

Economy This Week (10th Aug to 16th Aug 2020)

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1. PM launches Agriculture Infrastructure Fund (TH 10/8/20)

- Agriculture Infrastructure Fund (AIF) is meant to provide support to farmers, Primary Agriculture Credit Societies (PACS), Farmer Producer Organisations (FPOs) and agri entrepreneurs to build community farming assets and post-harvest infrastructure. All of this is expected to provide greater value to farmers as they will be able to store and sell their produce at higher prices, reduce wastage, increased processing and value addition.
- PACS from Karnataka, Gujarat and Madhya Pradesh are initial beneficiaries of the scheme.

2. Gujarat exits PMFBY (BL 11/8/20)

- Gujarat has cited a premium burden for exiting the PMFBY ([Pradhan Mantri Fasal Bima Yojana](#)).
- Gujarat has become the second state ruled by BJP to quit the scheme (after Bihar).
- As per the statement by CM, the premium burden would have been around ₹ 4500 Cr, which would have been an excessive burden on the exchequer of the state. Rather, the state has launched Mukhya Mantri Kisan Sahay Yojana, under which all the farmers would be covered with zero premium.
 - Registration of framers is not required.
 - Extreme climatic events such as droughts, floods, unseasonal rain will also be covered.
 - All the 56 lakh farmers would be covered (as against 15 to 17 lakh farmers under PMFBY).
- Apart from these, West Bengal also exited the scheme and Punjab did not implement the scheme at all.
- Some of the issues related to the scheme have been coverage of farmers and area, timely assistance to farmers, etc.

3. Questions that still hover around monetary policy framework (LM 12/8/20)

- The first Monetary Policy Committee (MPC), appointed by the government to decide on the policy rates, completed its term this month. The govt has to appoint a new MPC and also decide on the new inflation target.
- The evaluation of this approach will be discussed under three heads.
 - Inflation target
 - The government had given an inflation target of 4% (which was also recommended by various committees) with a tolerance level of 200 bps.
 - The government may increase the inflation target rate so that there is more flexibility for monetary easing.
 - This inflation target should be based on empirical ground and has to be linked with global inflation trend.
 - Nominal anchor

- As of now, RBI is using CPI ([Consumer Price Index](#)) as a nominal anchor. In this, the weightage of food items is very high and this does not respond to monetary policy. So there have been recommendations for the core inflation to be considered as the nominal anchor (Thailand used core inflation but has shifted to headline inflation).
- Fiscal and monetary policy
 - Fiscal spending has influenced spending and in turn inflation rates in recent times.
 - Hence there is a need to ensure that both fiscal and monetary policy targets must be set up through a common analytical framework and government budgets should be framed keeping in mind the inflation targets.

4. PM announces taxpayer charter (TH 14/8/20)

- The government has announced “Transparent Taxation - Honouring the Honest” platform that will provide faceless assessment, faceless appeal and taxpayer charter.
- The faceless assessment system came into force on August 13. The faceless appeal system will be available from September 25.
- The system is seeking to do away with corrupt practices by:
 - Doing away with the territorial jurisdiction of income tax offices.
 - The cases of scrutiny will be randomly allocated to any official in any part of the country.
 - Document identification numbers will be issued from the central database and the review of orders will be done by another team in another part of India, chosen randomly.
 - This is also expected to reduce the unnecessary litigation.
- The objective is to make the tax system seamless, painless and faceless.