CURRENT EVENTS AND ANALYSIS

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INDIAN ECONOMY

Editor

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CURRENT EVENTS AND ANALYSIS

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FEBRUARY 2021 CURRENT AFFAIRS: Economy section

ECONOMY

DISINVESTMENT:

Prime Minister Strongly Defends New Disinvestment Policy; Reiterates Government Has No Business to Be in Business

- The Union Government unveiled a new disinvestment policy in Union Budget 2021-22. Under the new policy,
- Government would privatise all Central Public Sector Enterprises (CPSEs) **except in four strategic sectors.** These four are

1. Atomic energy, Space and Defence
2. Transport and Telecommunications
3. Power, Petroleum, Coal and other minerals
4. Banking, Insurance and financial services

- Even in the above four strategic sectors, **bare minimum CPSEs** will be maintained and rest privatised.
- According to the Public Enterprises Survey 2018-19, there are 348 central public sector undertakings as on March 31, 2019, out of which 249 were operational. Remaining 86 were under construction and 13 were under closure or liquidation.
- The new disinvestment policy indicates a major shift in the Government's approach towards Public Sector Undertakings. There is a clear shift for giving a greater role to private sector and withdrawing Government from running business enterprises.
- Speaking on the new disinvestment policy in webinar (online seminar) organised by Finance Ministry on February 24, 2021, Prime Minister Narendra Modi strongly defended the new disinvestment policy stating that the Government has no business to be in business

Why the Government is Pushing for Privatisation of CPSEs:

1. Need to Change Along with Time and Ensure Proper Use of Public Money:

When public sector enterprises were introduced in the country, the **time was different** and the **needs of the country** were also different.

These policies were right for the country 50-60 years ago. There is always scope for improvement in the policies along with time. Today, reforms are being carried out to **ensure proper use of the public money.**

2. Need for Role of Private Sector Partnership in India's development :

The **Government believes in strong private sector partnership** in India's development

Disinvestment is an important aspect of this approach.

The government tried the model of public-sector dominance and excessive state control in the economic activities for several decades after Independence, but it did not yield desired outcomes.

India moved to a higher-economic growth trajectory only after the economy was opened up to the private sector and greater competition in the 1990s.

3. Loss Making PSUs:

There are several loss-making public sector enterprises.

Many of them have to be supported through tax payers' money. Government cannot continue to invest tax payers money to run PSUs which are loss making to just run them under Government.

4. Government Has No Business to Be in Business:

It is the responsibility of the government to give full support to the enterprises and businesses of the country, but it is **not necessary and feasible in today's era that the government should run the enterprises** and **continue to own it.** Government has no business to be in business.

5. Focus of the Government Should Remain on the Welfare and Development:

The **focus of the government** should **remain on the welfare and development projects** of the people. The **maximum energy, resources and capacity of the government should be employed** for welfare works.

Even after so many years of independence, development and welfare needs of the country havenot been met.

So instead of spending scarce Government resources on public sector undertakings, the Government wants to exit from the business through privatisation.

The amount received through privatisation would be used for development and welfare schemes to the common man like building homes for the poor, roads in villages, opening schools and providing clean drinking water to the poor. The country cannot wait for long to fulfil these needs.

6. Government Not Suited for Doing Business:

A Government is not suited for doing business as it **lacks the courage to take commercial decisions.**

Those holding management positions in PSUs **are afraid of allegations and legal implications for taking commercial decisions.** That's why there is a thinking in every higher official that 'let it continue the way it is, because my responsibility is for a limited time. Whosoever follows me, will take the call'. Therefore, most officials do not take the decision and the status quo prevails. A business organisation cannot be run with such approach.

7. Government Officials Not Trained to Run Business Organisations:

When the government starts doing business, the scope of its resources gets shrunk.

Most of the PSUs are managed by IAS officers. But, these officers are basically trained to run the government administrations, to **ensure compliance of policies and rules, to work for the welfare of the people and to formulate necessary policies for them.**

They are trained in these things and they have expertise in it. They have come up so far after working among people for a long period. Such works are also of great importance in such a huge country.

But when the government is into doing business, it has to withdraw such promising officers from those positions and shift them to PSUs which is a new territory. In a way, it results in **injustice not only to their talent, but also to that public sector enterprise.**

Background Information:

What are Public Sector Undertakings (PSUs):

- Public Sector Undertakings (PSUs) are those in which the Government has a major stake i.e. more than 50 per cent.

Why were PSUs Set up in India?

- PSUs are an outcome of the Socialist pattern of economy adopted by India after independence.
- This pattern envisages dominant role for the State in the economic activities. The Government assumed major responsibility for means of production.
- The **major objectives of this state led approach** for controlling economic activities is to **prevent concentration of wealth and means of production** in the hands of few private individuals and promoting **self reliance.**
- While the objectives are laudable, the working of the PSUs over the next few decades showed the limitations in this approach.
- Many of the PSUs were incurring losses. Efforts to revive many loss making PSUs also did not lead to favourable results.
- The excessive control of the Government on PSUs also led lack of operational freedom and autonomy to the PSUs.
- As a result, in 1991 the Government announced a major revamp of the industrial policy through **Liberalisation, Privatisation and Globalisation (LPG).**
- Licensing policies were liberalised for the private sector, private sector was allowed into the sectors which were reserved for PSUs and foreign investment by multinational national companies was encouraged.
- These measures announced after 1991 led to higher economic growth when compared with the earlier period.

- Since then, the Union Government has been gradually selling stakes in PSUs through disinvestment and reducing its role in the economic activities.
- The new disinvestment policy announced in Union Budget 2021-22 further accelerates the withdrawal of the State from the economic activities.
- In the present context, **the Government wants to focus more on welfare, development and framing enabling policies for the private sector rather than** being in the business of running businesses. Hence, the Government retained only 4 strategic sectors for the Government where also only bare minimum enterprises would be under the Government.

Implications of the New Disinvestment Policy:

1. Loss of Reservation for Disadvantaged Sections:

PSUs contributed to the **egalitarian objective.** Due to reservations in employment in the PSUs, many socially and economically disadvantaged sections of the society like Scheduled Castes (SCs), Scheduled Tribes (STs), Other Backward Classes (OBCs) got employment in PSUs. With privatisation of PSUs, these disadvantaged sections lose the benefit of reservation in employment.

2. Private Monopolies:

There is a possibility that privatisation may also lead to concentration of businesses in the hands of a few leading to private monopolies and concentration of wealth.

A **transparent regulatory and legal framework** is essential to encourage potential entrepreneurs to participate and benefit from the privatisation process.

National Asset Monetisation Pipeline

- The Union Government announced National Asset Monetisation Pipeline for Infrastructure projects in the Union Budget 2021-22.
- The Asset Monetisation plan is part of Government's strategy to withdraw from the areas where private sector can function efficiently and create space for it.

What is Asset Monetisation?

- It means conversion of assets into money.
- The Government has created assets in infrastructure like roads, airports, dedicated freight corridors, etc.
- The Government gets regular money flows through collection of user charges on these assets created.
- The Government wants to sell the assets created to private sector. The private sector would pay lump sum money to the Government which would be decided through transparent procedures. In return, the private sector gets rights to collect user fees and also will be responsible for maintenance of these assets.
- The Government will use the money generated through the sale of such assets for further creation of new infrastructure.

Targets for Asset Monetisation:

- At present, the country has a lot of under-utilized and un-utilized assets under the control of the government.
- The Government has set a target of monetizing about 100 assets for monetisation.
- These assets are in the fields of oil, gas, ports, airports, power etc.
- These assets are estimated to have investment opportunities **worth Rs 2.5 lakh crores.**

MONETARY POLICY:

RBI Monetary Policy Committee Keeps Repo Rate Unchanged at 4 %

Highlights:

The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) in its Bi-monthly Monetary Policy announced on February 5, 2021,

- retained the Repo Rate at 4 per cent,
- announced restoration of Cash Reserve Ratio (CRR) to 3 per cent gradually from the present 4 per cent which was relaxed to make more funds available for lending due to COVID,
- extended the relaxation given under Marginal Standing Facility for six more months,
- announced setting up an Expert Committee on Primary (Urban) Co-operative Banks, and
- a 24x7 Helpline for Digital Payment Services complaints.

Details:

Repo Rate Retained at 4 Per cent:

- The Monetary Policy Committee (MPC) **retained the Repo Rate at 4 per cent.**
- Repo Rate is the rate at which Scheduled Commercial Banks borrow from the Reserve Bank of India (RBI) to meet its short term fund requirements.

Restoration of Cash Reserve Ratio (CRR) to 4 Per cent:

- To help banks tide over the disruption caused by COVID-19, the cash reserve ratio (CRR) of all banks was reduced from 4 per cent to 3.0 per cent of net demand and time liabilities (NDTL) in March 2020. The reduction was available for a period of one year ending March 26, 2021.
- As the first step to rollback of Covid-time measures, the **RBI decided to gradually restore** the **cash reserve ratio (CRR).**
- Restoration of CRR would be done in two phases.
- Banks would now be required to maintain the CRR at 3.5 per cent of NDTL effective from March 27, 2021 and 4.0 per cent of NDTL effective from May 22, 2021.

What is Cash Reserve Ratio (CRR)?

- Under cash reserve ratio (CRR), the commercial banks have to hold a certain percentage of deposits as reserves with the central bank.
- This amount cannot be used for lending purposes and it has to be kept ideal.
- Banks do not earn any interest on that money.
- The objective of CRR is to meet the sudden increase in withdrawal of deposits by its customers.
- The CRR is calculated as percentage of Net Time and Demand Liabilities (NTDL).

Marginal Standing Facility (MSF) - Extension of Relaxation

- In March 2020, RBI increases the marginal standing facility (MSF) from 2 per cent to 3 per cent to increase the availability of liquidity (money supply). This facility, which was initially available up to June 30, 2020 was later extended in phases up to March 31, 2021. Now, this MSF relaxation has been extended for a further period of six months, i.e., up to September 30, 2021. This dispensation provides increased access to funds to the extent of Rs. 1.53 lakh crore.

What is Marginal Standing Facility (MSF) ?

- It is a window for banks to borrow from the Reserve Bank of India in an emergency situation when inter-bank liquidity dries up completely.
- The interest charged by RBI is higher than the Repo Rate.
- At present the Repo Rate is 4 per cent while the Marginal Standing Facility (MSF) rate is 4.25 per cent.

Credit to MSME Entrepreneurs:

- In order to incentivise new credit flow to the micro, small, and medium enterprise (MSME) borrowers, Scheduled Commercial Banks will be allowed to deduct credit disbursed to 'New MSME borrowers' from their Net Demand and Time Liabilities (NDTL) for calculation of the Cash Reserve Ratio (CRR).
- For the purpose of this exemption, 'New MSME borrowers' shall be defined as those MSME borrowers who have not availed any credit facilities from the banking system as on January 1, 2021.
- This exemption will be available only for exposures up to Rs. 25 lakh per borrower for credit extended up to the fortnight ending October 1, 2021 for a period of one year from the date of origination of the loan or the tenure of the loan, whichever is earlier.

Expert Committee on Primary (Urban) Co-operative Banks:

- Primary (Urban) Co-operative Banks are an important segment of the credit structure.
- The provisions of the Banking Regulation (Amendment) Act, 2020 are applicable to Primary (Urban) Co-operative Banks (UCBs) with effect from June 26, 2020. The amendments have brought near parity in regulatory and supervisory powers between UCBs and commercial banks in respect of regulatory powers including those related to governance, audit and resolution.

- Consequently, a comprehensive review of regulatory/supervisory approach towards the sector is required in the light of these amendments. Accordingly, RBI decided to set up an Expert Committee on UCBs involving all stakeholders in order to provide a medium-term road map to strengthen the sector, enable faster rehabilitation/resolution of UCBs, as well as to examine other critical aspects relating to these entities.

Remittances to International Financial Services Centres (IFSCs):

- At present, resident individuals are not allowed to make remittances to IFSCs established in India under the Liberalised Remittance Scheme (LRS).

- In order to deepen the financial markets in IFSCs and provide an opportunity to resident individuals to diversify their portfolio, RBI decided to permit resident individuals to make remittances to IFSCs for investments in securities issued by the non-resident entities in IFSCs.
- Resident Individuals may also open a non-interest bearing Foreign Currency Account (FCA) in IFSCs for making investments.

Setting up of a 24x7 Helpline for Digital Payment Services:

- The Payment Systems Vision document of RBI envisages setting up a 24x7 helpline for addressing customer queries in respect of various digital payment products.
- The major payment system operators would be required to facilitate setting-up of a centralised industry-wide 24x7 helpline for addressing customer queries in respect of various digital payment products and give information on available grievance redress mechanisms by September 2021.

Going forward, the facility of registering and resolving the customer complaints through the helpline shall be considered.

Integrated Ombudsman Scheme:

- Financial consumer protection has gained significant policy priority across countries.
- In line with the global initiatives on consumer protection, RBI has taken various initiatives to strengthen Grievance Redress Mechanism of regulated entities.
- As an alternate dispute resolution mechanism, three Ombudsman schemes, i.e. **(i) Banking Ombudsman Scheme (ii) Ombudsman Scheme for Non-Banking Financial Companies and (iii) Ombudsman Scheme for Digital Transactions** are in operation in 22 ombudsman offices of RBI located across the country.
- RBI had operationalised complaint management system (CMS) portal as one stop solution for alternate dispute resolution of customer complaints not resolved satisfactorily by the regulated entities.
- To make the alternate dispute redress mechanism simpler and more responsive to the customers of regulated entities, RBI decided to implement integration of the three Ombudsman schemes and adoption of the 'One Nation One Ombudsman' approach for grievance redressal. This is intended to make the process of redress of grievances easier to the customers with one centralised reference point. **The Integrated Ombudsman Scheme will be rolled out in June 2021.**

Financial Literacy Week (FLW) announced by RBI

On February 8, 2021, the Reserve Bank of India announced that it will observe Financial Literacy Week 2021.

What is Financial Literacy Week (FLW)?

The Financial Literacy Week is an initiative by RBI to promote awareness on key topics every year through a focused campaign. This is in line with RBI's aim to create awareness about financial products and services, good financial practices, going digital and consumer protection.

The theme selected for current year FLW is 'Credit Discipline and Credit from Formal Institutions' which will be observed from February 8-12, 2021.

Focus of the current financial literacy week will be on:

a) Responsible borrowing;

b) Borrowing from formal institutions, and

c) Timely repayments

Banks as well as RBI will disseminate the information and create awareness among its customers and general public by undertaking activities like organisation of a centralised mass media campaign during the month of February 2021 to broadcast essential financial awareness messages to general public.

What is Financial Literacy?

Financial Literacy is defined as a combination of financial awareness, knowledge, skills, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being.

Background

- Reserve Bank of India (RBI) has been conducting Financial Literacy Week (FLW) every year since 2016 to propagate financial education messages on a particular theme across the country.
- The current theme has been chosen because borrowing from formal institutions is very low especially by the agricultural workers . Most of them depend upon informal sources of credit like moneylenders, relatives, traders, friends, etc. which are very exploitative and charge high interest rates on borrowing.
- For example, as per RBI data, currently about 40 percent of the rural credit comes from non-institutional agencies like landlord, professional moneylender, agricultural moneylender, traders, and commission agents.
- Hence, the current theme reflects the importance of institutional sources of credit and the need for it in enhancing financial literacy.
- Moreover, the selected theme for the financial literacy week is also one of the strategic objectives of the National Strategy for Financial Education 2020-2025

What is the National Strategy for Financial Education (NSFE) 2020-2025?

- The NSFE intends to support the Vision of the Government of India and Financial Sector Regulators by empowering various sections of the population to develop adequate knowledge, skills, attitude and behaviour which are needed to manage their money better and plan for their future.
- It intends to achieve the vision of creating a financialawareness empowered India.
- The following Strategic Objectives have been laid down under it:

i. Inculcate financial literacy concepts among the various sections of the population through financial education to make it an important life skill,

ii. Encourage active savings behaviour,

iii. Encourage participation in financial markets to meet financial goals and objectives,

iv. Develop credit discipline and encourage availing credit from formal financial institutions as per requirement,

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

vi. Manage risk at various life stages through relevant and suitable insurance cover, and

vii. Plan for old age and retirement through coverage of suitable pension products.

INDUSTRY:

Pharmaceuticals:

Production Linked Incentive Scheme for Pharmaceuticals

- On February 24, 2021, the Union Government approved Production Linked Incentive (PLI) Scheme for Pharmaceuticals.

Significance of Indian pharmaceutical industry:

- Indian pharmaceutical industry is 3rd largest in the world by volume and is worth US $ 40 billion in terms of value.
- The country contributes 3.5% of total drugs and medicines exported globally.
- India exports pharmaceuticals to more than 200 countries including highly regulated developed markets such as USA, UK, European Union, Canada, etc.

What are Issues in Indian pharmaceutical industry?

- At present, **low value generic drugs** account for the **major component of Indian exports.**
- A **large proportion of the domestic demand** for **patented drugs** is met **through imports.**
- This is because the Indian Pharmaceutical sector lacks in high value production along with the necessary pharmaceutical Research and Development (R&D).

What are Generic Drugs and Patented Drugs? (Explained at the end of the article in additional information)

What is Production Linked Incentive (PLI) Scheme for Pharmaceuticals?

- It is a **well-designed and targeted intervention to incentivise domestic production of specific high value goods** (such as bio-pharmaceuticals, complex generic drugs, patented drugs or drugs nearing patent expiry, gene therapy products etc).
- The **scheme incentivises global and domestic players** to **enhance investment and production** in above mentioned specific high value pharmaceutical products.

Objectives of the PLI Scheme:

- Creating global champions in pharmaceutical industry out of India by enhancing India's manufacturing capabilities by increasing investment and production,
- creating employment opportunities in India,
- making available a wider range of affordable medicines for consumers, and
- promoting exports of high value pharmaceutical drugs.

What are the incentives offered under the PLI Scheme?

- Pharmaceutical manufacturing companies which are eligible for the scheme would get monetary incentives for incremental sales over the base year 2019-20.
- Incentives would be given for six years from 2022-23 to 2027-28.
- Total amount to be spent on incentives: of Rs.15,000 crore
- Rate of incentive will be 10% of incremental sales value for first four years, 8% for the fifth year and 6% for the sixth year of production under the scheme.

Estimated Outcomes of the PLI Scheme:

- **Employment:** 20,000 direct and 80,000 indirect jobs.
- **Production:** Total incremental sales of Rs.2,94,000 crore.
- **Exports:** Total incremental exports of Rs.1,96,000 crore.

Additional Information:

What are Generic Drugs and Patented Drugs?

Patented Drug:

- It is a new drug discovered a pharmaceutical company.
- A company spends a lot of money, resources and time in discovering a new drug. Hence, a company which discovers a new drug is given patent. A patent is an intellectual property right.
- A patent confers exclusive right to the company to manufacture and sell the new product for a specified period which is decided under the patent laws of the country.
- Patent right includes right to the company which discovered the drug to license others for manufacturing, and selling the patented invention after paying a specified amount known as royalty to the patent company.

Why is a Patent Given to Drug Discovery?

- To recover investments made on research and development of a new drug, and
- Allow the companied to make reasonable profits which would act as incentive for them to make new investments into research and development of other new drugs.

Generic Drug:

- A generic drug is a pharmaceutical drug that contains the same chemical substance as a drug that was originally protected by patents.
- Generic drugs are allowed for sale after the patents on the original drugs expire.
- Generic drugs are cheaper because the manufacturers do not have to spend money on developing and marketing a new drug like the company which holds a patented drug.
- Moreover, most of the generic drugs are manufactured in developing countries like India where the cost of manufacturing is low.

Significance of Generic Drugs:

- Patented drugs are costly at least in the initial years due to huge investments made in drug discovery. Hence, these can be afforded only by rich people.
- On the other hand, generic drugs are cheaper both due to low manufacturing costs and lack of need to make investments in drug discovery. Hence, these drugs are more affordable to poor and middle class people especially in poor and developing countries.

IT Hardware:

Production Linked Incentive Scheme for IT Hardware

- On February 24, 2021, the Union Government approved Production Linked Incentive (PLI) Scheme for Information Technology Hardware.

  IT Hardware is a collective word for physical components of computing devises like Laptop, Personal Computer, Tabs, etc.

What is the Need for PLI Scheme for IT Hardware?

- Currently, **the laptop and tablet demand** in **India** is **largely met through imports.**
- **Imports** are valued at **US $ 4.21 billion for laptops and US $ 0.41 billion for tabs in 2019-20.**
- The market for **IT Hardware is dominated by 6 to 7 companies** globally which account for about **70% of the world's market share.**
- These companies are able to exploit large economies of scale to compete in global markets.
- The PLI scheme for IT hardware is aimed at these companies to expand their operations in India and make it a major destination for manufacturing of IT Hardware.

- The world of manufacturing is undergoing a paradigm shift due to the current global pandemic.
- Manufacturing companies across the globe are looking to diversify their manufacturing locations to mitigate the risk involved in depending on a single market.

PLI Scheme for IT Hardware:

- The PLI scheme for IT hardware aims at self reliance in IT hardware through **production linked incentive.**
- **Self reliance would be achieved by boosting domestic manufacturing and attracting large investments in the value chain of IT Hardware.**

- The Target Segments under the proposed Scheme include **Laptops, Tablets, Personal Computers (PCs) and Servers.**
- The **Government** would **extend financial incentives for eligible companies for a period of 4 years** on incremental sales over the base year 2019-20.
- The **Government** would **spend Rs.7,325** on financial incentives IT hardware companies.

Benefits of the Scheme:

- The scheme is likely to benefit 5 major global players and 10 domestic champions in the field of IT Hardware manufacturing.
- Over 1,80,000 direct and indirect employment opportunities are likely to be created over 4 years.

Telecom Equipment:

Production Linked Incentive Scheme for Telecom Equipment

- On February 24, 2021, the Union Government approved Production Linked Incentive (PLI) Scheme for Telecom and networking products with an outlay of Rs. 12,195 crore.
- Transmission equipment, 4G/5G Next Generation Radio Access Network and wireless equipment, access and Customer Premises Equipment (CPE), Internet of Things (IoT) access devices, enterprise equipment such as switches and routers are some of the Telecom and networking products.

What is the Need for the Scheme?

- Globally Telecom and Networking Products exports represent an US$100 billion market opportunity.
- This huge opportunity can be exploited by India.
- But, at present, India is heavily dependent on import of telecom equipment.
- It **imports over 80 per cent** of its telecom and wireless networking equipment.
- India spends Rs. 50,000 crore on imports, mainly from China.

Objectives of the PLI Scheme:

- Through the Production Linked Incentive (PLI) Scheme for Telecom and networking products, the Union Government aims at self reliance in telecom equipment manufacturing as well as seizing emerging export opportunities by augmenting domestic manufacturing capacities in the country
- Domestic manufacturing capacities would be augmented by
- attracting large investments from global players, and
- at the same time encourage promising domestic champion companies

Conditions for availing financial incentives under the scheme:

- A minimum threshold of cumulative investment and incremental sales of manufactured goods.
- 2019-20 will be the base year for calculating incremental sales.

- Both Micro Small and Medium Enterprises (MSMEs) and non MSES will be eligible for incentives.
- There will be a minimum investment threshold of Rs.10 crore for MSME with incentives from 7% to 4 % over 5 years above Base Year i.e. 2019-20. (7 per cent in the first two years, 6 % , 5% and 4 % respectively in the next 3 years)
- Threshold for non-MSME will be Rs. 100 crore with incentives from 6% to 4 % over 5 years above Base Year i.e. 2019-20. (6 per cent in the first two years, 6 % , 5% in the 3rd and 4th year and 4 % in the 5th year)

Estimated Benefits under the Scheme:

- **Production:** Incremental production around Rs. 2 Lakh crore is expected to be achieved over 5 years.
- **Investments:** The scheme is estimated to bring more than Rs. 3,000 crore investments.
- **Employment:** More than 40,000 direct and indirect employment opportunities.
- **Revenue to the Government:** Government is expected to generate tax revenue of Rs. 17,000 crore from telecom equipment manufacturing.

Response from Telecom Equipment Manufacturers:

- But both local and overseas vendors such as Sweden's Ericsson and Finland's Nokia and Samsung welcomed the PLI scheme.

Insurance :

Launch of Index Linked Insurance Policies (ILIPS)

- In February, 2021, a working group set up by Insurance Regulatory and Development Authority of India (IRDAI) has recommended the introduction of Index Linked InsurancePolices.
- The working group was constituted in August, 2020 after requests from the insurers for re-introducing ILIPS, which were banned by the regulator in 2013.

What is IRDAI?

- **Insurance Regulatory and Development Authority of India (IRDAI) is the regulator with regard to fair and transparent insurance provision in India. It has the following roles and responsibilities:**

1. **to protect the interests of and secure fair treatment to insurance policyholders;**
2. **to bring about speedy and orderly growth of the insurance industry for the benefit of the common man, and to provide long term funds for accelerating growth of the economy;**
3. **to set, promote, monitor and enforce high standards of integrity, financial soundness, fair dealing and competence of those it regulates;**

4. **to ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractices and put in place effective grievance redressal machinery;**
5. **to promote fairness, transparency and orderly conduct in financial markets dealing with insurance and build a reliable management information system to enforce high standards of financial soundness amongst market players;**
6. **to take action where such standards are inadequate or ineffectively enforced;**
7. **to bring about optimum amount of self-regulation in day-to-day working of the industry consistent with the requirements of prudential regulation.**

What are Index Linked Insurance Policies?

- ILIP is an insurance product where the insurance returns are linked to benchmark indices. Some of the benchmark indices that can be used to give returns are NIFTY 50 index, and Government securities index.
- This index is different from Unit Linked Insurance Policies (ULIPS) which currently prevail in the market. Unit Linked Insurance Policies or ULIPs are insurance policies which offer an individual the potential of wealth creation while providing the security of a life cover. They are not linked to benchmark indices.

What are the challenges of ULIPS?

ULIPS suffer from the following challenges:

- By design they are complex. So firstly, it becomes a challenge for the distributors to understand it and then bigger challenge is to explain it to the prospects due to its complex nature.
- Under ULIPS, saving benefits are directly linked to the market value of the underlying investments and so they are non-guaranteed except for pension.
- Hence, if the market value of the underlying asset will reduce, the savings benefits under ULIPS will also reduce and vice versa.
- This makes ULIPS very volatile and risky as their returns are subject to the market conditions.
- The investment risk is borne by the policyholders but there is a large segment of the population which does not fully understand this risk associated with such products

What is the need for ILIPS?

The relevance of ILIP is enhanced in the current context of volatile investment markets leading to the customer preference for guaranteed insurance policies which are less risky. ILIP also provide the following benefits:

- Some of the designs of ILIP could be similar to the ULIP, so it would offer similar kind of transparency and flexibility as in ULIP but lesser risks for the policyholders
- Index Linked Insurance Products (ILIP) which would give more options and alternatives to the policyholders to choose from, and also could help the insurers to manage their asset liability management risks in a better way

Index Linked Insurance Products in International Markets

- Index Linked products do exist around the globe in various structures and designs.
- These designs arguably were most popular in the United States (more than Europe) following which some of the Asian countries followed the designs which succeeded in the US.
- Perhaps the most popular design of an index linked product in the US (which then got replicated in some of the Asian markets) is the Index Linked Universal Life design.

AGRICULTURE:

Central Sector Schemes :

PM-KISAN Completes Two Years

- On February 24, 2021, Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) completed 2 years of implementation.

About PM Kisan :

- PM Kisan is a Central Sector scheme to **provide income support to farmers' families.**
- (Definition of family for the scheme is husband, wife and minor children.)
- The scheme is implemented with 100% funding from Government of India.
- It has become operational from 1.12.2018.
- The **first instalment** under PM-KISAN was transferred on February 24, 2019.
- State Government and UT administration identify the farmer families which are eligible for support as per scheme guidelines.
- The income support will be directly transferred to the bank accounts of the beneficiaries.
- **What is the Amount of Income Transfer under PM-KISAN?**
- Under the PM-KISAN scheme, **all landholding farmers' families** shall be provided the financial benefit of Rs.6000 per annum per family in three equal instalments of Rs.2000 each, every four months.

Are All Farmers Covered under PM-KISAN?

- **In the beginning** when the PM-Kisan Scheme was launched, its benefits were admissible only to **Small & marginal Farmers' families with combined landholding up to 2 hectare.**
- The Scheme was **later on revised with effect from June 6, 2019 and extended to all farmer families irrespective of the size** of their **landholdings.**
- Total Farmer Families in the Country:
- The total farmer families in the country are 14.5 crore.
- Out of this, 12.5 crore are small and marginal farmers (those owning up to 2 hactares).

- Small farmers are thosse having **less than two hectares** (five acres) of land.
- Marginal farmers are those having **less than one hectare** (2.5 acres).
- **Exclusions under the Scheme:**
- The scheme provides for certain exclusions who will not be eligible for benefits like institutional land holdings, those holding constitutional posts, etc. (complete details given at the end of the article.

Progress under PM- KISAN:

- Since the inception of the PM-KISAN,
- Rs. 1,15,638 crores have been transferred to farmers.
- More than 10.75 crore farmers are beneficiaries of the Scheme.

Awards to Best Performing States :

- On the occasion of two years of implementation of PM-KISAN, the Union Government announced awards for the States which showed good performance in the implementation of the scheme.

General Category States:

- Karnataka was awarded for adding the highest percentage of Aadhar authenticated beneficiaries. Under the scheme, beneficiaries should be linked with their Aadhar accounts to prevent leakages under the scheme. In Karnataka, more than 90% beneficiaries in Karnataka are being paid benefits via Aadhar based payment mode.
- Maharashtra got the award for Good Performance in Physical verification and Grievance Redressal.
- Uttar Pradesh was awarded for fastest take-off of PM Kisan Scheme.

North Eastern & Hill States Category:

- Arunachal Pradesh was awarded for highest number of Aadhar authenticated beneficiaries. There is 98 per cent authentication of beneficiaries in Arunachal Pradesh.
- Himachal Pradesh got the award for Good Performance in Physical verification and Grievance Redressal.

Additional Information:

PM-KISAN Scheme Exclusions:

The following categories of beneficiaries of higher economic status are not eligible for benefit under the scheme.

1. All Institutional Land holders (farms of sugarcane factories, cooperative farms, lands managed by trusts, etc.)
2. Farmer families which belong to one or more of the following categories:

1. Former and present holders of constitutional posts
2. Former and present Ministers/ State Ministers and former/present Members of Lok Sabha/ Rajya Sabha/ State Legislative Assemblies/ State Legislative Councils, former and present Mayors of Municipal Corporations, former and present Chairpersons of District Panchayats.
3. All serving or retired officers and employees of Central/ State Government Ministries /Offices/ Departments and its field units Central or State PSEs and Attached offices /Autonomous Institutions under Government as well as regular employees of the Local Bodies (Excluding Multi Tasking Staff /Class IV/Group D employees)
4. All superannuated/retired pensioners whose monthly pension is Rs.10,000/-or more (Excluding Multi Tasking Staff / Class IV/Group D employees) of above category.
5. All Persons who paid Income Tax in last assessment year.
6. Professionals like Doctors, Engineers, Lawyers, Chartered Accountants, and Architects registered with Professional bodies and carrying out profession by undertaking practices.

Central Sector Scheme 'Formation and Promotion of 10,000 New Farmer Producer Organizations (FPOs)

In February, 2021 the Government of India has launched a new Central Sector Scheme titled 'Formation and Promotion of 10,000 Farmer Produce Organisations (FPOs)'

What are Farmer Producer Organizations?

- **Farmer Producer Organisations (FPOs) are agricultural cooperatives that are emerging as a practical approach towards empowering a great number of smallholder farmers and ensuring their prosperity.**

  In countries like India where agriculture is the primary source of income for millions of farmers, they play a significant role in improving marginalised farmers' access to resources, which further helps boost their agri-productivity and their incomes.

Aims and Objectives of the Scheme

- The scheme has a clear strategy and committed resources to form and promote 10,000 new FPOs in the country with budgetary provision of Rs 6865 crores.
- Formation & promotion of FPOs is the first step for converting Krishi into Atmanirbhar Krishi. This will enhance cost effective production and productivity and higher net incomes to the members of the FPO.

- Atma nirbharata in Krishi (Self-reliance in agriculture) will contribute towards transformation of agriculture into a sustainable enterprise through FPO and will enable Indian farmers to achieve global outreach thus establishing Atmanirbhar Bharat

Strategy for formation of FPO under the Scheme

- Under this Central Sector Scheme with funding from Government of India, formation & Promotion of FPOs are to be done through the Implementing Agencies (IAs).
- Presently 09 Implementing Agencies (IAs) have been finalised for formation and promotion of FPOs.

- The 9 implementing agencies are - Small Farmers Agri-Business Consortium (SFAC), National Cooperative Development Corporation (NCDC), National Bank for Agriculture and Rural Development (NABARD), National Agricultural Cooperative Marketing Federation of India (NAFED), North Eastern Regional Agricultural Marketing Corporation Limited (NERAMAC), Tamil Nadu-Small Farmers Agri-Business Consortium (TN-SFAC), Small Farmers Agri-Business Consortium Haryana (SFACH), Watershed Development Department (WDD)-Karnataka & Foundation for Development of Rural Value Chains (FDRVC)- Ministry of Rural Development (MoRD).
- Implementing Agencies (IAs) will engage Cluster Based Business Organisations (CBBOs) to aggregate, registered, and provide professional handholding support to each FPO for a period of 5 years.
- FPOs are to be developed in produce clusters, wherein agricultural and horticultural produces are grown / cultivated for leveraging economies of scale and improving market access for members.
- During 2020-21, a total of 2200 FPO produce clusters have been allocated for formation of FPOs, which also include specialised FPO produce clusters such as100 FPOs for Organic, 100 FPOs for Oil seeds, etc.
- FPOs will be provided financial assistance upto Rs 18.00 lakhs per FPO for a period of 03 years.
- At district level, a District Level Monitoring Committee is also constituted under the Chairmanship of District Collector/ CEO/ Zilla Parishad with representatives of different related departments and experts for overall coordination & monitoring the implementation of scheme in the district including the suggestion for potential produce cluster & development
- At National level, National Project Management Agency (NPMA) as a professional organisation has been engaged for providing overall project guidance, coordination, compilation of information relating to FPOs, maintenance of MIS and monitoring purpose.

Background

- Agriculture sector plays a very important role in both economic development and nation building. India is globally in the forefront of development of agriculture.
- Agriculture sector contributes about 20% in GDP of the country.
- The goal of the government is to achieve doubling of farmer's income by 2022. However, more than 86% of farmers in the country are small and marginal.
- Hence, there is a need to facilitate our farmers with access to improved technology, credit, better input and more markets to incentivise them to produce better quality commodity.
- For this, aggregation of small, marginal and landless farmers into FPOs will help enhance economic strength & market linkages of farmers for increasing their income.

MSP :

14 New Minor Forest Produce Items Included Under Minimum Support Price Scheme

On 31st January, 2021, the government has decided to include 14 new minor forest produce items under the 'mechanism for marketing of minor forest produce' through a minimum support price scheme to provide remunerative and fair prices to tribal gatherers of forest produces.

The newly included 14 items are Tasar Cocoon, Cashew Kernel, Elephant Apple Dry, Tree Moss, Shringraj, Wild Mushroom Drym, Oroxylumindicum, Gamhar/Gamari, Pipla/Uchithi, Gokhru, Nagod, Mahul Leaves, Malkangani Seed, and Bamboo Shoot

What is the mechanism for marketing of Minor forest produce (MFP)?

- It is a centrally sponsored scheme launched in 2013.
- It provides for marketing of non-nationalized / non monopolized Minor Forest Produce (MFP) and development of a value chain for MFP through Minimum Support Price (MSP).
- It seeks to establish a system to ensure fair monetary returns for forest dweller's efforts in collection, primary processing, storage, packaging, transportation, etc, while ensuring sustainability of the resource base.
- It also seeks to get them a share of revenue from the sales proceeds with costs deducted.
- Therefore, this is a measure towards social safety for MFP gatherers, who are primarily members of the Scheduled Tribes (STs) most of them residing in Left Wing Extremism (LWE) areas.
- The scheme initially covered 12 items.
- Van Dhan tribal start-ups are also part of the scheme. Van Dhan along with Mechanism for Marketing of MFP has emerged as a source of employment generation for tribal gatherers, forest dwellers, and indigenous tribal artisans.
- Conceptualised and implemented by TRIFED in association with State Government Agencies across 21 states of the country, the scheme has emerged as a source of great relief for tribal gatherers.

What is TRIFED?

- **Tribal Co-operative Marketing Federation of India (TRIFED) is the apex national organisation involved in the improvement of the livelihood and empowerment of the tribal people. It is the nodal agency for the implementation of the scheme.**
- **TRIFED was established in August 1987 under the Multi-State Cooperative Societies Act, 1984 by the Government of India as a National level Cooperative body under the administrative control of the then Ministry of Welfare of India**

Background

- Over the past year, due to the unprecedented crisis caused by the ongoing pandemic, the lives and livelihoods of people across all segments, and in particular, the disadvantaged tribals, across the country have been severely disrupted.

- This is why the addition of 14 new items has been done in the scheme in order to ensure fair prices to the tribal dwellers.
- This has been possible mainly due to the Government push and active participation from the States which has provided the much needed liquidity in the tribal ecosystem, much needed in the adverse times.

One District One Focus Product:

Products for 'One District One Focus Product' Finalised

- On February 27, 2021, the Ministry of Agriculture and Farmers Welfare in consultation with the Ministry of Food Processing Industries finalised the products for 'One District One Focus Product (ODOFP)'.
- The products have been identified from **agricultural, horticultural, animal, poultry, milk, fisheries and aquaculture, marine sectors** for 728 districts across the country.
- The list of products have been finalised after taking inputs from the States/UTs and Indian Council of Agricultural Research (ICAR).

Objective of 'One District One Focus Product (ODOFP)':

- The **objective** of 'One District One Focus Product (ODOFP)' is to **increase the incomes of the farmers** by
- identifying specific products in the districts with export potential and promoting exports through branding and marketing,
- **promoting manufacturing & services industry** in the Districts, and
- **generating employment in** the Districts.

How is the 'One District One Focus Product (ODOFP)' Scheme Implemented?

- There is no separate budget allocation for the 'One District One Focus Product (ODOFP)' scheme.
- The identified products will be promoted in a cluster approach through convergence of the Government of India schemes.
- The funds under the following schemes would be converged for implementing 'One District One Focus Product (ODOFP)' scheme

- Pradhan Mantri Formalisation of Micro food processing Enterprises (PMFME) scheme,
- Mission for Integrated Development of Horticulture (MIDH),
- National Food Security Mission (NFSM),
- Rashtriya Krishi Vikas Yojana (RKVY), and
- Paramparagat Krishi Vikas Yojana (PKVY).
- For instance, Farmer Producer Organisations (FPOs), Self Help Groups and Co-operatives would be given incentives for setting up of food processing micro enterprises in the identified products in the districts. They would be eligible for credit linked capital subsidy of 35 per cent of the project cost subject to a maximum of Rs.10 lakh per unit.

'One District One Focus Product (ODOFP) would **focus** on cluster approach to promote

- specialization
- better processing of agriculture products,
- branding & marketing,
- transportation of identified crops from surplus production clusters to consumption centres, and
- exports.

The products for various districts under 'One District One Focus Product (ODOFP)' are given below.

S.No	Product	No. of Districts
1	Paddy	40 districts
2	Wheat	5 districts
3	Coarse cum Nutri Cereals	25 districts
4	Pulses	16 districts
5	Commercial crops	22 districts
6	Oilseeds	41 districts
7	Vegetables	107 districts
8	Spices	105 districts
9	Plantation	28 districts
10	Fruits	226 districts
11	Floriculture	2 districts
12	Honey	9 districts
13	Animal husbandry/Dairy products	40 districts
14	Aquaculture/Marine fisheries	29 districts
15	Processed Products	33 districts

Pulses:

World Pulses Day

- February 10th of every year is celebrated as World Pulses Day to raise awareness of the nutritional benefits of pulses.

What are Pulses?

- Pulses are edible (fit for consumption) seeds. These come in a variety of shapes, sizes and colours.

- The United Nations Food and Agriculture Organization (FAO) recognises 11 types of pulses.
- These are chickpeas, dry beans, broad beans (fava beans), lentils, dry peas, cow peas, pigeon peas, bambara beans, vetches, lupins, and a group called **pulse nes,** which includes several smaller categories.

In Which Countries Pulses are Grown?

- Pulses are grown in nearly 173 countries.
- World's biggest producers of pulses were India, Canada, Myanmar, China, Nigeria, Brazil, Australia, USA, Russia, and Tanzania, while the world's most important pulse exporters also include Argentina, France, Ethiopia, and Turkey

Significance of Pulses:

- Pulses are critical for achieving **food security, reducing malnutrition and creating a Zero Hunger world.**
- Pulses consume less water. Hence, they can be grown in dry and rain-fed areas.
- Building on the success of the **International Year of Pulses in 2016 led by Food and Agricultural Organisation (FAO), the United Nations General Assembly designated 10 February as World Pulses Day,** which has since been supported by many Member countries.

Health Benefits of Pulses:

- Pulses are an important part of a healthy diet because they are **high in protein, fibre, and other essential nutrients**. Their high **iron and zinc** content is especially beneficial for women and children at risk of anemia.
- Pulses are **naturally low in fat and contain no cholesterol,** which can contribute to **reducing the risk of cardiovascular diseases.**
- Pulses are also **low in sodium.** Sodium chloride - or salt - is a **contributor to hypertension** and can be avoided by consuming foods with lower sodium levels such as pulses.
- They are a great source of plant-based protein. 100 grams of pulses contain 25 grams of protein.

- Pulses are a **good source of iron. Iron deficiency** is considered one of the **most prevalent forms of malnutrition** and is one of the **most common types of anaemia.**
- Pulses are **high in potassium,** which supports heart health and plays an **important role for digestive and muscular functions.**
- Pulses are often quoted among the **top high fibre foods,** necessary for supporting digestive health and helping to reduce the risks of cardiovascular diseases.
- Pulses are an excellent source of **folate** - a B-vitamin naturally present in many foods. This is essential to the nervous system function and especially important during pregnancy to prevent foetal defects.
- Pulses **can be stored for a long time** and therefore can help to **increase the diversity of diets,** especially in developing countries.
- Pulses are **low glycaemic index foods.** They help to stabilize blood sugar and insulin levels, making them suitable for people with diabetes and ideal for weight management.
- **What is Glycaemic Index (GI)?**
- The glycaemic index (GI) is a rating system for foods containing carbohydrates. It shows how quickly each food affects your blood sugar (glucose) level when that food is eaten on its own.

Environmental benefits of Pulses:

- An important attribute of pulses is their **ability to biologically fix nitrogen which improves soil fertility.**
- These plants, in symbiosis with certain types of bacteria (e.g. Rhizobium, Bradyrhizobium) convert atmospheric nitrogen into nitrogen compounds consequently improving soil fertility
- Nitrogen is important for plant growth (structure), plant food processing (metabolism), and the creation of chlorophyll. Without enough nitrogen in the plant, the plant cannot grow taller, or produce enough food.
- By using pulses for intercropping, farmers can also promote farm biodiversity and soil biodiversity, while keeping harmful pests and diseases at bay.

Climate Change Mitigation:

- Furthermore, pulses can contribute to **climate change mitigation by reducing dependence on the synthetic fertilizers** used to introduce nitrogen artificially into the soil. Greenhouse gases are released during the manufacturing and application of these fertilizers, and their overuse can be detrimental to the environment.

Pulses Production in India:

- **India** is the **largest producer and consumer of pulses in the world.**
- But, there is a mismatch between demand and supply of pulses in the country.
- As a result, India imports pulses to meet the demand for pulses.
- However, there is increase in production of pulses in the country in the last six years.

- Pulses production has grown to 23 million tonne from 14 million tonne in the last five-six years.
- In 2019-20, India produced 23.15 million tonne of pulses. This is **23.62 per cent of the world output.**
- **As a result of increased production,** the dependence on imports of pulses has reduced.
- **India is saving more than Rs. 15000 crores annually** due to reduced imports.
- Imports in 2015-16 were 5.8 Million Metric Tonnes. These came down to 2.63 Million Metric Tonnes in 2019-20.

What Factors Contributed to Growth in Pulses Production?

- More than 100 improved and high yielding species have been developed in 5 years. To provide high-quality seeds , the Government established 150 Pulses Seed Hubs.
- **Minimum Support Price (MSP)** for pulses has been increased to encourage production of pulses. For example, the MSP of tur dal was increased from Rs. 4300 in 2013-14 to 6000 gradually.
- **Area under pulses cultivation** has increased due to increase in MSP.

Additional Information:

Global Pulse Confederation (GPC):

- The Global Pulse Confederation (GPC) was established in 1963 in France (now headquartered at Dubai since 2009) to promote production, consumption, awareness and trade of pulses.
- It is a non-profit Confederation of 26 national associations and thousands of corporates engaged in pulses trade in over 50 countries.

INFRASTRUCTURE:

Energy:

'India Energy Outlook Report' Released by IEA

- International Energy Agency (IEA) released the 'India Energy Outlook 202' report in February 2021.

Highlights:

1. India to Drive Global Demand for Energy:

India will be the **main driver of rising demand for energy** over the next two decades, accounting for **25% of global growth.**

India will be the **world's third-biggest energy consumer,** behind **China and the United States,** by 2030. It will **overtake the European Union as the world's third-biggest energy consumer.**

India's energy consumption is expected to nearly double as the nation's gross domestic product expands to an estimated $8.6 trillion by 2040.

India's oil demand is expected to rise to 8.7 million barrels per day (bpd) in 2040 from about 5 million bpd in 2019.

2. Dependence on Fossil Fuel Imports to Continue:

India's growing energy needs will make it more reliant on fossil fuel imports as its domestic oil and gas production has been stagnant for years despite government policies to promote petroleum exploration and production and renewable energy.

At present, **India is the world's second-biggest net oil importer after China.**

Currently, India imports about 76% of its crude oil needs. **This reliance on overseas oil is expected to rise to 90% by 2030 and 92% by 2040.**

Rising oil demand could double India's oil import bill to about $181 billion by 2030 and nearly treble it to $255 billion by 2040 compared with 2019.

3. Solar Power Generation to Equal that of Coal by 2040:

Coal currently dominates India's electricity sector, accounting for over 70% of overall generation with only about 4% produced through solar power.

India aims to boost power generation through renewables, mainly solar.

The share of solar energy in India's power generation could equal coal-fired output by 2040.

4. LNG Imports:

India is the world's fourth-largest LNG (Liquefied Natural Gas) importer.

It imports about half of its natural gas requirements.

Liquefied natural gas (LNG) imports are expected to quadruple to 124 billion cubic metres (bcm), or about 61% of overall gas demand by 2040.

About International Energy Agency:

- The **1973-1974 oil crisis** led to the establishment of International Energy Agency (IEA).
- **Industrialised countries realised that they were not adequately equipped to deal with the oil embargo imposed by major producers** that pushed prices to historically high levels.
- In an attempt to pressure Western countries to force Israel to withdraw from seized lands in Syria and Egypt, Arab members of OPEC (Organization of the Petroleum Exporting Countries) announced sharp production cuts and then banned the sale of oil to the United States and the Netherlands.
- International Energy Agency was 1974 to ensure the security of oil supplies and for energy policy co-operation. However, its role has evolved over the years.
- While energy security remains a core mission, the IEA today is at the center of the global energy debate.
- It focuses on a wide variety of issues, ranging from electricity security to investments, climate change and air pollution, energy access and efficiency, etc.

Member Countries:

- The IEA is made up of 30 member countries.
- These are Austria, Belgium, Canada, Denmark, Germany, Ireland, Italy, Japan, Luxembourg, The Netherlands, Norway Spain, Sweden, Switzerland, Turkey, United Kingdom, and the United States. Greece, New Zealand, Australia, Portugal, Finland, France, Hungary, Czech Republic, South Korea, Slovakia, Poland, Estonia, and Mexico.

MISCELLANEOUS:

UN Capital Development Fund

- Preeti Sinha, Indian-origin investment and development banker, was appointed as Executive Secretary of the UN Capital Development Fund in February 2021. Executive Secretary is the highest leadership rank in UN Capital Development Fund.

About UN Capital Development Fund:

- Established in 1966, the New York-headquarted UN Capital Development Fund provides micro-finance access to 47 Least Developed Countries (LDCs).
- It focuses on providing micro-finance assistance to women, youth, small and medium-sized enterprises in under-served communities.

Funding:

- UNCDF is an autonomous, voluntarily funded UN organization, affiliated with UNDP.
- UNCDF raises its funding separately from UNDP. Its funding comes from UN member states, foundations and the private sector.