

27th Dec 2018 to 2nd Jan 2019

➤ **Govt plans for income support and insurance for the farmers (BS 28/12/18)**

- The government is thinking of tweaking some of the existing programmes (free crop insurance, tweaking credit schemes) and introducing an income support scheme in order to make them more beneficial and increase the acceptance amongst the farmers. But the experts have raised the question about efficiency of such income support schemes, for example if the prices of the commodities crash then the support is of no use for the farmer
- If done, then this would burden the government by around ₹ 60000 Cr to 70000 Cr a year
- Government is thinking of introducing a watered down version of Rythu Bandhu Scheme of Telangana (the states of Odisha and Jharkhand have already announced their own income support scheme)
- The finance ministry is working on the extent of financial support that will be given by the centre and states in these schemes/programmes (could be 70:30 or 60:40 or 50:50)

➤ **GST Anti-Profitteering (FE 27/12/18)**

- On November 10, the GST council has announced lowering of the GST tax rates but the HUL, is said to have manipulated the its software by increasing the base prices of as many as 12016 items so as profiteer from the situation rather than transferring the benefits to the consumers
- The NAA has imposed a penalty of ₹ 380 Cr on the company
- Some of the questions raised are
 - In a cut-throat competitive market such as FMCG, the companies would be looking at every opportunity to cut the rates and attract more consumers, then why would a company do the opposite
 - The sheer setting up of NAA implies that the government doesn't have any confidence on the market to pass on the benefits to the consumers
- The government needs to streamline the process to be followed by the NAA

➤ **MSP for Minor Forest Produce (MFP) Scheme (ET 27/12/18)**

- Introduction
 - Scheme was launched in 2013-14 by the UPA government
 - It involved fixing the MSP for 24 identified MFP
 - The Tribals get these MFPs from the forest and sell in village haats. If the market price falls below the MSP, the state government agencies sweep in and procure them at MSP
 - Though the government had earmarked ₹ 1,172 Cr for the first five years of the rollout of the scheme, only about 25% of it has been utilised till FY19
 - So far Chhattisgarh is the only state which has implemented the scheme properly
- Basic points

- Forest produce is defined under the Indian Forest Act 1927. The forest produce in essence refers to anything that is either found or brought from the forest
 - The major and minor forest produce are defined in the Scheduled Tribes and Other Traditional Forest Dwellers Act 2006 (is also known as Forest Rights Act). Section 2(i) of the act defines minor forest produce - is non-timber forest produce of the plant
 - The government has introduced the MSP for 17 more MFP and increased the MSP by of 19 items by 5% to 200% (taking the total number of MFPs increases to 40, the palash flower has been removed from the list by the ministry of tribal affairs). The maximum hike in MSP of 200% has been announced for hill broom
- **Compensation cess and fiscal deficit (BS 27/12/18)**
- The revenues of the states are estimated to grow at 14% with a base year of FY16 and in case of any shortage the central government will be providing the compensation. For this purpose, the compensation cess has been introduced
 - The government will be able to garner ₹ 20000 Cr from the undistributed part of the compensation fund the fiscal deficit target for FY19 (apart from the cess, there would be higher collections of direct tax, higher disinvestment proceeds)
 - As per the earlier provisions, 50% of the unutilised amount in the compensation fund would be transferred to the consolidated fund of the central government and remaining would be distributed amongst the states in the ratio of the revenues generated from each of these states (after five years). This has been amended and now the central government is allowed to transfer the unutilised part to its consolidated fund and after five years the fund would lapse
 - The amount from the compensation fund is distributed once every two months and around ₹ 8000 Cr worth of the cess is collected monthly. Around 60% of the amount is distributed amongst the states and remaining amount remains unutilised. This would turn out to be over ₹ 40000 Cr (total amount collected this year would be over ₹ 65k Cr of which 60% will remain undistributed and from last fiscal there is undistributed amount of over ₹ 14000 Cr) of which the central share would be over ₹ 20000 Cr
- **RBI okays debt recast norms for the MSMEs (TH 2/1/19)**
- MSME sector has been hit by demonetisation and GST reforms. The government has been seeking a debt recast for the sector for some time now
 - RBI has relaxed the provisioning norms so that the lenders can recast the loans up to ₹ 25 Cr given to MSMEs
 - RBI has allowed a one-time restructuring of existing loans to MSMEs, payments on which been defaulted but the loan is still under 'standard' classification as on 1st January 2019. The banks have to make a provision of only 5% for restructuring the loans as compared to 15-20% earlier
 - The restructuring has to be implemented by March 31, 2020