IMPORTANT ECONOMICS TOPICS FOR IAS - 2018 PRELIMINARY EXAMINATION BY BYJU'S

1. **Bank Recapitalisation plan**
    a. The government has announced a recapitalisation package of ₹ 2.11 lakh cr
    b. It has three components
        i. ₹ 1.35 lakh Cr in the form of recapitalisation bonds
        ii. ₹ 58 thousand Cr in the form of market capitalisation
        iii. ₹ 18 thousand Cr in the form of capital infusion
    c. The government has already announcement of issue of bonds worth more than 80000 crore. The bonds will mature in six years (2028-2033). The coupon rate will be more than 7%
2. **BBB**
    a. Was established in 2016 and was headed by Mr Vinod Rai
    b. Had a term of 2 years
    c. Is one of the reforms under Indradhanush
    d. Had a composition of
        i. Chairman
        ii. 3 ex-officio members
        iii. 3 expert members
    e. Functions
        i. Give recommendations for appointment of full-time Directors as well as non-Executive Chairman of PSBs
        ii. Give advice to PSBs in developing differentiated strategies for raising funds through innovative financial methods and instruments and to deal with issues of stressed assets
        iii. Guide banks on mergers and consolidations and governance issues to address bad loans problem among other issues
    f. Recently it has been replaced with new BBB which is being headed by Pratap Bhanu Sharma and this will have a term of 2 years
3. **IBC**
    a. Amends section 29A to ban various types of Resolution applicants from participating in the insolvency resolution
    b. The first formation Utility -NeSL (National eGovernance Limited) has been established
4. **PNB Scam**
    a. SWIFT
        i. Society for Worldwide Interbank Financial Telecommunications
        ii. Was established in 1973
        iii. Is used to transmit financial information
        iv. HQ is in Belgium
        v. SWIFT codes are used for wire transfers
    b. Core Banking Solutions is a network of the banks
5. **PCA**
    a. 11 banks so far under PCA
    b. Allahabad bank has been asked to freeze its lending after its CRAR fell below the mandatory 9% at the end of march. RBI has asked the bank to
        i. Restrict expansion of RWAs

ii. Reduce exposure to unrated and high-risk advances
iii. Restrict creation of non-banking assets
iv. Restrict accessing/renewing wholesale/costly deposits

6. **GST**
    a. National Anti-Profiteering Authority
        i. B N Sharma-Chairman
        ii. Sunset clause of 2 years
        iii. Amended section 171
        iv. Consists of 5 members
    b. Reverse Charge Mechanism
    c. E way bill system
        i. Inter-state and intra-state movement of goods
        ii. To overcome tax evasion
        iii. Goods above ₹ 50000
        iv. Validity is 100 kms for a day
    d. Composition Scheme
    e. GSTN
7. **MSME Definition**
    a. The governmnt earlier classified the MSME sector based on the investment done in Plant and Machinery
    b. This has been changed to sales/turnover. Under this classification units having a turnover of up to ₹ 5 cr are classified as micro, units having turnover of more than 5 Cr and up to ₹ 75 Cr are classified as small and more than ₹ 75 cr and up to 250 Cr are classified as medium enterprises
8. **Corporate Tax**
    a. Corporate taxes reduced
    b. Education and Healthcare cess
    c. CBDT to CBIC
    d. LTCG reintroduced
        i. LTCG on stocks was scrapped in 2004-05
        ii. Investors will have to pay 10 per cent tax on profit exceeding ₹ 1 lakh made from the sale of shares or equity mutual fund schemes held for over one year
        iii. Grandfathering clause applicable for the investments made till 31st Jan 2018 (Fair Market Value - acquisition price or closing price whichever is higher)
        iv. LTCG only if the profits are higher than ₹ 1 lakh
        v. Will come into force from 1st April 2018
    e. **Aaykar Setu**
        i. It is a new taxpayer service module
        ii. It was launched in July 2017
        iii. It provides better taxpayer services and minimise the direct physical interface between assesses and tax assessing authorities
        iv. The module provides live chat facility, compiles various tax tools, generates dynamic updates and includes important links to several processes of the ITD (Income Tax Department)
9. **P2P Lending**

a. **P2P (Peer to Peer)**

i. According to the RBI guidelines, 'Peer to Peer Lending Platform means an intermediary providing the services of loan facilitation via online medium or otherwise, to the participants.' In simple terms it is like crowdfunding where the loans are raised and repaid with interest without having to get it from financial institution. An individual borrower can borrow or lend money on a platform. And the loans given here are unsecured loans

ii. **The decision to recognize P2P platform is important as**

1. Provides official recognition for the P2P
2. Gives one more avenue for the individual to borrow or lend
3. Comes under regulation of RBI
4. Will help in business expansion

iii. **Eligibility and Registration for P2P**

1. Only entities registered as a company can get P2P registration from the RBI
2. Every NBFC-P2P (Peer to Peer Platform) shall obtain a certificate of registration to start P2P lending activities before starting operations
3. Every company seeking registration shall have a net owned fund (NOF) of not less than Rs 2 crores or such higher amount as the RBI may specify

iv. **Activities of P2P**

1. It is an online platform that matches lenders with borrowers in order to provide unsecured loans
2. The P2P should act as an intermediary providing an online marketplace or platform to the participants involved in Peer to Peer lending
3. P2P should not mobilize deposits or give loan on its own
4. P2P should not provide or arrange any credit enhancement or credit guarantee
5. P2P should not facilitate or permit any secured lending linked to its platform
6. P2P should not hold, on its own balance sheet, funds received from lenders for lending, or funds received from borrowers for servicing loans and the specified funds
7. P2P Should not permit international flow of funds
8. The aggregate exposure of a lender to all borrowers at any point of time, across all P2Ps, shall be subject to a cap of Rs 10 lakh

9. The aggregate loans taken by a borrower at any point of time, across all P2Ps, shall be subject to a cap of Rs 10 lakh
10. The exposure of a single lender to the same borrower, across all P2Ps, shall not exceed Rs 50,000
11. The maturity of the loans shall not exceed 36 months
12. The loan recovery practices of other NBFCs will be applicable to P2Ps
13. There should be proper redressal mechanisms for complaints
14. Fund should be transferred directly from the lender's bank account to that of the borrower (This is done in order to check money laundering)

b. <u>Account Aggregators (AAs)</u>

i. AAs are companies/financial entities that will collect, collate and provide information on a customer's financial assets (investments in various NBFCs), in a consolidated, organized and retrievable manner to the customer or any other person as per the instructions of the customer

ii. <u>Significance of NBFC-AA</u>

1. Presently a customer could have investments under various financial products and at times it is difficult to recollect or retrieve the information regarding all of such investments. Hence the main function of the NBFC–AA is to provide information to the customer about the various products he has in a common format
2. Whether to use the services of AAs is the prerogative of the customer
3. The activities of the AA will be IT oriented (means digital information will be provided to the customer)
4. Unlike other NBFCs, the AA will not provide any transaction in financial assets by its customers. His only role will be that of account aggregation

iii. Services of the AA should be backed by appropriate agreements/authorizations between the aggregator, customer and financial service provider

10. <u>MSP</u>

- MSP for Kharif to be raised to 1.5 times the production cost and the same to be done to rabi crops (will it become a political trap as it would lead to higher subsidies, drawing higher water, market distortions, food inflation, disturbing cropping patterns etc) (he FM has stated that the govt should procure at a higher MSP price or provide the benefit to the farmers in some other way- Bhavantar scheme of MP. one more scheme on the same lines for perishables has been launched in Haryana-Bhavantar Bharpai Yojana-for onion, potato and tomato). although, the PDP are an improvement over the MSP, a better way out would be to go for DBT in agriculture but this would require huge amount of expenditure

The government announces it under A2+FL cost (actual paid out cost plus imputed value of family labour) but the demand is that it should be C2 (imputed costs of family labour, imputed rent of owned land and imputed interest on owned capital).

Last year the government has extended it to pulses

This is only a curative measure. What the government needs to do is provide structural reforms so that the risk undertaken by the farmers' is reduced and they can realise better returns.

This may fuel inflationary trend in the market, the retail and food inflation have already been on the rise since June 2017. However the finance minister has said this has been done to reduce the rural distress. On the other hand if the effect is pronounced then RBI will be forced to tighten the monetary policy (in the monetary policy that was announced in December 2017, the key policy rates were kept unchanged)

The Telangana government has provided income support worth Rs 8000 Cr. the government should have simply expanded this pan India

Moreover the government takes operational costs (input costs+family labour) in calculating the MSP. the demand from various stakeholders has been that it must consider Comprehensive Costs (C2, includes rent on the land and capital as the cost of production)

- **Telangana - Farmer Investment Support Scheme**
  - 8000 will be given to farmers (4k each before kharif and rabi). This would cost the exchequer 9600 Cr. it will be a flat per acre allocation without any cap on the land holding. As per a survey (of 72 lakh farmers)

    Less than 10 acres - 98%

    10 to 25 acres - 1.75%

    More than 25 acres - 0.25%

  - The transfer will not be via DBT rather through pink coloured cheques. So that the banks do not debit the outstanding dues and the farmers can deposit these into the banks of their choice
  - The state has already announced providing 24 hr free electricity of agri pump sets

- Both of them together will cost the state more than 16000 Cr which is more than 10% of the budget allocation for agri sector and is 14% of its revenue receipts
- This scheme does not cover tenant farmers/cultivators. 40% of the farmers are tenant farmers (the land title and the ownership of pump sets, electricity connection etc are usually in the name of the owner). Apart from this, the scheme is decoupled from production
- An agriculture extension officer will be appointed every 5000 kms to report if the farmer is using the subsidies or not

- **<u>MP - Bhavantar Bhugtan Yojana (9 mar 18)</u>**
  - Launched in Aug 2017
  - 257 mandis were covered
  - 2 mn of 9.8 million farmers in MP have registered under this
  - soyabean, *urad* (black gram), maize, *moong* (green gram), *til* (sesame), *ramtil* (niger seed) and groundnut
  - The government uses Modal rate (the average of the prices of same commodity in a specific market and two markets-one each in top producing state). The government uses modal price only when it is lower than the MSP
  - The compensation to farmers is provided under two arrangements: if the crop was sold at trading price (A) which is less than msp (B), then the farmer will get the difference of B and A. But if the trading price was less than the modal price (C), then the farmer will get the difference of B and C
  - MP will be paying a compensation of Rs 1727 Cr and of this Rs 1567 Cr has been given based on the Modal price
  - Another reason for the farmers worry is that the scheme led to distress sales and reduction in prices. For example the soyabean (Kharif crop) farmer was supposed to sell between October 16 to December 31st. As a result the soyabean prices before this time was Rs 300 per tonne but during the above time period it fell to Rs 220-240 and after the period shot up to Rs 400 per tonne
  - The farmers cannot wait to sell because they need money to start sowing for rabi crop
  - Another issue is that the government has fixed the limit on the quantity per acre that will be covered under the scheme. For eg-1,412 kg per hectare of the soyabean crop to a farmer in Harda district
- **<u>Year of millets</u>**
- **<u>Operation Greens</u>**
  - "Operation Greens" with an outlay of Rs 500 Cr was announced to address the challenge of price volatility of perishable commodities like tomato, onion and potato with the satisfaction of both the farmers and consumers

11. <u>Bharat 22 ETF</u>

a. The central government had launched first ETF (Exchange Traded Fund) for CPSE (consisting shares of 10 PSEs) in 2014

b. The government in 2017 decided to launch Bharat 22 ETF, which will consist the shares of 22 PSEs
c. Through this the government has decided to achieve the disinvestment target of Rs 72000
d. The Bharat 22 will be tracking the S&P BSE Bharat 22 Index (this index is made up of 22 stocks) which is managed by Asia Index Private Limited
e. Bharat 22 is a well-diversified ETF spanning six sectors and their weightages are
    i. Basic materials-4.4%
    ii. Energy-17.5%
    iii. Finance-20.3%
    iv. Industrials-22.6%
    v. FMCG-15.2%
    vi. Utilities-20%
f. Bharat 22 is managed by ICICI Prudential

12. <u>FRDI Bill</u>

a. It will replace the DICGCA (act 1961)
b. The above act provided the insurance for bank deposits
c. The central government set up a committee headed by Mr Ajay Tyagi in 2016 to draft the bill for the FRDI
d. It will provide IR for financial firms
e. The RC will either
    i. Transfer the assets to another peson
    ii. Merger or acquisition
    iii. Liquidation
    iv. Bail-in

13. <u>15th Finance Commission</u>

a. The resident of India has appointed the 15th FC which is to headed by Mr N K Singh
b. The committee will provide the recommendations by end of October 2019
c. The FC is a quasi-judicial and constitutional body
d. The recommendations are applicable for the period from 2020 to 2025

14. <u>Producer Price Index (PPI)</u>

a. The Producer Price Index (PPI) measures the average change in the prices of goods and services, either as they enter the production process (referred to as Input PPI) or as they leave the place of production (referred to as Output PPI). Thus, the input indices measure the average change in prices that producers pay for their inputs while the output indices measure the average change in prices that producers receive for their outputs
b. The output PPI reflects prices of goods and services received by the producers exclusive of any tax on product, transport and trade margin, i.e., the prices are measured at basic price captured at the level of ex-factory, ex-mine, ex-firm, ex-service provider etc. The basic price would however include any taxes/ subsidies on production, if any. For input PPI, valuations are done at purchaser's price which is defined as the amount paid by the purchaser

inclusive of any non-deductible taxes on product, and transport and trade margins. Thus input PPI measures the change in the prices of intermediate inputs (inputs used in production process of an establishment that are produced elsewhere in the domestic economy or imported from abroad) while excluding primary inputs like land, labor and capital

c. The basic prices reflect the amount received by the producer exclusive of any taxes on products and transport and trade margins. It is the amount receivable by the producer from the purchaser for a unit of a product produced as output, minus any tax payable, plus any per unit subsidy receivable on that unit as a consequence of its production or sale
d. PPI contrasts with other measures such as the Consumer Price Index (CPI) which measures changes in prices from buyers or consumers perspective
e. The government in 2014 had set up a committee headed by Prof B N Goldhar. The committee has submitted the report in 2017
    i. PPI in India may be compiled based on Supply Use Table 2011-12 using Total Final Use values for higher level weights. Initially indices based on Total Final Use weights should be compiled separately for goods and services. Aggregate index based on goods and services may be compiled and released once the coverage of service sector indices is adequate and the sector-wise indices are robust and stable (Supply use tables are in the form of matrices that record how supplies of different kinds of goods and services originate from domestic industries and imports and how those supplies are allocated between various intermediate or final uses, including exports)
    ii. Two separate sets of input PPIs may be compiled - one including services and the other excluding services
    iii. An additional set of output PPI based on Final Demand and Intermediate Demand framework may also be compiled for the benefit of the users
    iv. The PPIs may be initially compiled on an experimental basis and switching over from WPI to PPI should be undertaken after the PPI series stabilizes and due consultation with the stakeholders is done
    v. For compilation of experimental PPI, price quotations collected for current series of WPI may be used
    vi. The experimental PPI will be released on monthly basis. Initially, the base year of the experimental PPI would be 2011-12
    vii. The Working Group recommended inclusion of 15 services in the PPI basket to begin with. The coverage of service sector may be extended to all key sectors on an urgent basis during the experimental phases of PPI

15. <u>WTO Ministerial Conference</u>

a. 11TH conference was held in Bruno Aires (Argentina)
b. The members could not come to an agreement on a declaration
c. As per AMS (Agriculture Measrement Support)/ de mini is principle, the support should not cross more than 5% and 10% in case of developed and developing economies respectively
d. Declaration on women and trade was backed by Iceland and Sierra Leone

16. <u>Ease of Doing Business Report</u>

a. Published annually by WBG (World Bank Group)
b. Word Bank Doing Business reports started in 2004
c. It reviews business regulations and their enforcement across countries (190 countries)
d. Usually the rankings are calculated based on the scores of countries on 10 parameters

17. <u>Foreign Trade Policy</u>

a. <u>The government has announced FTP for the period of 2015 to 2020</u>.

- MEIS and SEIS have been introduced
- MEIS (Merchandise Exports from India Scheme) has been formed by merging various schemes that were existing (such as Focus Product Scheme, Focus Market Scheme, Market Linked Focus Product Scrip etc). e-Commerce exports of certain specified employment creating sectors, made through courier or foreign post offices, have also been supported under MEIS
- SEIS (Service Exports from India Scheme) has replaced Served From India Scheme (SFIS) which provided incentives only Indian service providers. The new scheme provides incentive to all the service providers based in India.
- Aim is to increase the exports from India to $900 bn by 2020 (since 2011, our exports are hovering around $ 300 bn and if the target has to be achieved then the exports have to grow by CAGR of 23% which is very ambitious)
- The duty credit scrips are transferable
- FTP to be aligned with Make In India
- Export Promotion of Capital Goods – under this import of capital goods are allowed at zero customs duty. This import is for technology up gradation and to provide better services for India export competitiveness
- The new FTP has also brought down the number of documents that were required for importing and exporting (10 and 3 respectively) to 3 each. This would further the objective of ease of doing business in India

- **<u>FTP review</u>**
  - MEIS (Merchandise Exports from India Scheme) incentives for two sub-sectors of Textiles i.e. Ready Made Garments and Made Ups

increased from 2% to 4% involving additional annual incentives of ₹ 2743 Cr

- Across the board increase of 2% in existing MEIS incentive for exports by MSMEs / labour intensive industries amounting to ₹ 4576 Cr
- To provide an impetus to the services trade, the SEIS (Service Export from India Scheme) incentives have been increased by 2% for notified services such as Business, Legal, Accounting, Architectural, Engineering, Educational, Hospital, Hotels and Restaurants amounting to ₹ 1140 Cr
- The validity period of the Duty Credit Scrips has been increased from 18 months to 24 months to enhance their utility in the GST framework. GST rate for transfer/sale of scrips has been reduced to zero from the earlier rate of 12%
- New trust based Self Ratification Scheme introduced to allow duty free inputs for export production under duty exemption scheme with a self-declaration. Under this scheme, instead of getting a ratification of the Norms Committee for inputs to be used in the manufacture of export products, exporters will self-certify the requirement of duty free raw materials/ inputs and take an authorization from DGFT
- Contact@DGFT service for Complaint Resolution has been activated on the DGFT website (www.dgft.gov.in) as a single window contact point for exporters and importers for resolving all foreign trade related issues
- To focus on improving Ease of Trading across Borders for exporters and importers, a professional team envisaged to handhold, assist and support exporters with their export related problems, accessing export markets and meeting regulatory requirements
- New Logistics Division created in the Commerce Department to develop and coordinate implementation of an Action Plan for the integrated development of the logistics sector, by way of policy changes, improvement in existing procedures, identification of bottlenecks and gaps and introduction of technology in this sector
- For clarity, a negative list of capital goods which are not permitted under the EPCG (Export Promotion on Capital Goods) scheme has been notified
- The concept of Domestic Tariff Area (DTA) sale from Export Oriented Units (EoUs) on concessional and full duty has been removed and hence, the limit on entitlement of DTA sale has also been removed. Consequently, restriction on DTA sale of motor cars, alcoholic liquors, books and tea has been removed

        - Second Hand Goods imported for the purpose of repair/ refurbishing/reconditioning or re-engineering have been made free, thereby facilitating generation of employment in the repair services sector
        - Issue of working capital blockage of the exporters due to upfront payment of GST on inputs has been addressed. Under advance authorization Export Promotion for Capital Goods (EPCG) Scheme, 100% EoU's, exporters have been extended the benefit of sourcing inputs/capital goods from abroad as well as domestic suppliers for exports without upfront payment of GST
        - e-wallet will be launched from 1st April 2018 to make the above schemes operational from 1st April, 2018

18. <u>International Solar Alliance</u>

a. ISA is a coalition of solar resource rich countries which may fully/partially between tropic of Cancer and tropic of Capricorn
b. It aims at address energy needs by harnessing solar energy
c. It was launched on 30th November 2015 and has come into force from 6th December 2017
d. As on date, 46 countries have signed and of these 19 have ratified the agreement
e. The ISA will help pave the way for future solar generation, storage and good technologies for each prospective member country's individual needs by mobilizing more than US $ 1 trillion dollars in investments that will be required by 2030
f. **<u>Financing -</u>** the GoI has made a provision of Rs 100 Cr as a one-time fund and a recurring expenditure of Rs 15 Cr on annual basis till 2020-21. Apart from this, France has offered €300 million for solar projects across ISA members
g. Presently ISA has three programmes
    i. Scaling Solar Applications for Agricultural Use
    ii. Affordable Finance at Scale
    iii. Scaling Solar Mini-grids

   And is planning to launch two more schemes
    iv. Scaling Solar Rooftops
    v. Scaling E-Mobility & Storage
h. It has entered into strategic and financial partnerships with UNDP, The World Bank etc
i. The Haryana government has granted Rs 10 Cr to constitute Kalpana Chawla Solar Award for women solar scientists doing extraordinary work across the ISA member countries

19. <u>NIIF</u>

- NIIF signed its first investment agreement with a wholly owned subsidiary of Abu Dhabi Investment Authority (ADIA) to mobilize $1 billion over the long term
    - **<u>About NIIF (National Investment and Infrastructure Fund)</u>**
        - Was announced in the budget of FY16

- Was set up in 2015. It is India's first sovereign wealth fund
- The main objective of NIIF was to catalyze infrastructure investment
- It has been registered as AIF (Category 2)
- The proposed corpus in the NIIF (Fund of Funds) will be Rs 40000 Cr and the initial corpus would be Rs 20000 Cr. the government will have an investment/stake of 49% and the remaining will be from the private sector
- **Functions**
  - Fund raising by attracting investors to participate as partners in NIIF
  - Investing and periodic monitoring of investments
  - Preparing a shelf of infrastructure projects and providing advisory services
- The governing council is chaired by the FInance Minister
- NIIF and Dubai-based ports operator DP World Pvt. Ltd have announced the creation of an investment platform to invest up to $3 billion in ports, terminals, transportation and logistics businesses in India. The announcement was done in January 2018 ad this is the first such investment by NIIF

20. Infrastructure - PPP in Port & Infrastructure status given to logistics

a. PPP in Ports

i. The promoter can sell his entire stake after two years from COD (Commercial Operation Date). Presently they are allowed to sell all stake (except 26%) after three years

ii. Change in the revenue sharing model. Earlier the revenue was paid by the promoter as %age of the gross revenues (quoted during the bidding based on the recommendations given by TAMP). Now the revenue sharing will be based on per MT cargo/TEU. So there will be a shift of revenue model from a regime of a presumptive revenue to actual revenue

iii. Constitution of SAROD-PORTS (Society for Affordable Redressal of Disputes)

21. Saubhagya Scheme

a. Launched by the central government and will help in achieving the goal of giving last mile connectivity to the households and lighting to all the households by december 2018

b. Total outlay is over ₹ 16 thousand crore

c. Objectives is to provide electricity for 40 million households

d. The beneficiaries will be provided with a free electricity connection

e. Non-beneficiaries can also get the connection but they will have to pay ₹ 500 which will be recovered n 10 instalments which will be added to the monthly bills

22. Arvind Panagariya Panel for Employment

a. The panel has recommended that workers covered under private insurance or pension systems, those subjected to TDS (tax Deduction at Source), and those working in companies which are exempted under GST have to be considered for counting of jobs

b. For counting purposes, the following must be considered as part of the formal workers
    i. Workers covered under the Employees' State Insurance Act,1948
    ii. Workers covered under Employees' Provident Funds and Miscellaneous Provision Act, 1952 (or other similar social security scheme)
    iii. Government and other public sector employees
    iv. Workers having coverage under private insurance or pension schemes or provident funds
    v. Workers subject to tax deduction at source on their income through submission of Form 16 or similar Income Tax form

23. <u>Janak Raj Committee Recommendations</u>

a. Recommended the usage of external benchmarking
b. Benchmark to either Treasury bills, Certificates of Deposit or Repo rate

24. <u>N K Singh Committee Report</u>

a. The Committee proposed a draft Debt Management and Fiscal Responsibility Bill, 2017 to replace the Fiscal Responsibility and Budget Management Act, 2003

b. The Committee has recommended using debt as the primary target for fiscal policy and a debt to GDP ratio of 60% should be targeted (40% limit for the centre and 20% limit for the states)

c. This ratio of expected to be 70% in 2017 and targeted ratio should be achieved by 2023

d. To achieve the targeted ratio, yearly targets have been proposed to progressively reduce the fiscal and revenue deficits till 2023 (here debt indicates the total outstanding liabilities of the government, while the fiscal deficit indicates new borrowings made in the year, and the revenue deficit indicates what part of these new borrowings have been used to cover revenue expenses)

e. The Committee has recommended creation an autonomous Fiscal Council
    i. It will be chaired by a Chairperson and have two members (to be appointed by the centre)
    ii. The functions of the Council would be
        1. Preparing multi-year fiscal forecasts
        2. Recommending changes to the fiscal strategy
        3. Improving quality of fiscal data
        4. Advising the government if conditions exist to deviate from the fiscal target, and
        5. Advising the government to take corrective action for non-compliance with the Bill.

iii. In order to maintain its independence, the committee has recommended a non-renewable four-year term for the Chairperson and members. It has also laid a condition that these people should not be employees in the central or state governments at the time of appointment

f. Under FRBMA, the government can deviate from the targets in case of a national calamity, national security or other exceptional circumstances notified by it. The Committee has recommended that the grounds under which the government can deviate from the targets should be clearly specified, and the government should not be allowed to notify other circumstances

g. The government may be allowed to deviate from the specified targets upon the advice of the Fiscal Council under the following circumstances

  i. Considerations of national security, war, national calamities and collapse of agriculture affecting output and incomes

  ii. Structural reforms in the economy resulting in fiscal implications

  iii. Decline in real output growth of at least 3% below the average of the previous four quarters. These deviations cannot be more than 0.5% of GDP in a year

h. The Committee has recommended that 15th Finance Commission should be asked to recommend the debt trajectory for individual states. This should be based on their track record of fiscal prudence and health

i. The draft Bill restricts the government from borrowing from the Reserve Bank of India except when

  i. The centre has to meet a temporary shortfall in receipts

  ii. RBI subscribes to government securities to finance any deviations from the specified targets

  iii. RBI purchases government securities from the secondary market

j. The committee has recommended establishing a committee to review the functioning of the Bill in 2023-24

25. <u>Fugitive Economic Offenders Bill</u>

a. Seeks to confiscate properties of economic offenders who have left India to escape the prosecution

b. A fugitive economic offender (Section 4) is defined as a person against whom the arrest warrant has been issues for committing an offence such as

  i. Counterfeiting government stamps or currency

  ii. Haque dishonour for insufficient funds

  iii. Money laundering

  iv. Transactions conduction to defraud creditors

c. He will also be considered as an economic offenders

  i. Left the country for avoiding prosecution

  ii. Refuses to return prosecution

d. Offences of ₹ 100 Cr and more are under its purview

e. The offences covered under this are those defined under Indian Penal Code, Prevention of Corruption Act, SEBI Act, Customs Act, Companies Act, Limited Liability Partnership Act and Insolvency and Bankruptcy Code
f. A director or deputy director appointed by the central government (appointed under PMLA) has to file an application to the special court (designated so under the PMLA 2002) and the court will issue a notice ordering the offender to appear before the court (6 weeks from the date of issue of the order). If he fails to do it then he will be declared as an economic offender and the court would issue an order attaching the properties (within or outside India) of the offender
g. The rights and titles of the confiscated properties will lie with the central government and the government appoints an administrator to oversee these properties
h. The offender will not have any rights to file a civil case against these properties in other courts
i. Appeals against the order of the special court will lie before the high court