

ETW (8th July to 14th July 2019)

CEA for a balanced tapping of domestic and foreign savings (TH 13/7/19)

- CEA has cautioned against excessive dependence on foreign savings to trigger domestic growth
- To have a virtuous cycle there is a need to tap into savings - domestic and foreign - and there are trade-offs with both
- If the domestic savings are tapped more than the consumption demand from households would decline and in case of foreign savings, the vulnerability of the economy increases. Hence there is a need for hitting a sweet spot
- India needs to become a part of the global value chain system and also part of the global financial system to mobilise global savings mostly institutionalised in pension, insurance and sovereign wealth funds

Railways finalising give-it-up option for ticket subsidy (IE 10/7/19)

- Railways is finalising an option for passengers to voluntarily give up either in part or full the subsidy component in tickets
- This is in line with the nudge policy of the government. This policy urges the passengers to forego the subsidy in order to get better and modern rail system
- Railways on an average collects only 57% of the cost of passenger transport operations from the tickets and recovery is just 38 paise for every rupee spent on a kilometre of passenger travel
- The model being used in railways is slightly different from the one used by govt under the LPG subsidy, in which the government had stated that for every subsidy given up, govt would be providing a connection under PM Ujjwala Yojana. Moreover, the subsidy provided by the govt in railways is through cross subsidy from its freight business
- Same kind of system has been introduced by railways since July 2017, wherein senior citizens can opt to forego part or full concession (this initiative has saved ₹ 78 Cr for the govt)
- But the concern is that, if the subsidy is foregone, the prices will become closer to air tickets in case of long distance and closer to bus ticket prices in case of short distance travel
- This methodology of price calculation per seat has been questioned by NITI Aayog. It has argued that this is not a scientific methodology

Crop insurance scheme needs better planning (LM 11/7/19)

- In China 69% of the gross cropped area is insured and it is 89% in case of US
- New research shows that the crop insurance programs are not very effective
- Between 1985 to 2013, the reach of crop insurance has been modest. Only 7% of the farm households were insured for one crop in 2012-13 (a mere increase by 3% compared to 2002-03)
- Issues have been with the design of the scheme
 - 66% of the farm households were unaware of the scheme
 - 21% were not happy with the terms and conditions
- With implementation of PMFBY (Pradhan Mantri Fasal Bima Yojana), the coverage has increased from 23% of cultivated land in 2013-14 to 29% by 2016-17, however the scheme falls behind its target of covering 50% and in 2017-18 coverage dipped to 26%
- Issues with PMFBY are
 - Farmers lack documents and land records to avail insurance
 - Compensation is often delayed

Utkarsh 2022 (TH 9/7/19)

- Was finalised by RBI Board
- It is a three year (medium term) roadmap to improve regulation and supervision of central bank
- It is in line with the long term and medium term strategies formulated by other central banks. For this a committee headed by Mr Viral Acharya was formed to identify the issues related to regulation and supervision that needed to be addressed in the next three years
- The strategic framework contains, inter alia, the Bank's Mission, Core Purpose, Values and Vision Statements, reiterating the Bank's commitment to the Nation. The Medium-term Vision Statements set out the following
 - Excellence in performance of statutory and other functions
 - Strengthened trust of citizens and other Institutions in the RBI
 - Enhanced relevance and significance in national and global roles
 - Transparent, accountable and ethics-driven internal governance
 - Best-in-class and environment friendly digital as well as physical infrastructure
 - Innovative, dynamic and skilled human resources

India's growth depends upon the success of SMEs (LM 9/7/19)

- In case of India, the MSMEs are defined based on the investment in plant and machinery and the classification is different for units in manufacturing and services. India has passed MSME Development Act 2006 which governs this sector
- India houses around 60 mn MSME units. The MSME sector forms the backbone of the economy not only in India, also in countries such as Germany, Japan, US etc
- The definition of SMEs varies from one country to another but generally it is accepted that the micro enterprises would have employees between 10 to 50 and others between 250 to 500. Apart from the number of employees - factors such as manufacturing / services, asset size etc are also considered
- The success of these units in countries such as Germany, Japan etc are because of
 - Clustering
 - Access to capital / finance
 - Specialisation and export competitiveness
- In case of India, the development has skipped the normal transition course (Agri to manufacturing to services) and has jumped directly from agriculture to services, the evolution of manufacturing related SMEs has been sub-optimal
- Added to this the SMEs in India are not competitive enough at international level, which means that the domestic SMEs are competing with the imports in the domestic markets
- The government should formulate the policies to resolve the infrastructural issues such as roads, electricity, water and telecommunications and to ease the conduct of the business. Apart from this there is a need to resolve issues related to financing and develop the benefits of clustering

US to consider 301 probe on India (TH 13/7/19)

- US is considering probe 301 against India
- This section is used by US as a precursor to impose tariffs or other trade measures against its trading partners