, the States will have the option to roll out PPSS in select districts where a private player can procure crops at MSP when market prices drop below MSP. The private player will then be compensated through a service charge up to a maximum of 15% of the MSP of the crop.

- **Significance of the Scheme**

• An innovative MSP-plus approach to the problem of non-remunerative prices: The three different components of the scheme will cover gaps in the procurement and compensation mechanism for crops, thus ensuring remunerative prices for farmers and help reviving rural economy.

• Ensure crop diversification and reduce stress on soil and water: Unlike the current system where farmers repeatedly go for the few crops, such as paddy, wheat and sugarcane, the new scheme would ensure crop diversification and reduce stress on soil and water.

• Savings for the Centre: Under the current physical procurement, government agencies end up stockpiling food grains leading to high storage costs and significant wastage and leakages. This would be addressed in the new scheme.

• Better translation of increased MSP to farmer's income: Government has recently increased the MSP of Kharif crops by following the principle of 1.5 times the cost of production, which will get translated to increased farmer's income by way of robust procurement mechanism in coordination with State Governments. • Increased financial provisions: the centre has made a provision of Rs. 16,550 Crore as a bank guarantee for central agencies to directly procure from farmers under PSS, while budgetary allocations for PM-AASHA has been raised to Rs. 15,053 Crore.

• It is a significant step towards enhancing productivity, reducing the cost of cultivation and strengthening post harvesting management, including market structure.

- **Challenges**

• Agricultural markets must function transparently and government must take steps to break the traders' cartel: Experience of Madhya Pradesh which implemented the PDPS under Bhavantar

Bhugtan Yojana revealed that the traders plotted with each other and depressed the prices at mandis. They forced farmers to sell at lower prices and pocketed the compensation from the government.

• Small and marginal farmers face double burden of lowered price and no compensation: Many small and marginal farmers were unable to sell their produce under Bhavantar scheme due to double burden of lowered price and no compensation. Government must come up with mechanisms to provide income transfer to farmers.

• Providing funds for PSS would be a key challenge for Centre as State Governments consider it financially burdensome. If all states apply to NAFED/FCI for procurement of oilseeds or pulses, the agencies would fall short of funds.

• Only 25% of the marketable surplus would be procured under the scheme: Instead of just 25% procurement, the Commission for Agricultural Costs and Prices (CACP) must be redesigned and renamed to 'Commission for Farmers' income and Welfare' with a mandate to work out the minimum living income for a family and clearly defining means to provide it.

• Warehousing and storage infrastructure shortage not addressed: Many States such as Bihar, Jharkhand, West Bengal and almost entire North-East are unlikely to procure a substantial quantity of paddy at MSP due to weak financial resources and infrastructure constraints of the organizations responsible for paddy procurement. • States would also find it hard to implement the scheme from the current Kharif marketing season which begins soon.

- **Way Forward**

• E-NAM and inter-market competition must be promoted: Centre must break the trader lobbies by widening the competition by inter-linking mandis, and States must proactively undertake regulatory reforms. Also, a robust pro-farmer export policy must be considered. Simultaneously, market reforms including Model Agricultural Produce and Livestock Marketing Act, 2017 and Model Contract Farming and Services Act, 2018 should also be replicated by all the State Governments.

• Successful implementation and effective private participation are the key to overall success of the scheme. Guidelines for private participation in consultation with state governments must be formed.

17. DAIRY PROCESSING & INFRASTRUCTURE DEVELOPMENT FUND

- The Cabinet Committee on Economic Affairs has approved a Dairy Processing & Infrastructure Development Fund" (DIDF) with an outlay of Rs 10,881 crore during the period from 2017-18 to 2028-29.
- **Background**

• Large number of dairy processing plants with India's Dairy Cooperatives were commissioned during Operation Flood which ended in 1996.

• Majority of these plants have never been expanded or modernised thereafter. These plants are operating with old & obsolete technologies, which may not be energy efficient.

• In order to improve efficiencies as well as increase production of products with higher value addition, Government of India had announced creation of DIDF in the Union Budget of 2017-18.

- **About the Fund**

• **Objectives**

o It will focus on building an efficient milk procurement system by setting up of chilling infrastructure & installation of electronic milk adulteration testing equipment.

o Creation/modernization/expansion of processing infrastructure and manufacturing faculties for Value Added Products for the Milk Unions/ Milk Producer Companies.

• **Management**:

o the project will be implemented by National Dairy Development Board (NDDB) and National Dairy Development Cooperation (NCDC) directly through the End Borrowers such as Milk Unions, State Dairy Federations, Milk Producer Companies etc.

• **Funding**:

o the fund will be used to provide loan for building an efficient milk procurement system and other processing infrastructure. The end borrowers will get the loan @ 6.5% per annum. The period of repayment will be 10 years with initial two years moratorium.

o Under the DIDF, Rs 8,004 crore loan will be provided by NABARD to the NDDB and the NCDC. The remaining amount will be the contribution by end-borrowers, the NDDB and the NCDC, and by the agriculture ministry towards interest subvention for the next 10 years.

- Apart from benefiting the farmers the fund is expected to create employment in various regions of the country.

18. <u>MULTIDIMENSIONAL POVERTY INDEX-2018</u>

- The 2018 global Multidimensional Poverty Index was released by the United Nations Development Programme (UNDP) and the Oxford Poverty and Human Development Initiative (OPHI).
- The MPI measures

• Incidence of poverty: the proportion of the population who are poor according to the MPI (those who are deprived in at least one third of the weighted indicators).

• Average intensity of poverty: the average share of deprivations people experiences at the same time.

• MPI value: The MPI value, which ranges from zero to one, is calculated by multiplying the incidence of poverty by the average intensity of poverty. It shows the proportion of deprivations that a countries' poor people experience out of the total possible deprivations that would be experienced if every person in the society were poor and deprived in every indicator.

- The Oxford Poverty and Human Development Initiative (OPHI) is an economic research centre within the Oxford Department of International Development at the University of Oxford.

19. <u>HUMAN DEVELOPMENT INDEX</u>

- India's ranking in UN's Human Development Index (HDI) went up by one from last year, to 130th among 189 countries, released by the United Nations Development Programme (UNDP).
- United Nations Development Programme (UNDP)

• The United Nations Development Programme (UNDP) is the UN's global development network, advocating for change and connecting countries to knowledge, experience and resources to help people build a better life.

20. EASE OF LIVING INDEX

- Pune is the best city to live in India, while Delhi is among the worst cities in terms of economic prospects, according to the Ease of Living Index rankings published by the Union Ministry of Housing and Urban affairs.
- 2018 Ease of Living Index Results

• Top 10 Liveable Cities in India according to report are Pune, Navi Mumbai, Greater Mumbai, Tirupati, Chandigarh, Thane, Raipur, Indore, Viyaywada and Bhopal.

• The top positions in each of the sub-indices are occupied by the top 5 cities in the overall rankings: Navi Mumbai scores the highest in the Institutional sub-index, Tirupati in Social sub-index, Chandigarh in Economic index and Greater Mumbai in Physical sub -index.

21. GOODS AND SERVICES TAX NETWORK (GSTN)

- The Union Cabinet has approved increasing of Government ownership in Goods and Services Tax Network (GSTN).
- More

• It has decided that the entire 51% equity held by the Non-Government Institutions in GSTN will be acquired equally by the Centre and the State Governments.

• Hence the restructure GSTN will have 100% government ownership equally distributed between the Centre (50%) and the States (50%).

• There will also be a change in the existing composition of the Board of GSTN. It will have total 11 Directors:

o 1 Chairman

o 1 CEO

o 3 directors from the Centre

o 3 from the States

o 3 other independent directors to be nominated by the Board of Directors

• The decision was taken as the government felt that a vast amount of GST related data should be completely under the its supervision, as it contains sensitive information of over 1 crore taxpayers.

- **GSTN**

• Goods and Services Tax Network (GSTN) is a not for profit company governed under section 8 of the companies Act.

• Currently the centre holds 24.5% equity and the States (including UTs Delhi and Puducherry) hold 24.5% equity in GSTN. The Balance 51% equity is with non-Government financial institutions. • The Company has been set up primarily to provide IT infrastructure and services to the Central and State Governments, tax payers and other stakeholders for implementation of the Goods and Services Tax (GST).

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