CURRENT EVENTS AND ANALYSIS

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PART-1

INDIAN ECONOMY

Editor

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CURRENT EVENTS AND ANALYSIS

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SEPTEMBER 2020 CURRENT AFFAIRS: Economy Section

ECONOMY

FISCAL POLICY:

CAG Report Highlights Improper Management of Cess Funds by Centre

- Comptroller and Auditor General (CAG) of India in its report submitted in September 2020 noted that the Central Government is **violating the accounting procedures and not properly maintaining and utilising the funds collected through cesses, surcharges and levies.** These are collected in addition to regular taxes for **dedicated purposes** like **education, health, environment, roads development, etc.** The cesses, surcharges and levies collected by the Union Government are **not shared with the States as part of devolution of tax receipts.**

Highlights of the Report:

- The Centre collected almost **Rs. 2.75 lakh crore collected in 2018-19 through various cesses.**
- However, only **Rs.1, 64,322 crore** was transferred to Reserve Funds/Boards and the rest was retained in the **Consolidated Fund of India.**
- As per law, these receipts should have been transferred to the specified Reserve Funds that Parliament had approved for such levies.
- A 'Social Welfare Surcharge' on customs duties yielded Rs. 8,871.19 crore, but no dedicated fund was found for it.
- The **Goods and Services Tax (GST) Compensation Cess** was also 'short-credited' to the relevant reserve fund to the extent of **Rs.40,806 crore** in 2018-19.
- **Cess on Crude Oil Not Transferred to Dedicated Fund for More than a Decade:**
- Moreover, **Rs. 1,24,399 crore collected as cess on crude oil** over the last decade had not been transferred to the designated Reserve Fund - the **Oil Industry Development Board -** and had been retained in the Consolidated Fund of India (CFI).

Government under reporting Fiscal Deficit:

- The CAG report stated that due to no transfer the cesses to the dedicated funds, **fiscal deficit of the Central Government was understated.**

Some of the Cesses and Surcharges Levied by the Union Government:

- Goods and Services Tax Compensation Cess
- Roads and Infrastructure Cess
- Health and Education Cess
- Cess on Crude Oil
- Universal Service Levy
- National Mineral Trust Levy
- Building and Other Construction Workers Welfare Cess

Issues in the Collection of Cesses, Surcharges and Levies:

The Central Government's increasing tendency to rely on cesses, surcharges and levies is being criticised by the States.

1. **Against Federal Spirit:**

   The collections of cesses, surcharges and levies is against the federal spirit as these revenues are not shared with States.

2. **Rising Share of Cesses and Surcharges in Gross Tax Revenue:**

   The share of cesses and surcharges (a 'tax on tax') in gross tax revenue (GTR) increased from 7 per cent and 2 per cent, respectively, in 2012-13 to 11.9 per cent and 6.4 per cent, respectively in 2018-19.

   In one year alone, from 2017-18 to 2018-19, the collection from cesses increased from Rs. 2.2 lakh crore (11.1 per cent of GTR) to Rs. 2.7 lakh crore, and surcharges from Rs. 99,049 crore (5 per cent of GTR) to Rs. 1.4 lakh crore.

3. **Loss of Revenue to States:**

   If these cesses, surcharges and levies were replaced with regular taxes (i.e. by increasing the existing tax rates), the States would get a share in these collections. For instance, in financial year 2020-21, States would have got Rs. 1,25,000 crore extra resources if these cesses, surcharges and levies were replaced with regular taxes.

   The Union Government is also collecting cesses and surcharges on subjects in the State List

Suggestions:

The working group set up by the 15th Finance Commission to suggest Cess and Surcharge reforms made the following recommendations.

1. Union Government **should not impose cesses for purposes which are included in the State list.** Example: Health.
2. **Defined Purpose and Assessment of Fund Requirements:** Cesses should be imposed with a narrowly defined purpose and with the clear estimation of amount of money needed for the purpose.

3. **Periodic Review:** There should be periodic review of the revenue collected from the cesses to determine whether the revenue collected through the cesses is being used for the purposes for which it was collected.
4. **Sunset Clause:** There should be sunset clauses in the relevant legislations (authorising the imposition of cesses) to ensure that cesses do not continue for an indefinite period
5. **Rationalisation of Income Tax Rates:** For surcharges, income tax rates should be rationalised instead of using surcharge as a proxy to impose additional burden on relatively richer taxpayers.
6. **Should be Used Sparingly:** Surcharges are a temporary levy and should be used sparingly.

Additional Information:

Difference between Taxes and Cesses, Surcharges, Levies:

A tax is a compulsory contribution collected by the government from the public at large and is to be used for a public purpose.

On the other hand, a cess, surcharge, levy is imposed by the government for a specific facility or service being provided.

While 17 cesses and other levies were subsumed into the GST, 35 levies remain in force according to the CAG report.

BANKING:

Priority Sector Lending:

RBI Revises Priority Sector Lending Guidelines

- In September 2020, the Reserve Bank of India (RBI) revised the Priority Sector Lending Guidelines (PSL) to align **with emerging national priorities and bring sharper focus on inclusive development.**

Major Highlights of Revised Priority Sector Lending Guidelines:

- **Loans to Start ups:** Loans up to Rs. 50 crore would be given to Start-ups.
- Credit limit has been increased for **Farmers Producers Organisations (FPOs)/Farmers Producers Companies (FPCs)** to Rs. 5 crores.
- **Renewable Energy:** Credit limits have been doubled to ?30 crore. For individual households, the renewable energy loan limit will be ?10 lakh per borrower.
- **Health infrastructure:** Credit limit for health infrastructure (including those under 'Ayushman Bharat') has been doubled to Rs. 10 crore in Tier II (population between 50,000 to 99,999) to Tier VI (population less than 5000) centres.

What is Priority Sector Lending?

- Priority Sector Lending aims at directing the lending of Banks towards specified sectors and activities which are generally neglected by the Banks due to relatively less creditworthiness.
- The RBI has fixed a percentage of credit that should be given by the Banks to the sectors and activities listed by the Reserve Bank of India.

Which Banks are obligated to lend under Priority Sector Lending?

- Commercial Banks (domestic and foreign),
- Regional Rural Banks (RRBs),
- Small Finance Banks (SFB), and
- Urban Co-operative Banks

What are the Sectors Eligible for Priority Sector Lending (PSL)?

1. Agriculture
2. Micro, Small and Medium Enterprises
3. Export Credit

4. Education
5. Housing
6. Social Infrastructure
7. Renewable Energy
8. Others

What is the Percentage of Priority Sector Lending Set by RBI?

- It is based on the type of Banks. Out of their Adjusted Net Bank Credit (ANBC), banks have been given varying targets.
- Commercial Banks (domestic) : 40 per cent
- Foreign Banks : 40 per cent
- Regional Rural Banks : 75 per cent
- Small Finance Banks : 75 per cent
- Urban Cooperative Banks : 40 per cent (This has to be increased to 75 per cent by March 31, 2024)

Sub Targets for Priority Sector Lending:

- Within the 40 per cent Priority Sector Lending, the RBI set up the following major sub targets.

  Agriculture : 18 per cent

  Micro Enterprises : 7.5 per cent

  Weaker Sections : 12 per cent

Addressing Regional Disparities in the Flow of Priority Sector Credit:

- There is regional disparity in the flow of Priority Sector credit. While the per capita lending is some districts is less than Rs. 6000, in some districts it is comparatively higher at Rs. 25,000. To address the regional disparities, the RBI announced following changes.
- From 2021-22 onwards, the RBI assigned a higher weight (125 per cent) to the incremental priority sector credit in the 184 identified districts where the credit flow is comparatively lower (per capita PSL less than Rs. 6,000), and a lower weight (90 per cent) would be assigned for incremental priority sector credit in the 205 identified districts where the credit flow is comparatively higher (per capita PSL greater than Rs. 25,000).
- This means is banks with operations in districts where the credit flow is comparatively lower will need to step up lending to the priority sector so that they can reap the benefit of lower risk weight.
- Banks with operations in districts where the credit flow is comparatively higher will be encouraged to maintain only the present lending momentum, else they risk attracting higher risk weights. Lower risk weight means relatively less regulatory capital will need to be maintained make a loan.

Loan Restructuring:

KV Kamath Panel Identifies 26 Sectors for Loan Restructuring

- The K.V. Kamath Committee set up by the Reserve Bank of India (RBI) to suggest one-time restructuring of loans impacted by the Covid-19 pandemic submitted its report in September 2020.

Background:

- Covid-19 pandemic has led to significant financial stress for borrowers across the board. This can potentially impact the long-term viability of many firms, otherwise having a good track record.
- Many firms have debt burden disproportionate relative to their cash flow generation abilities. Such wide spread impact could impair the entire recovery process, posing **significant financial stability risks.**
- Hence, in August 2020, the Reserve Bank of India (RBI) appointed a committee under K.V. Kamath, former Chairman of ICICI Bank, to suggest a loan restructuring framework (also called resolution plan) for stressed industries.
- Such restructuring will facilitate revival of real sector activities and mitigate the impact on the ultimate borrowers.

26 Sectors Identified:

The K.V.Kamath Panel identified 26 sectors for loan restructuring.

1. Power	11. Pharmaceuticals Manufacturing	21. Aviation
2. Construction	12. Logistics	22. Sugar
3. Iron&SteelManufacturing	13. Gems & Jewellery	23. Port & Port services
4. Roads	14. Cement	24. Shipping
5. Real Estate	15. Auto Components	25. Building Materials
6. Trading-Wholesale	16. Hotel, Restaurants, Tourism	26. Corporate Retail Outlets
7. Textiles	17. Mining	
8.Chemicals	18. PlasticProducts Manufacturing	
9.ConsumerDurables/FMCG	19. Automobile Manufacturing	
10. Non-ferrous Metals	20. Auto Dealership	

Benefits of Loan Restructuring:

The restructuring will enable borrowers to get following options

- reschedule their loan payment, or
- get a limited loan repayment holiday, or
- lower interest rates on their existing loans depending on the agreement they reach with their bank(s).

Conditions for Loan Restructuring:

The committee panel recommended lenders to mandatorily consider the following for loan restructuring.

1. Total outstanding liabilities/adjusted tangible net worth,
2. Total debt/EBITDA,
3. Current Ratio,
4. Debt Service Coverage Ratio, and
5. Average Debt Service Coverage Ratio.

The last date for banks to invoke restructuring of eligible loans is December 31, 2020.

Only those borrowers who were making regular repayments for their loan, and were not overdue for more than 30 days as of March 1, 2020 are eligible to benefit from this scheme.

Definitions:

Current Ratio:

- It is the ratio obtained when current assets are divided by current liabilities.
- It measures a company's ability to pay short-term obligations or those due within one year.
- The current ratio is a popular metric used across the industry to assess a company's short-term liquidity with respect to its available assets and pending liabilities.
- A range of acceptable current ratios varies depending on the specific industry type, a ratio between 1.5 and 3 is generally considered healthy. A ratio value lower than 1 may indicate liquidity problems for the company, though the company may still not face an extreme crisis if it is able to secure other forms of financing. A ratio over 3 may indicate that the company is not using its current assets efficiently or is not managing its working capital properly.

Debt Service Coverage Ratio:

- Debt-Service Coverage Ratio (DSCR) is a measurement of a firm's available cash flow to pay current debt obligations.
- It is obtained when net operating income is divided by total debt service (current debt obligations)
- The DSCR shows whether a company has enough income to pay its debts.

AGRICULTURE:

Protests over Agriculture Laws Passed in Parliament

In September 2020, the Parliament passed three Bills to promote the interests of the farmers.

1. The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020;
2. The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Bill, 2020, and
3. The Essential Commodities (Amendment) Bill, 2020

President Ram Nath Kovind gave assent to the above Bills on September 27, 2020.

These laws provide freedom to the farmers in the following aspects.

1. **Freedom to Trade:**

a) **End to Monopoly of APMCs:** The monopoly of Agriculture Produce Market Committees (APMCs) over trade in Agriculture commodities has been dismantled. Till now, a farmer can sell his produce only in the APMCs (called mandis in local language) notified by the State Governments.

With the passage of the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020; a farmer can sell his produce to any trader in the country. There will be no restrictions on the interstate trade by farmers.

b) **Trade licenses' Liberalisation:** Trade licenses have also been liberalised. Under APMC Acts, traders have to register themselves with the Market Committees. Now, anyone with a Permanent Account Number (PAN) can be a trader.

c) **No Need to Pay Commission:** APMCs collect fee or cess from traders on the purchase value of agriculture produce which varies from 2 to 7 percent in States. When traders buy outside APMCs, they need not pay market fee or cess.

d) **Electronic Trading:** The new act passed by the Parliament also allows electronic trading of agriculture produce.

2. **Contract Farming:**

A farmer can also enter into written farming agreements with private players like agri- business firms, processors, wholesalers, exporters or large retailers for contract farming.

3. **Essential Commodities Act Liberalisation:**

The Essential Commodities Act, 1955 confers sweeping powers on the Central and State Governments to control production, supply and distribution of essential commodities. The definition of essential commodities is not given. The Central Government through a notification can add or remove any item to the list of essential commodities. **Most of the essential commodities in the list are food items.** In addition, there are some other items like Drugs, Fertilisers, petroleum products, etc.

The Essential Commodities (Amendment) Bill, 2020, **deregulates the production, storage, movement and sale of several major foodstuffs,** including **cereals, pulses, edible oils and onions, except in the case of extraordinary circumstances.** (The Central Government will issue a notification with list of such deregulated items).

Extraordinary circumstances: War, Famine, natural calamity of grave nature, extraordinary price rice (when the retail prices increase by 100 per cent for horticulture produce and 50 per cent for non-perishable agriculture food stuff)

These extraordinary circumstances are not applicable for food processing industries and exporters.

Protests over the Farm Law Amendments:

There are protests over the Agriculture Laws both in parliament as well as in some States. Particularly, farmers in Punjab began protests against the Agriculture laws passed by the Parliament.

Reasons for Protests:

1. Encroachment into State Subjects:

Central Government should not make laws on State subjects.

Agriculture and **markets** are State subjects (entry 14 and 28 respectively in List II).

Hence, the present laws passed by the Parliament are an encroachment upon the functions of the States.

Such encroachment is against the spirit of cooperative federalism enshrined in the Constitution.

Union Government's Stand for Making the Present Laws:

The Centre, however, made these laws by citing items in the concurrent list i.e. **trade and commerce in food items(Entry 33)**

Both the Union Government and State Governments are constitutionally empowered to make laws in the concurrent list. However, in case of a conflict between the Centre and State laws on a same subject, the Law made by the Union Government prevails. (Only exception is when the President gives assent to such Law made by the State Government).

2. Lack of Consultation with the Stakeholders:

State Governments and farmers associations were not consulted before passing the present agriculture laws. This led to apprehensions among farmers.

3. Threat to Minimum Support Prices:

Farmers in Punjab and Haryana fear that the amendments are a step towards the abolition of the Minimum Support Price (MSP) regime. Agriculture experts too share similar concerns that this could leave farmers vulnerable to possible exploitation at the hands of big corporate houses as they may not purchase for some time to bring down prices.

This apprehension is more in Punjab and Haryana which have well functioning APMCs and are also prominent wheat and rice producing States.

More than 85% of wheat and paddy grown in Punjab, and 75% in Haryana, is bought by the government at MSP rates by the Food Corporation of India (FCI) for Public Distribution System (PDS). Farmers in these States fear that without MSPs, market prices will fall.

However, the Union Government stated that the present Minimum Support Price (MSP) mechanism would continue and there is no threat to it due to new laws.

4. Neglect of APMCs:

Farmers fear that encouraging tax-free private trade outside the APMC mandis will make these notified markets unviable, which could lead to a reduction in government procurement itself.

Traders would prefer buying outside APMC as they need not pay fee or cess to APMCs. Farmers believe that neglect of APMCs makes them vulnerable to exploitation at the hands of big corporate houses.

Alternatively, farmers are demanding that MSPs be made universal, within mandis and outside, so that all buyers - government or private - will have to use these rates as a floor prices below which sales cannot be made.

5. Loss of Revenue to State Governments:

There are concerns over loss of revenue to State Governments due to allowing trading outside the APMC without any cess or levy.

For instance, the Punjab government charges a 6% mandi tax (cess) and earns annual revenue of about Rs. 3,500 crore from these charges.

6. Corporatisation of Indian Agriculture:

The removal of stock limits and facilitation of bulk purchase and storage through the amendment to the Essential Commodities Act could bring large corporate players into the agriculture space. Although they will bring much-needed investment, they may bring down prices by not purchasing through some understanding among them.

Contract farming also leads to corporatisation of agriculture in India. Most of the farmers in India are small and marginal farmers as a result of which there would unequal relationship between farmer and corporate player and farmers are prone to be exploited. In case of exploitation, small farmers cannot wage legal battles due to lack of knowledge of legal processes and expenses involved.

Government's Stand: Contract farming law is only an **enabling framework.** Farmers have the option to enter into contract agreements or not. Agreements cannot be forced on them.

Why Did the Union Government Make Amendment to the Agriculture Laws?

The broader objectives of the Central Government behind the passage of agriculture laws are to

1. greater choice to farmers to sell their produce,
2. encourage private investments into agriculture sector, and
3. enhance the income of farmers.

Increased Choice to Farmers and Better Price Discovery:

- The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act allows freedom to farmers to sell outside Agriculture Produce Market Committees (APMCs). This will increase the participation of players and lead to better price discovery of prices for the farmers. The participation of traders in APMCs is limited due to Government intervention in registration of licences.

Investments in Agriculture Infrastructure:

- The entry of more private players also will lead to greater investments in agriculture infrastructure like warehouses to store agriculture produce. So far, investment in this sector has been Government-driven.
- To encourage private investment in agriculture, the Union Government has recently set up Agriculture Infrastructure Fund under which Banks would extend loans.

Conclusion:

- The intentions of the Central Government are in right direction. But, it failed to take into confidence the State Governments like the way it did in the adoption of Goods and Services Tax regime. Similarly, adequate consultations were not undertaken with the farmers' associations to clear their apprehensions.

- In a vast and diverse country like India, bringing in reforms through consensus building is essential for effective implementation.

Additional information:

Working of Minimum Support Prices (MSPs) in the Country:

- The Union Government announces Minimum Support Prices (MSPs) for 23 crops at the beginning of each cropping season.
- However, these MSPs are **not legally binding and only advisory prices.** The actual purchase prices by the private players are below the MSPs.
- **Only the Central Government purchases at MSPs.**
- However, the **Centre only purchases paddy, wheat and select pulses** at MSP's in **large quantities** for Public Distribution System (PDS).
- **On the whole, only 6% of farmers in the country actually sold their produce at MSP rates to Government procurement agencies,** according to the 2015 Shanta Kumar Committee's Report. These farmers were those who cultivated wheat and rice and their produce was procured for Public Distribution System. The remaining farmers sold to private traders who are not obligated to buy at MSP's.

(The Shanta Kumar Committee was set up by the Union Government to make recommendations for restructuring of the Food Corporation of India (FCI). FCI procures rice and wheat for Public Distribution System).

Trading Outside APMCs:

- The majority of agricultural marketing already happens outside the mandi network.
- There are only 7,000 APMC markets operating across the country.
- **Bihar, Kerala and Manipur** do not follow the APMC system at all.
- However, most private buyers are currently small traders. The removal of stock limits and facilitation of bulk purchase and storage through the amendment to the Essential Commodities Act could bring large corporate players into the agriculture space who may manipulate market.

MSP's:

Cabinet Approves Minimum Support Prices (MSP) for Rabi Crops

- On September 21, 2020, the Union Government approved the increase in the Minimum Support Prices (MSPs) for Rabi crops for marketing season 2021-22.
- In view of nutritional requirements, changing dietary pattern and to achieve self-sufficiency in pulses and oilseeds production, the Government has fixed relatively higher MSP for these crops.
- The highest increase in MSP has been announced for lentil (Rs. 300 per quintal) followed by gram and rapeseed & mustard (Rs. 225 per quintal each) and safflower (Rs. 112 per quintal). For barley and wheat, an increase of Rs. 75 per quintal and Rs 50 per quintal respectively has been announced. The differential remuneration is aimed at encouraging crop diversification.

MSPs At a Glance:

Crops	MSP for RMS 2020-21 (Rs/quintal)	MSP for RMS 2021-22 (Rs/quintal)	Cost* of production 2021-22 (Rs/quintal)	Increase in MSP (Rs/quintal)	Return over cost (in per cent)
Wheat	1925	1975	960	50	106
Barley	1525	1600	971	75	65
Gram	4875	5100	2866	225	78
Lentil (Masur)	4800	5100	2864	300	78
Rapeseed &Mustard	4425	4650	2415	225	93
Safflower	5215	5327	3551	112	50

- The increase in MSP for Rabi Crops is also in line with the principle of fixing the MSPs at a level of **at least 1.5 times** of the All-India weighted average Cost of Production as announced in Union Budget 2018-19. The same was recommended by the Swaminathan Commission.
- The expected returns to farmers over their cost of production are estimated to be highest in case of Wheat (106%) followed by rapeseed & mustard (93%), gram and lentil (78%). For barley, return to farmers over their cost of production is estimated at 65% and for safflower, it is 50%.

Cold Chains:

27 Integrated Cold Chain Projects Approved

- In September 2020, the Union Government approved setting up of 27 Integrated Cold Chain projects worth Rs. 743 crore.
- The Union Government is encouraging setting up of Integrated Cold Chain projects for perishable produce such as fruits and vegetables, dairy products, meat, fish marine, poultry by providing grant assistance.
- The Union Government provides assistance in the form of grant-in-aid at the rate of 35 per cent for general areas and the rate of 50 per cent for North-Eastern States, Himalayan States, Integrated Tribal Development Projects/Agency (ITDP/ITDA) Areas, and Islands.
- The 27 projects would be set up in of Andhra Pradesh (7), Bihar(1), Gujarat(2), Haryana(4), Karnataka(3), Kerala(1), MP(1), Punjab(1), Rajasthan(2), Tamil Nadu(4) and Uttar Pradesh(1).

- The Government would provide a grant-in aid of Rs.208 crores for these 27 projects.
- 2.57 lakh farmers will benefit. 16,200 direct and indirect employment opportunities would be creates

Need for Cold Chain Projects:

- Perishable produce requires cold storage facilitates.
- Such facilities absorb the excess farm produce and help in two ways.
- The shelf life of perishable produce can be extended.
- These can be converted into value added products to meet the domestic as well as the global demand.

Other Benefits of Integrated Cold Chain projects:

- Boost to the growth of food processing infrastructure,
- streamlining the food supply chain,
- generation of direct and indirect employment opportunities in rural areas, and
- better prices to farmers.

Kisan Rail:

South India's 1st and Country's 2nd Kisan Rail Inaugurated from Anantapur, Andhra Pradesh

- South India's 1st and country's 2nd Kisan Rail was inaugurated on September 9, 2020 between Anantapur, Andhra Pradesh and New Delhi. The train was loaded with tomato, bananas, sweet orange, papaya, muskmelons and mangoes The train will cover a distance of 2150 kms in 40 hours.
- The first Kisan Rail was flagged off between Devlali (near Nashik) in Maharashtra and Danapur in Bihar as a weekly service on August 7, 2020. It was later made bi-weekly due to increasing demand.
- Kisan Rails are being started by the Union Government for transportation of perishable commodities like fruits, vegetables, milk, fish, etc. would be transported through different parts of the country. This measure is part Government's efforts to double the income of the farmers.
- In Anantapur fruits and vegetables are being grown in more than 2 lakh ha area, and the Kisan Rail will prove very beneficial to farmers of this region.
- AP ranks 1st in the country in the production of tomatoes, coconut, papaya and chillies and is the biggest fruit producing state in South India.
- More than 80% of the 58 lakh MT of fruits & vegetables in the district is marketed out of the state, particularly to the north Indian States of Delhi, UP, Punjab and Haryana among others.
- Till now the road transport is the dominant mode. With the inauguration of Kisan Rail, farmers can transport their perishable produce in less time and cost in comparison of road transport while ensuring less damage to the farm produce while transportation due to refrigerated vans in the Kisan Rail.

Fisheries:

Pradhan Mantri Matsya Sampada Scheme Launched

Prime Minister Narendra Modi launched the Pradhan Mantri Matsya Sampada Yojana (PMMSY) on September 10, 2020 with the objective of nearly **doubling the fish production by 2024-25** (from 137.58 lakh metric tons in 2018-19 to 220 lakh metric tons by 2024-25)

An investment of Rs.20, 000 crore would be spent under the mission by Centre, States and beneficiaries in the 5 years (2020-21 to 2024-25).

Investments will be made in

- construction and modernization of Fishing Harbours and Landing centers for hygienic handling of fish,

- urban marketing infrastructure to deliver quality and affordable fish,
- development of state of the art whole sale fish markets, and retail markets,
- E-marketing and E-trading of Fish.

Other highlights of the Mission:

- promotion of high value fish species and establishing a national network of Brood Banks for all commercially important species,
- Support to fishermen for acquisition of technologically advanced fishing vessels for promotion of deep-sea fishing,
- strengthening extension services through 'sagar mitras' in coastal villages,
- creating post-harvest infrastructure,
- encouraging private participation and development of entrepreneurship for modernisation and strengthening of value chain, and
- enhancement of fisheries export competitiveness.

Significance of Fisheries Sector in India:

- Fisheries and aquaculture are an important source of food, nutrition, employment and income in India.
- The sector provides livelihood to more than 20 million fishers and fish farmers at the primary level and twice the number along the value chain.
- The Gross Value Added (GVA) of fisheries sector in the national economy during 2018-19 stood at Rs 2,12,915 crores (current basic prices) which constituted 1.24% of the total National GVA and 7.28% share of Agricultural GVA.
- The sector has immense potential to double the fishers and fish farmers' incomes as envisioned by government.
- Foreseeing the immense potential for development of fisheries and for providing focused attention to the sector, the Government launched the Pradhan Mantri Matsya Sampada Yojana (PMMSY).

INDUSTRY:

Start up Rankings:

Gujarat Retain Top Position in Start up Rankings 2019

- Gujarat retained the top spot in 'States' Start-up Rankings 2019' for the second year in a row released by the Department for Promotion of Industry and Internal Trade's (DPIIT's), Union Ministry of Commerce and Industry, in September 2020.
- Karnataka and Kerala were the other top performers.
- Andaman & Nicobar bagged the top spot among Union Territories (UTs).

Objective of Start up Rankings:

- Start up Rankings were started in 2018 to
- foster competitiveness among States and Union Territories, and
- propel them to work proactively towards uplifting the startup ecosystem.

Criteria for Start up Rankings:

Rankings were compiled based on seven broad reform areas i.e.

- Institutional support,
- Easing compliances,
- Relaxation in public procurement norms,
- Incubation support,
- Seed funding support,
- Venture funding support, and
- Awareness and outreach.

Why Are Start-ups Encouraged?

- Start ups play a significant role in finding new business opportunities and generating new employment opportunities.
- Societies across the globe have developed only by establishing a sound ecosystem for encouraging entrepreneurship (Example: USA, UK, etc).
- Such strong ecosystem is also essential for India to reach US $ 5 trillion economy, the goal set by Union Government.

Government Support to Startups:

- Government of India has established a **Fund of Funds for Start ups (FFS)** with corpus of Rs. 10,000 crores, to meet the funding needs of start ups.
- Fund of Funds for Startups does not directly invest into startups but provides capital to SEBI-registered Alternate Investment Funds (AIFs), known as daughter funds, who in turn invest money in growing Indian startups through equity and equity-linked instruments.
- Small Industries Development Bank of India (SIDBI) is the operating agency for **Fund of Funds for Start ups (FFS).** Department for Promotion of Industry and Internal Trade (DPIIT) is the monitoring agency of the Fund.

SEBI Definition of Fund of Funds:

- SEBI defines Fund of Funds as an Alternative Fund which invests in another Alternate Investment Fund (AIF).

Alternate Investment Funds (AIFs):

- Alternate Investment Funds (AIFs) are pooled investment funds set up by wealthy persons and venture capitalists both Indian and Foreign. These have to be registered with Securities and Exchange Board of India (SEBI). They invest in Startups, infrastructure projects, real estate projects, Small and Medium Enterprises, etc.
- AIFs invest in Start ups in the early stages by taking the risk if they are convinced that the business model of the Start ups will reap them profits in future. In a way these are risk investments where there is chance of success as well as failure. Since there is risk of failure, Banks are hesitant to give loans required for start ups. Alternate Investment Funds (AIFs) bridge this gap in funding for Startups.

- One successful start up in India is Flipkart, an online e-commerce platform set up by Sachin Bansal and Binny Bansal, two IITians, in 2007. After running the company for more than 10 years, the founders sold the company to US based retail giant for US $ 16 billion in 2018.

Why Government Extends Funds through Alternate Investment Funds?

- Wealthy persons and Venture capitalists can assess the business models of the Startups better. The Government officials may not be better judges of commercial decisions. Government also wants to avoid direct involvement in entrepreneurial decisions.
- Hence, the Government is investing through Alternate Investment Funds (AIFs). The funds of Government and venture capitalists are pooled and invested in Start ups. In a way, it is joint risk taking.

Other Incentives Available for Startups:

- 100% deduction of the profits and gains from income of Startups for three out of seven consecutive years.
- Tax Exemption on share premium received by eligible Startups is given to encourage the flow of investments into Startups.

SOCIAL SECTOR:

Labour Codes:

Parliament Passes Three Labour Code Bills

In September 2020, Parliament of India passed the following three labour reform bills.

1. Occupational Safety, Health and Working Conditions Code
2. Industrial Relations Code, and
3. Social Security Code.

Background:

- Labour is a subject in concurrent list. As a result, there are more numerous laws made by the Parliament and States to regulate labour issues.
- Huge number of laws increased the complexity in implementation and also compliance burden on establishments. Some of the provisions were also inhibiting the growth of industries due to heavy regulation by Government.

- To suit the changing business environment, the Union Government decided to merge all the labour laws in to four codes namely

a) Wage Code,

b) Occupational Safety, Health and Working Conditions Code,

c) Industrial Relations Code, and

d) Social Security Code.

Wage Code had already been approved by the Parliament in 2019. Remaining three bills were passed in September 2020.

Major Highlights of the Above Codes:

- Increase of employment threshold from 100 workers to 300 workers for retrenchment, lay off of workers and closure of establishments,
- introduction of random, Web Based Inspection System would be introduced to remove to Inspector Raj.
- extension of the reach of Employees State Insurance, Employees Provident Fund,
- benefits on par with regular employees for fixed term employees,
- social security expansion to unorganised sector workers,
- opportunities to women to work in night shifts in all spheres of work if she is willing and the employer provides security

Details:

Raising the Threshold for Retrenchment, Lay off and Closure:

- At present an establishment employing 100 workers requires Government permission for retrenchment, lay off of workers or closure of establishment under the Industrial Disputes Act, 1947. This provision is meant to protect the interests of workers. However, in practice it led to negative effects. In order to avoid Government intervention, many industries were employing less than 100 workers and were not willing to scale up their business activities.
- This threshold has been raised to 300 in Industrial Relations Code.
- Rajasthan had already raised the threshold from 100 to 300 workers in 2014. The number of factories having more than 100 workers increased significantly in Rajasthan. Following the example of Rajasthan, 16 States including Andhra Pradesh, Arunachal Pradesh, Assam, Bihar, Goa, Gujarat, Haryana, HP, Jharkhand, Karnataka, MP, Meghalaya, Odisha, etc. had raised the threshold to 300.

Inspection:

- The role of Inspector would be redesignated as Inspector-cum- Facilitator.
- **Random, Web Based Inspection System** would be introduced to remove to Inspector Raj.

Extending Reach of ESIC:

- The facility of ESIC would now be provided in all 740 districts. At present, this facility is being given in 566 districts only.
- Establishments working in hazardous sectors would mandatorily be linked with ESIC, even if there is only one worker working in it.
- Establishments with less than 10 workers will be given Option for becoming member of ESIC.

Extending the Reach of Employees Provident Fund (EPF):

- Employee Provident Fund (EPF) coverage would be applicable on all establishments having 20 workers. At present, it was applicable only on establishments included in the Schedule of the EPF Act.
- Establishments having less than 20 workers will be given option to join EPFO.
- Schemes would be formulated for bringing workers coming under the category of 'Self-employed' or falling under any other category under the aegis of EPFO.

Gig Workers and Platform Workers:

- Newer forms of employment created with the changing technology like "platform worker or gig worker"(example: Freelancers, Swiggy, Zomato delivery boys, etc. who work outside traditional employer-employee relationship) will be brought into the ambit of social security.

Benefits for Fixed Term Employees:

- Fixed Term Employee working for a determined period on contract has been given the right of social security like a Regular Employee. They will also be eligible for Gratuity without any condition for minimum service period.

Equality of Opportunities for Women:

- Women have been permitted to work in every sector at night, but employer should provide them security and consent of women is taken before they work at night.

Working Hours and Overtime Work:

- Number of working hours has been fixed at eight and for six days in a week. When a worker is engaged in overtime work, overtime wages should be paid at twice the rate of wages.

Free Health Checkup:

- **Free health checkup** has been made mandatory once a year by the employer for workers which are more than a certain age.

Social Security for the Unorganised Sector Workers:

- **Who are Unorganised Sector Workers?**
- Those who are not covered under the following two acts are considered as unorganised sector workers in India.
- Employees' State Insurance Act, 1948(ESI Act), and
- Employees' Provident Funds Act, 1952
- Provident Fund Act is applicable to any establishment which employs 20 or more people.
- ESI Act is applicable to any establishment which employs 10 or more people.

Status of Unorganised Workers:

- Currently, unorganised sector workers do not have access to social security benefits available under both the above Acts like provident fund, health insurance, maternity benefits, disability benefits, retirement savings, etc.
- The Social Security Code 2020 provides for formulation of welfare schemes to cover around 40 crore unorganised sector workers. These welfare schemes to be formulated by the Centre and States would cover

a) provident fund,
b) life and disability cover,
c) health and maternity benefits,
d) old age protection,
e) education schemes for children of unorganised workers,
f) housing,
g) skill upgradation of unorganised workers,
h) funeral assistance,
i) setting up of old age homes.

Source of Funds:

- Multiple options would be explored to pool funds for the implementation of above welfare schemes like contribution by Central Government, State Government, Employers, Beneficiaries, Corporate Social Responsibility (CSR) Funds.

Database of Unorganised Workers:

- With the aim of making a national database for unorganised sector workers, r**egistration of all these workers would be done on an online portal.** This registration would be done on the basis of Self Certification through a simple procedure.
- This database would also **facilitate the extension of benefits of various social security schemes to beneficiaries in the unorganised sector.**

Online Portal to Fill Vacancies:

- It has been made mandatory for all establishments with 20 or more workers to report the vacancy position in their establishments. This information would be given on online portal.

Additional Information:

The following is the list of various labour laws subsumed in the four Labour Codes.

Name of the Code	Number & Name of amalgamated laws
Wage Code	4 laws
	i. The Payment of Wages Act, 1936 ii. The Minimum Wages Act, 1948 iii. The Payment of Bonus Act, 1965 iv. The Equal Remuneration Act, 1976
Industrial Relations Code	3 laws i. The Trade Unions Act, 1926 ii. The Industrial Employment (Standing orders) Act, 1946 iii. The Industrial Disputes Act, 1947
Occupational Safety, Health, and Working Conditions Code	13 laws i. The Factories Act, 1948 ii. The Plantations Labour Act, 1951 iii. The Mines Act, 1952 iv. The Working Journalists and other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act, 1955 v. The Working Journalists (Fixation of Rates of Wages) Act, 1958 vi. The Motor Transport Workers Act, 1961 vii. The Beedi and Cigar Workers (Conditions of Employment) Act, 1966

	viii. The Contract Labour (Regulation and Abolition) Act, 1970 ix. The Sales Promotion Employees (Conditions of Service) Act, 1976 x. The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979 xi. The Cine-Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981 xii. The Dock Workers (Safety, Health and Welfare) Act, 1986 xiii. The Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996
Social Security Code	9 laws i. The Employees' Compensation Act, 1923 ii. The Employees' State Insurance Act, 1948 iii. The Employees Provident Fund and Miscellaneous Provisions Act, 1952 iv. The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959 v. The Maternity Benefit Act, 1961 vi. The Payment of Gratuity Act, 1972 vii. The Cine Workers Welfare Fund Act, 1981 viii. The Building and Other Construction Workers Welfare Cess Act, 1996 ix. The Unorganised Workers' Social Security Act, 2008

Human Capital Index:

India Ranked 116th in World Bank's Human Capital Index 2020

- India was ranked 116th out of 174 countries in the 'Human Capital Index, 2020' released by the World Bank in September 2020.

What is Human Capital Index (HCI)?

- Human Capital Index measures the amount of human capital (in terms of education and health) that a child born today can expect to attain by age 18 given the risks to poor health and poor education that prevail in the country where a child lives.
- In simple terms, the Human Capital Index focuses on the productivity of the next generation.

Ten Countries in the Human Capital Index:

Rank	Country
1.	Singapore
2.	Hong Kong
3.	Japan
4.	South Korea
5.	Canada
6.	Finland
7.	Macao
8.	Sweden
9.	Ireland
10.	Netherlands

How is it HCI Measured?

- The Human Capital Index ranges from 0 to 1.
- An HCI value of, for instance, 0.5 implies that a child born today will only be half as productive as a future worker as she would be if she enjoyed complete education and full health.
- Globally, **the HCI 2020 shows that,** before the pandemic struck, **a child could expect to attain an average of 56 percent of her potential productivity as a future worker.**
- This global average masks considerable variation across regions and economies.
- For instance, a child born in a low-income country could expect to be 37 percent as productive as if she had full education and full health.
- For a child born in a high-income country, this figure is 70 percent.
- The HCI for **Singapore which was ranked 1st is 88.**

Measurement:

- The Human Capital Index is computed by taking into account the following components.

Component 1: Survival:

- This component of the index reflects the unfortunate reality that not all children born today will survive until the age when the process of human capital accumulation through formal education begins.

- It measures how many children survive beyond 5 years. It is measured by using the under-5 mortality rate with survival of children up to age 5.

Component 2: School:

- This component of the index combines information on the **quantity** and **quality of education.**
- The **quantity of education** is measured as the number of years of school a child can expect to obtain by age 18 given the prevailing pattern of enrolment rates. The maximum possible value is 14 years, corresponding to the maximum number of years of school obtained as of her 18th birthday by a child who starts preschool at age 4. In the data, expected years of school range from around 4 to close to 14 years.

- The **quality of education** harmonises test scores from major international student achievement testing programs into a measure of harmonized test scores (HTSs).
- HTSs are measured in units of the 'Trends in International Mathematics and Science Study (TIMSS)' testing program and range from around 300 to around 600 across countries.
- **Tests scores are used to convert expected years of school into quality-adjusted years of school.**

Component 3: Health:

- There is no single broadly accepted, directly measured, and widely available summary measure of health that can be used in the same way as years of school as a standard measure of educational attainment. So, two proxies for the overall health environment are used:

Adult survival rates:

- This is measured as the share of 15-year-olds who survive until age 60. This measure of mortality serves as a proxy for the range of nonfatal health outcomes that a child born today would experience as an adult if current conditions prevail into the future.

Healthy growth among children under age 5:

- This is measured by percentage of children who are not stunted. Stunting means low height for age.

Importance of Human Capital Index?

- People's health and education have undeniable intrinsic value.
- **Human capital also enables people to realize their potential as productive members of society.**
- More human capital is associated with **higher earnings for people, higher income for countries, and stronger cohesion in societies.**
- It is a central driver of **sustainable growth** and **poverty reduction.**

Utility of Human Capital Index for Countries?

- Credible measurement of education and health outcomes is critical locally, nationally, and globally.
- It **underscores the importance for governments and societies of investing in the human capital** of their citizens.
- Within countries, measurement leads to insights into what works and **where to target resources.**

- It also **increases policy makers' awareness** of the **importance of investing in human capital,** creating momentum for action.
- **Globally,** comprehensive measurement **sheds light on the differences between countries,** and spurs demand for investments in human capital.

How does the Human Capital Index differ from UNDP's Human Development Index?

- United Nations Development Programme's (UNDP's) releases Human Development Index (HDI).
- **HDI is a summary measure of average achievement** along key dimensions of human development - **a long and healthy life, being knowledgeable, and having a decent standard of living.**

- While both indices spotlight human capabilities as central to national development, the Human Capital Index also strengthens the economic case for investing in people. The two are highly complementary but differ in the way they are formulated.
- The Human Capital Index links selected human capital outcomes with productivity and income levels.
- It is a forward-looking measure of how current health and education outcomes (including a new measure of learning-adjusted years of school) will shape productivity for the next generation of workers.

India Specific Indicators in HCI Index 2020:

Human Capital Index:

- **A child born in India** today will be 49 **percent as productive when she grows up** as he/she could be if he/she enjoyed complete education and full health.
- This is higher than the average for South Asia region and Lower middle income countries.

Probability of Survival to Age 5:

- 96 out of 100 children born in India survive to age 5.

Expected Years of School:

- In India, a child who starts school at age 4 can expect to complete 11.1 years of school by her 18th birthday.

Harmonized Test Scores:

- Students in India score 399 on a scale where 625 represents advanced attainment and 300 represents minimum attainment.

Learning-adjusted Years of School:

- Factoring in what children actually learn, expected years of school is only 7.1 years.

Adult Survival Rate:

- Across India, 83 percent of 15-year olds will survive until age 60. This statistic is a proxy for the range of health risks that a child born today would experience as an adult under current conditions.

Healthy Growth (Not Stunted Rate):

- 65 out of 100 children are not stunted. 35 out of 100 children are stunted, and so are at risk of cognitive and physical limitations that can last a lifetime.

Domestic Resource Utilization and Mobilization:

Health Spending:

- **India spends 1.0 percent (2017) of its GDP in public spending on health.**
- This is lower than both the regional average (2.0%) and the average for its income group (2.8%). 17 percent (2011) of the population incurs catastrophic health expenditure measured as out-of pocket spending exceeding 10% of household consumption or income.

Education Spending:

- India spends 4.4 percent (2018) of its GDP in government education spending. This is higher than the average for its region (3.8%) but lower than the average for its income group (4.5%).

Social Assistance Spending (old age, widow, disability, family benefit pensions, etc.):

- India spends 1.4 percent (2016) of its GDP on social assistance.
- This is higher than the average for its region (1.1%) but similar to the average for its income group (1.4%).

Complementary Indicators:

Learning Poverty:

- In India, 55 percent (2017) of 10-year-olds cannot read and understand a simple text by the end of primary school. This is lower than both the average for its region (59%) and the average for its income group (59%).

Net Secondary Enrolment:

- In India, 66 percent (2018) of secondary school age children are enrolled in secondary school. This is higher than both the average for its region (63%) and the average for its income group (57%).

Non Communicable Diseases (NCD) Deaths:

- In India, the probability of dying between ages 30 and 70 from cardiovascular disease, cancer, diabetes, or chronic respiratory diseases is 23 percent (2016).

Human Capital Utilisation:

- In India, 48 percent (2018) of the working age population is employed. This is lower than both the average for its region (51%) and the average for its income group (54%).

Female Labour Force Participation:

- In India, the female labour force participation rate is 23 percent (2017). This is lower than both the average for its region (33%) and the average for its income group (50%).

Drinking Water:

- In India, 93 percent (2017) of the population has at least a basic source of drinking water. This is higher than both the average for its region (90%) and the average for its income group (81%).

Road Traffic Deaths:

- In India, for every 100,000 people, 23 people (2016) die due to road traffic injury. This is higher than both the average for its region (15) and the average for its income group (20).

Rankings of India and Its Neighbouring Countries in the HCI 2020:		**Rankings of BRICS (Brazil, Russia, India, China and South Africa) Countries:**	
Country	**Rank**	**Country**	**Rank**
China	45	Russia	41
Sri Lanka	71	China	45
Nepal	109	Brazil	91
India	116	India	116
Myanmar	120	South Africa	135
Bhutan	121		
Bangladesh	123		
Pakistan	144		

BALANCE OF PAYMENTS:

Self Reliance:

Self Reliance in Select Sectors Can Lead to Import Substitution of US $ 186 Billion

- Promoting **self reliance** in select sectors **like electronics, defence equipment, pharmaceuticals, Machinery, Chemicals, etc** can lead to **can lead to import substitution of over USD 186 billion for the country** as per the study by Export and Import Bank of India (Exim Bank) 'Self Reliant India : Approach and Strategic Sectors to Focus' released in September 2020.
- The imports from these select sectors account for

  39 percent of India's total imports and

  50 percent of India's non-oil imports.
- **Trade deficit in these sectors amounted** to about **57 percent of total trade deficit of the country in 209-20.** If the trade in these sectors is neutralised, India could achieve positive trade balance in the non-oil merchandise trade.
- Being self reliant in select sectors would help India to

1. reduce its burgeoning trade deficit,
2. earn foreign exchange, and
3. increase employment generation in the country.

Details:

- **Manufacturing** has traditionally played **a key role** in the **economic growth and development,** as also **in promoting job creation** and **enhancing technological capabilities in a country.**
- **But, India has a weak manufacturing base.**
- The share of manufacturing in India's gross value added (GVA) declined to **15.1 percent in 2019-20,** as compared to 18.35 percent in 2010-11.
- This **weakness in the domestic manufacturing sector has translated into greater dependence on imports to meet the growing domestic demand over the years,** thereby resulting in a large trade deficit across the key manufacturing sectors. This high reliance on imports has also translated into higher foreign value-added content in India's manufacturing exports.
- **India's merchandise imports stood at US$ 474.0 billion in 2019-20.**

Dependence on China:

- **China is the largest source for India's merchandise imports,** accounting for nearly 13.8 percent of the total merchandise imports during 2019-20.
- **Within manufacturing imports, the share of China is substantially higher.** During 2019-20, China had a share of 40.0 percent in India's imports of organic chemicals; 38.8 percent in electrical and electronics; 34.1 percent in articles of iron and steel; 30.7 percent in machinery and mechanical appliances; 27.7 percent in dyes and pigments; 27.2 percent in fertilizers; 24.3 percent in vehicles and transport equipment; 21.8 percent in aluminium and articles thereof; and 21.3 percent in project goods.

Sector wise Suggestions:

Electronics:

- Electronics is one of the industries where India has registered huge trade deficit in the recent years, and the figure is expected to grow further.
- India currently has **a trade deficit of over US$ 40 billion in electronics.** Electronics components, computer hardware & peripherals, consumer electronics, electronics instruments, and telecom instruments are some of the major segments contributing to the trade deficit in the electronics industry.
- India's biggest challenge in the electronics industry arises from the fact that it is **hugely dependent on China for imports.** In fact, under all the product categories within the electronics sector, China is the largest import source for India, which could be a concern for India in the long-term.
- Some of the **plausible steps** which could be taken up by India **include:** attracting large scale Global Value Chains (GVC) oriented investments through production-linked incentives, increasing customs duty on select import items, renegotiating Free Trade Agreements (FTAs) in the context of electronics, special thrust to investment in medical electronics / devices and strategic electronics segment, focusing on skill development, and promoting innovation and R&D through financial and fiscal incentives.
- While the recent initiatives to incentivize domestic manufacturing in this sector is a welcome initiative, it is imperative for the players to get **easier and low cost working capital. This** could be tackled by setting up a fund to provide interest subvention for working capital. Top competing countries like **Vietnam** and **China** provide **such interest subvention on working capital** which enhances their cost **competitiveness** in the mobile manufacturing segment.

Capital Goods:

- The capital goods sector has one of the strongest linkages with the industrial sector in India. Nevertheless, it is bereft with a consistent **trade deficit which currently stands at around US$ 17 billion.** Industrial machinery for dairy, machine tools, AC & refrigeration machinery, electric machinery & equipment, amongst others are some of the largest contributors to the deficit. Another alarming fact is that **India is significantly dependent on China for its imports.**
- Some of the **possible measures for India to pull itself out from the trade deficit under this category** would be: encouraging technology transfer and investments in the capital goods sector, fostering innovation-led start-up ecosystem, support for creation of testing and certification infrastructure, promoting capital goods for intelligent manufacturing, expanding the scope of public procurement preference for local manufacturers.

Chemicals and Products:

- The chemical industry has emerged as one of the fastest growing industries in India, with the country ranking fourth in Asia, and the sixth largest market in the world with respect to output, after the USA, China, Germany, Japan, and South Korea.
- When it comes to trade, India faces a trade deficit of almost **US$ 4 billion in this industry.** Some of the products under which India has import dependency are phosphoric acid, styrene, aluminium oxide, and anhydrous ammonia. India has a significant dependence on China for antibiotics, penicillin, and heterocyclic nitrogen compounds.

- India has a growing dependence (backward linkage) on China for some critical inputs used by the chemical and pharmaceutical industry. To reduce the import dependence from China and boost the chemical exports from India, greater focus should be laid on enhancing India's integration into the Global Value Chains (GVCs), enabling domestic manufacturers to specialize across various stages of production.
- Even advanced economies like the **USA, Germany, Japan and South Korea** constituted almost 25 percent of global imports of chemicals in 2019, most being from China.
- **India should enter into strategic partnerships** with these countries to attract investments, besides providing conducive business environment to manufacture and source from India. It would be a win-win situation for both India and these major importing countries.

Plastics and Products:

- India has diversified a lot in the last few years in the plastics industry and hosts more than 2000 exporters. However, the sector has a significant **trade deficit of almost US$ 7 billion,** and the challenges exist especially in the area of sourcing of raw materials needed for plastic manufacturing.
- Government may consider including this sector for introducing the production linked incentive (PLI) scheme, to support the plastic industry, along the similar lines as was introduced for the electronics sector in May 2020.
- Besides satisfying our own requirements, the PLI scheme could **position India as a viable alternative to giants like China in the long term.**

Defence Sector:

- Defence equipment is one of the most strategically important areas for India, which is categorised as a monopsony, as the Government is the sole buyer in this case. (A monopsony is a market condition in which there is **only one buyer, the monopsonist).**
- India is the second largest importer of weapons in the world. In its trade in defence equipment, almost **98 percent is accounted by imports.** India's trade deficit in this category stands at around US$ 7.8 billion. One of the largest contributors to India's deficit is aircraft (helicopter, aeroplanes) & spacecraft.
- India can reduce the deficit by removing tax impediments to create a level-playing field, addressing the ambiguity in procurement categories, revising the quantum and threshold for offset, and facilitating medium to long term export credit.

Promoting Defence Exports:

- India is also exporting certain defence equipment like ships, sensors, helicopters, missiles, etc. Currently, it is the 23rd largest exporter of weapons in the world.
- With defence sector being a monopsony market, building sophisticated defence production capabilities requires a long-lasting partnership between the sellers and the government.
- To make India a defence manufacturing hub, there is a need to incentivize foreign investment, technology transfer and long-term operational involvement of foreign defence Original Equipmwnt Manufacturers (OEMs) in the country.
- Currently, there is no specific fund for supporting the domestic capacity building in the defence sector or facilitating exports of defence equipment from India. A **Defence Development Fund**

(DDF) could be created by India Exim Bank. This fund can be a source of competitive finance for the defence sector. Strategic cooperation agreement can be signed by India Exim Bank with the firms identified under the Strategic Partnership model. Defence projects supported through the DDF can be provided **concessional financing.**

Rare Earth Elements:

- The rare earth elements (REEs) are a set of 17 metallic elements. These include the 15 lanthanides on the periodic table plus scandium and yttrium. (The rare earth elements are all metals, and as a result, they are often termed as the 'rare earth metals')
- Rare Earth Elements (REEs) are one of the important elements required by almost all countries with a strong manufacturing base and needed in **various industries** such as **defence, electronics, and renewables.**
- China has the world's largest reserves of Rare Earth Elements. It accounts for 37 percent of the global reserves and is followed by Brazil and Vietnam at 18 percent each. Russia is ranked 4th with 10 per cent of world reserves of rare earth metals.
- **India is the fifth largest country** in the world with 6.9 million tonnes of Rare Earth Elements (REE) reserves, accounting for 5.8 percent of global reserves.
- However, **significant requirement of REEs in India is met through imports, particularly from China.** As a way forward, India could **explore the feasibility of sourcing REEs from other countries such as Brazil, Vietnam, Russia, Australia and the USA.** India could also **collaborate with other countries for joint exploration activities** and thereby securing REE assets within the country and abroad.
- A **dedicated overseas strategic investment fund** for the purpose of securing REE assets could be considered.

Solar Cells / Modules:

- India has set an ambitious target to set up renewable energy capacities to the tune of 175 GW by 2022. However, nearly 70 percent of the solar modules are currently imported from China. The benefits from the program therefore does not entirely percolate to the Indian manufacturing sector.
- In order to reduce import dependence and produce solar goods in the country, an extension of the safeguard duty on solar cells and modules is required.
- Further, to stimulate the demand for solar cells and modules in the market, mandatory uptake of domestically manufactured solar devices in the State and Central Government offices has been suggested.

- Besides, **silicon wafers and ingots,** which go into the manufacturing of solar cells and modules, are also not **manufactured in India in abundance, and hence being imported.** The Government could consider exploring the possibility of providing the viability gap funding (VGF) to projects setting up such facilities.
- Solar projects which are abundantly implemented in developed economies like the USA, the Netherlands, and Japan, source a significant volume of their import requirements from emerging economies like China and Vietnam. Production by India, with investments from these countries, could lead to **diversification of the imports by these countries,** and in the process, India could even emerge as a PV cell hub for the global players.

Auto-components:

- India has overall trade surplus in the auto components industry but depends significantly on China for its imports of certain critical components such as drive transmission and steering parts, cooling systems, suspension and braking parts.
- **India's auto component imports from China** accounted for 23.9 percent of India's total imports of auto components in 2019-20.
- The auto component industry is faced with several technology-intensive disruptions in the areas of emission level, safety, electric mobility, and increasing usage of automotive electronics, which enunciates the need to periodically upgrade technology in the auto component space.
- For instance, changes in emission norms that resulted in a shift from Bharat Stage IV (BSIV) to Bharat Stage VI (BSVI) is posing a challenge for Indian manufacturers of components due to the technology-intensive nature of the management modules of BSVI. Most of the technology used in these aspects is still imported and the Indian eco-system is striving hard to compete at the same level as internationally developed and scaled alternatives.
- Similarly, it is important for the Indian manufacturers to develop Indian solutions in the areas of Anti-lock braking systems (ABS) and airbag which have been made mandatory and are also highly import dependent.
- In order to incentivize the indigenization of such technology intensive auto components, the Government could consider setting up **specific technology upgradation fund** for facilitating these upcoming technological changes. The resources of the Fund could be utilized for incentivising capital investments and low-cost funding.

Strengthening the eco-system for indigenisation for Self Reliance in the above Identified Sectors:

Public Procurement:

- **Public procurement accounts for around 20-30 percent of India's GDP,** making the Government an important buyer for the manufacturing companies. There are several changes which can be undertaken by the Government to **ensure that the benefits percolate to the Indian manufacturing sector** and encourages investment in innovation.
- Firstly, India can focus on quality in its procurement guidelines. Cue can be taken from the European Union's 2014 Directive on Public Procurement, which focuses on a "price-quality ratio", **moving away from a focus on price only.**

- The Government may also consider **making the procurement processes more favourable to Micro, Small and Medium Enterprises (MSMEs).** In this regard, the Government could **consider unbundling large procurement contracts into several smaller ones.** Such directives are in place in the European Union (EU), which require **large public contracts to be divided into smaller batches,** allowing SMEs to participate in large tenders.
- **Federal structure in India empowers the states to design their own investment policies and sector-specific incentives** to attract investments and promote industrial growth. Therefore, it is essential for the State Governments to actively engage in improving the **'ease of doing business'** in the States along with designing a sound incentive structure for enhancing industrial development.

Reworking FTA's /PTA's:

- **Domestic manufacturing faces stiff competition from imports under some of the existing Free Trade Agreements (FTAs)/ Preferential Trade Agreements (PTAs).** The Government may explore the possibility of having a 'graduation clause' for the developing country FTA partners, a 'sunset clause' on some concessions, and a 'trigger mechanism' in case the imports surge from a country for a given product.

Promoting innovation and R&D:

- Promoting innovation and R&D could be a key game-changer for India to attain self-reliance in manufacturing. Fund allocation for incentivising R&D could be increased, along with introduction of other suitable policy interventions to promote R&D, such as reinstating greater Income Tax deduction on expenditure incurred on R&D.

- The Government of India has recently lowered the corporate tax rate to 22 percent from the earlier rate of 30 percent for all companies. However, the specific provisions under the new tax regime forces the companies to **relinquish** any other tax incentives including the tax exemption under Section 35 (2AB) for R&D purposes in order to avail the lower corporate tax rate. This discourages the companies to invest in R&D. Hence, the **Government could consider allowing the tax exemption on R&D under Section 35 (2AB), in addition to the lower corporate tax rate of 22 percent,** in order to incentivize the domestic companies to invest in R&D, innovate new technologies, engage in product development and related processes.

Ease of Doing Business:

- India has undertaken major reforms across various areas of doing business, which have improved the investment climate in the country. However, the **country still lags in areas such as enforcing contracts and registering property.** Simplifying property registration and acquisition of land will be important for further improving the business environment in the country.

- There is also a need to **overhaul the judicial processes for commercial disputes in the country.** Leveraging technology will be an important step towards this, and the **Supreme Court of India has already developed a paperless module for commercial courts, where trials can be conducted in a digital environment.** Such **digitization drives need to be undertaken at lower rungs of the judiciary as well.** Moreover, the **Alternate Dispute Resolution Mechanism (ADR) in India needs to be strengthened** by **expanding arbitration and mediation centres** in the country and **setting up specialized commercial courts at High Courts and District Courts.**

Subsidising the Cost of Commercialising New Innovations:

- The Government could also consider **subsidising the cost of commercialising new innovations,** for enhancing the market for domestically produced innovative goods. This would entail interlinking the demand for innovative solutions across industries to the manufacturers of such innovative goods through appropriate incentives.

- The government could explore policies that incentivize industry efforts to invest in innovation and develop new products.

- **In select high technology sectors, the government could consider incentives such as** providing support of up to 50 percent of expenditure for pilot production projects, partial reimbursement of expenses on equipment procured for the purpose of R&D, reimbursement of expenditure incurred on developing prototype products etc. Such enabling provisions would help promote R&D in high technology sectors, facilitate innovation and develop capacity in innovative products.

Additional information on Uses of Rare Earth Elements:

Renewable Energy:

- Most of the renewable energy sources such as solar, wind, and nuclear depend on components such as solar photovoltaic cells, turbines (geared or direct drive), and reactor control rods for efficient functioning of equipment. These components in turn, are manufactured from various minerals including copper, indium, boron, dysprosium, neodymium, and hafnium among others.

Electric Vehicles:

- Many electric motors use high-powered magnets in their design. These magnets contain **neodymium** and **dysprosium,** which are both rare earth elements often cited as critical metals.

Defence:

- For defence purposes, rare earth elements are found in two types of commercially available, permanent magnet materials. They are samarium cobalt (SmCo), and neodymium iron boron (NdFeB).
- NdFeB magnets are considered the **world's strongest permanent magnets** and are essential to many military weapons systems. The superior strength of NdFeB allows for the use of smaller and lighter magnets in defence weapon systems.
- SmCo retains its **magnetic strength** at elevated temperatures and is ideal **for military technologies such as precision-guided missiles, smart bombs, and aircraft.**

Electronics:

- Rare earths elements contain unique properties, including high heat resistance, strong magnetism, and high electrical conductivity. These specific properties make them well suited for use in a variety of products, including **cell phones, batteries, loudspeakers, lights, and magnets.**

List of Rare Earth Elements:

- Rare earth elements are a group of seventeen chemical elements that occur together in the periodic table.
- The group consists of **yttrium** and the **15 lanthanide elements** (lanthanum, cerium, praseodymium, neodymium, promethium, samarium, europium, gadolinium, terbium, dysprosium, holmium, erbium, thulium, ytterbium, and lutetium). Scandium is found in most rare earth element deposits and is sometimes classified as a rare earth element. The International Union of Pure and Applied Chemistry includes scandium in their rare earth element definition.

Anti-Dumping Duties:

India Imposes Anti-dumping Duty on Ciprofloxacin Imported from China

- In September 2020, India imposed provisional anti-dumping duty on commonly-used anti-bacterial drug Ciprofloxacin imported from China for a period of six months.
- Several Chinese manufacturers such as Shangyu Jingxin Pharmaceutical Co Ltd, Zhejiang Langhua Pharmaceutical Co. Ltd, and Zhejiang Guobang Pharmaceutical Co. Ltd will attract anti-dumping duty.
- The duty will be levied at the rate of $0.94 per kg to $3.29 per kg depending upon the Company exporting Ciprofloxacin.

What is Dumping?

- If a company exports a product at a price lower than the price it normally charges on its own home market, it is said to be "dumping" the product.

Why do Companies Dump Products in Export Markets?

- To gain competitive advantage and penetrate into the markets they are exporting products.
- Sometimes Government give subsidies for companies dumping products to offset the losses they suffer when the products are sold below the prices than in the home markets.

World Trade Organisation's (WTO's) Stand on Dumping:

- The WTO Agreement does not regulate the actions of companies engaged in "dumping".
- Its rules provide for how governments can or cannot react to dumping.
- It disciplines anti-dumping actions, and it is often called the "Anti-dumping Agreement"

When Anti-dumping Duties Can be Levied?

- WTO agreement allows governments to act against dumping where there is genuine ("material") injury to the competing domestic industry.
- In order to do that the government has to be able to show that

a) dumping is taking place,

b) calculate the extent of dumping (how much lower the export price is compared to the exporter's home market price), and

c) dumping is hurting the domestic companies.

Exceptions to Anti-dumping:

- Anti-dumping actions should end immediately in the following cases.
- Where the authorities determine that the margin of dumping is insignificantly small (defined as less than 2% of the export price of the product).
- If the volume of dumped imports is negligible (i.e. if the volume from one country is less than 3% of total imports of that product. Investigations can proceed if several countries, each supplying less than 3% of the imports, together account for 7% or more of total imports).
- The WTO agreement says member countries must inform the Committee on Anti-Dumping Practices about all preliminary and final anti-dumping actions, promptly and in detail.

- They must also report on all investigations twice a year. When differences arise, members are encouraged to consult each other. They can also use the WTO's dispute settlement procedure.
- Anti-dumping measures **must expire five years** after the date of imposition, **unless** an investigation shows that ending the measure would lead to injury.

Anti-dumping Duty on Ciprofloxacin:

- The decision to impose antidumping duty on Ciprofloxacin was taken after investigation by the **Directorate General of Trade Remedies** (DGTR) based on complaints by domestic manufacturers.
- Ciproloxacin imported from China at dumped prices has impacted the domestic industry. The anti-dumping duty has been imposed to provide a level playing field for the domestic industry with that of Chinese companies which are dumping Ciproloxacin.
- Imports of Ciprofloxacin from China increased to 377 tonnes during the period of investigation (April 2018 - June 2019) from 117 tonnes in 2015-16.

Uses of Ciprofloxacin:

- Ciprofloxacin Hydrochloride is used to treat different types of bacterial infections, including skin infections, bone and joint infections, respiratory or sinus infections, urinary tract infections, and certain types of diarrhea.

Ease of Doing Business:

Andhra Pradesh Tops Ease of Doing Business Rankings for States

Andhra Pradesh was ranked 1st in the **'Ease of Doing Business for the States & Union Territories (UT's): 2019'** released by the Department for Promotion of Industry and Internal Trade (DPIIT), Union Ministry of Commerce in September 2020. This is the third time Andhra Pradesh was ranked 1st in the Ease of Doing Business Rankings since they were launched in 2015-16.

The Ease of Doing Business Rankings recognise the efforts of the States in implementation of reforms for facilitating ease of doing business. The Union Government has identified 180 reforms in 12 areas for ranking the progress of the States.

Top 10 States in Ease of Doing Business Index:

Rank	State
1.	Andhra Pradesh
2.	Uttar Pradesh
3.	Telangana
4.	Madhya Pradesh
5.	Jharkhand
6.	Chhattisgarh
7.	Himachal Pradesh
8.	Rajasthan
9.	West Bengal
10	Gujarat

Objective of Ranking:

The objective of Rankings is to

a) increase Ease of Doing Business in States by introducing a healthy competition through a system of ranking states,

b) attract investments into the country, and

c) increase employment opportunities.

Criteria for Ranking:

- Ranking of States based on the performance in the implementation of **Business Reform Action Plan.**
- Till date, State Rankings have been released for the years 2015-16, 2016-17 and 2017-18.
- The Business Reform Action Plan 2018-19 includes 180 reform points covering the following **12 business regulatory areas**

1. Access to Information to investors (like timelines for approvals, registrations, licenses, renewals, etc.)
2. Single Window System for investment approvals,
3. Land Administration in the States (maintenance of Land Records, online property registration, etc)
4. Land Availability, allotment and infrastructure,
5. Environmental Registration Enablers
6. Construction Permit Enablers (Uniform Building Code, Master Plans, Construction Permit approvals, etc.)
7. Labour Regulation Enablers (ease in Registration, grant, renewal of licenses under Factories Act, 1948, Shops and Establishments Act, Contract Labour Act, 1970, etc.)
8. Utility Connections (Electricity connection, Water connection, etc.)
9. Paying Taxes,
10. Inspection System,
11. Contract enforcement,
12. Sector specific enablers

Feedback:

For 2019 rankings, the Department of Industrial Policy and Promotion undertook a survey from 30,000 respondents on the effectiveness of the implementation of above reforms at the ground level.

Does Higher Ranking Translate into Higher Investments?

The ranking does not mean the State ranked higher in the index, necessarily attract higher investments.

For instance, in 2018-19, only Andhra Pradesh which was ranked number 1 also got highest investments. On the other hand, Tamil Nadu and Haryana though not in the top of the ranking

index received second and third highest investments in 2018-19. This is because; investors take into consideration other factors like availability of skilled labour, existing infrastructure, etc. for making investments.

WORLD ECONOMY:

Singapore Convention:

Singapore Convention on Mediation Comes into Force

- **Singapore Convention on Mediation** (officially called United Nations Convention on International Settlement Agreements Resulting from Mediation) came into force on September 12, 2020.
- (This is the first time a United Nations Convention has been named after Singapore. Singapore had worked with the United Nations Commission on International Trade Law (UNCITRAL) and other UN member states and non-governmental organisations to contribute to the development of the Convention.)
- The primary objectives of the Singapore Convention are to

a) promote use of mediation as an alternative and effective method for resolving cross border commercial disputes, and

b) facilitate international trade.

What is Mediation?

- Mediation is an alternate form of dispute resolution in which a third party mediator assists the parties to the dispute to arrive at a solution.
- Some Businesses chose to settle commercial disputes through Mediation due to limitations in litigation process through judiciary for enforcement of contracts.
- Litigation in Courts leads to lengthy judicial process, consumes huge time and costs.
- On the other hand, Mediation offers both the parties to the commercial dispute through negotiations with the help of a third party mediator.
- Mediation is known for improving the efficiency of dispute resolution and flexibility.
- The mediator's role is not to adjudicate, but rather to facilitate discussions between disputing parties to arrive at a mutually acceptable solution.
- The mediation process is more flexible, and in many instances, **more cost and time efficient than other dispute resolution processes such as litigation** and **arbitration.**
- The conciliatory nature of mediation also helps to preserve commercial relationships despite the disputes.

Major Provisions of Singapore Convention on Mediation:

- Until the introduction of the Singapore Convention however, an often-cited challenge to the use of mediation was the **lack of an efficient and harmonised framework for cross-border enforcement of settlement agreements resulting from mediation.** It was in response to this need that the Singapore Convention was developed and adopted by the United Nations.
- The Singapore Convention on Mediation provides a harmonised framework for settlement of international commercial disputes of business organisations though mediation.
- With the Convention, businesses can rely on mediation as a dispute resolution option for their cross-border transactions.

- With the Singapore Convention in force, businesses seeking enforcement of a mediated settlement agreement across borders can do so by applying directly to the courts of countries that have signed and ratified the treaty, instead of having to enforce the settlement agreement as a contract in accordance with each country's domestic process.
- A settlement reached by parties is binding and enforceable.

Signatories:

- 53 countries including India, China, and United States of America (USA) are signatories to the convention.
- Out of these, six countries have ratified the Convention. These six countries are Singapore, Fiji, Qatar, Saudi Arabia and Belarus, and Ecuador.
- Ratification means formally joining the Convention/Treaty after completing the necessary approvals at a country level like the approval of the Parliament or Executive. With ratification, the countries become parties to the Convention//Treaty and are bound by its provisions.

Global Innovation Index:

India Breaks into Top 50 in Global Innovation Index

- India was ranked 48th in the **Global Innovation Index (GII)** released by the **World Intellectual Property Organisation (WIPO)** in September 2020.
- The top-performing economies in the GII are still from the high-income group.
- **Switzerland** continues to be the **most innovative nation in the world,** followed by Sweden and the US.
- From Asia, South Korea became the second country to break into the top 10, pushing Israel down by one rank to the 11th position. **Singapore** maintained its 8th rank.
- China is the only exception, ranking 14th for the second time in a row and remaining the only middle-income economy in the GII top 30.
- Malaysia is the second-most innovative middle-income economy with a ranking of 33. India (48th) and the Philippines (50th) made it to the top 50 for the first time.
- Overall, 131 countries were given ranking.

Top Rankings at a Glance:

Rank	Country
1	Switzerland
2	Sweden
3	United States of America
4	United Kingdom
5	Netherlands
6	Denmark
7	Finland
8	Singapore
9	Germany
10	South Korea

Top 3 Countries in the Index by Income Classification:

High Income Group	Upper Middle Income Group	Lower Middle Income Group	Low Income Group
1. Switzerland	1. China	1. Vietnam	1. Tanzania
2. Sweden	2. Malaysia	2. Ukraine	2. Rwanda
3. USA	3. Bulgaria	3. India	3. Nepal

About India's Performance:

- India for the first time entered into top 50 countries in Index.
- India is also among top three most innovative countries in the lower middle-income economy band.
- India ranked in the top 15 in indicators such as Information and Communication Technology (ICT) services exports, government online services, graduates in science and engineering and research & development intensive global companies.
- Similarly, learning institutions like the Indian Institute of Technology Bombay, IIT Delhi and Indian Institute of Science, Bengaluru and India's high scientific publication output helped improve its position.
- For the first time, an Indian city, Bengaluru, figured in the top 100 science and technology clusters globally.
- The US continues to have the largest number of S&T clusters (25), followed by China (17), Germany (10) and Japan (5).
- Tokyo-Yokohama yet again remained the top-performing cluster in the world.

Criteria for Ranking:

The overall GII score is the average of the scores of the Input and Output Sub-Indices.

The Innovation Input Sub-Index is comprised of five pillars that capture elements of the national economy that enable innovative activities:

1) Institutions,

2) Human capital and research,

3) Infrastructure,

4) Market sophistication, and

5) Business sophistication.

The Innovation Output Sub-Index provides information about outputs that are the result of the innovative activities of economies. There are two output pillars:

6) Knowledge and technology outputs and

7) Creative outputs

Additional Information:

Grouping of Economies:

The World Bank assigns the world's economies to four income groups - low, lower-middle, upper-middle, and high-income countries. The classifications are updated each year on July 1 and are based on GNI per capita in current US Dollars.

The following is the classification for 2020-21 financial year of the World Bank.

Grouping	Threshold Income Per capita in US $
Low Income Countries	$ 1,035
Lower Middle Income Countries	$ 1,036 to $ 4,045
Upper Middle Income Countries	$ 4,046 to $12,535
High Income Countries	$ 12,536 or More

Questions for Practice:

Mains Practice Questions:

1. What are the major provisions of the 'Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020. Why are some States opposed to the Act?
2. Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 will lead to neglect of Agriculture Produce Market Committees and hurt the interests of farmers. Examine.
3. The three agriculture laws passed by the Parliament, which provide freedom to farmers to sell their produce, enable contract farming, and deregulate certain food stuff from the Essential Commodities Act, will only hurt the long term interests of the farmers in the country. Critically examine.
4. In a democracy ushering in reforms requires consensus building for effective implementation. Comment.
5. Explain the significance of Integrated Cold Chains for farmers and agriculture sector.
6. Explain the significance of fisheries sector in India. How does the Mantri Matsya Sampada Yojana (PMMSY) contribute the growth of fisheries sector?
7. What is Priority Sector Lending? Explain its significance in Indian economy.
8. The collection of Cesses, Surcharges, Levies are against the federal spirit of the Constitution. Comment.
9. Discuss the concerns of the States regarding cesses, surcharges, and levies collected by the Union Government.
10. Explain the significance of Startups for an economy. Elucidate the Government of India's efforts for encouraging Startups.

11. By becoming self reliant in select sectors of the economy, India can greatly reduce trade deficit, save foreign exchange and increase employment generation. Discuss.
12. Suggest some measures to reduce India's trade deficit which at the same time can also help India to become self reliant.
13. What are Rare Earth Metals? In which industries are these used?
14. What is Human Capital? Why are investments in human capital crucial for any country?
15. How is Human Development Report of UNDP different from Human capital Index released by World Bank?

Prelims Practice Questions:

1. Consider the following regarding Priority Sector Lending.
   1. Renewable Energy
   2. Public Sector Undertakings
   3. Micro, Small and Medium Enterprises
   4. Export Credit

Which of the above is/are eligible for Priority Sector Lending by Banks in our country?

a) 1, 2, 3

b) 1, 3, 4

c) 1 and 3

d) 1, 2, 3, and 4

2. Consider the following regarding Priority Sector Lending.

1) Commercial Banks and Regional Rural Banks have differential targets for Priority Sector Lending.

2) Commercial Banks have to lend 40 per cent of their Adjusted Net Banking Credit to Priority Sector while Regional Rural Banks to lend 50 per cent of their Adjusted Net Banking Credit to Priority Sector.

3) Foreign Banks have no obligation of Priority Sector lending.

Which of the above statements is/or correct?

Choose the correct answer using codes given below.

a) 1 Only b) 1 and 3

c) 2 Only d) None

3. Consider the following statements.

1. A few cesses, surcharges and levies collected by the Union Government are shared with the States.
2. Cesses, surcharges and levies are collected only on the subjects in the Union List.
3. All cesses, surcharges and levies are collected by the Union Government are for a specific purpose and specific period.

Which of the above statements is/or correct?

Choose the correct answer using codes given below.

a) 1 Only b) 1 and 3

c) 2 Only d) None

4. Consider the following statements regarding Startups.

1. The Union Government makes investments in Startups directly through Fund of Fund for Startups.
2. Alternate Investment Funds which want to invest in Startups should register themselves with NITI Aayog.

Which of the above statements is/or correct?

Choose the correct answer using the codes given below:

a) 1 Only b) 2 Only

c) Both 1 and 2 d) Neither 1 Nor 2

5. Which of the following releases the States' Start-up Rankings?

a) Department for Promotion of Industry and Internal Trade

b) NITI Aayog

c) Ministry of Skill Development and Entrepreneurship

d) Ministry of Micro, Small and Medium Enterprises

6. Which of the following releases the Global Innovation Index?

a) World Economic Forum

b) United Nations Conference on Trade and Development (UNCTAD)

c) World Intellectual Property Organisation

d) World Bank

7. Electronics, Defence equipment, Pharmaceuticals, Machinery, and Chemicals are the major contributors to non-Oil imports into India. If India becomes self reliant in the above mentioned sectors, what are the benefits to the Indian economy.

1. Trade deficit will be reduced
2. It will increase the outgo of foreign exchange
3. Employment opportunities within the country will increase

Which of the above statements is/are correct?

Choose the correct answer using the codes given below.

a) 1, 2, 3 b) 1 and 3

c) 2 and 3 d) 1 Only

8. The term 'monopsony' is a market condition in which

a) there is only one seller

b) there is one seller but many buyers

c) there are very few or no buyers

d) there is only one buyer

9. Rare Earth Elements are used in the following industries.

1. Defence
2. Electronics
3. Renewables
4. Electric Vehicles

Choose the correct answer using the following codes.

a) 1 Only b) 2 Only

c) 1 2, and 4 d) 1, 2, 3, 4

10. Consider the following.

1. Single Window System for investment approvals
2. Utility connections
3. Construction permits
4. Labour regulations
5. Environmental regulations

Which of the above are taken as criteria while giving 'Ease of Doing Business Rankings' by the Union Government?

Choose the correct answer using the codes given below.

a) 1, 2, 3, 4, 5

b) 1, 2, 3, and 4

c) 1, 3, 4 and 5

d) 1, 3 and 4

11. Singapore Convention which was in news recently is meant for

a) Liberalisation of trade in services

b) Mediation of international commercial disputes

c) Protection of intellectual property rights

d) Arbitration of international commercial disputes

12. Consider the following statements regarding Singapore Convention on Mediation.

1. It provides a harmonised framework for settlement of international commercial trade disputes through mediation by International Court of Justice.
2. Settlement of international commercial disputes through Mediation is not enforceable but only advisory.

Choose the correct answer using the codes given below.

a) 1 Only b) 2 Only

c) Both 1 and 2 d) Neither 1 Nor 2

13. Consider the following statements

1. The World Trade Organisation does not regulate the actions of companies engaged in dumping.
2. Anti-dumping duties can be levied by the importing countries only when there is material injury to domestic companies due to dumping.

Choose the correct answer using the codes given below.

a) 1 Only b) 2 Only

c) Both 1 and 2 d) Neither 1 Nor 2

14. Consider the following.

1. Probability of survival up to age 5
2. Expected years of schooling
3. Adult survival rate
4. Availability of Employment opportunities after the age of 18

Which of the above are used for measuring Human Capital Index.

Choose the correct answer using the codes given below.

a) 1 and 2 b) 1 and 3

c) 1, 2, 3 d) 1, 2, 3, and 4

15. Which of the following is/are correctly matched?

Item		***List***
1. Agriculture	-	State List
2. Markets	-	Concurrent List
3. Trade and Commerce in Food Stuffs	-	Union List

Choose the correct answer using the codes given below:

a) 1 Only b) 1 and 3

c) 3 Only d) 1, 2, and 3

16. Consider the following statements regarding the Essential Commodities (Amendment) Bill, 2020 passed by the Parliament recently.

1. The amendment provides for complete deregulation of food stuffs like cereals, pulses, oilseeds, edible oils, onion and potatoes.
2. Processing industries and Exporters are regulated only in extraordinary circumstances.

Which of the above statements is/or correct?

Choose the correct answer using the codes given below:

a) 1 Only b) 2 Only

c) Both 1 and 2 d) Neither 1 Nor 2