Economy This Week (4th Jan to 10th Jan 2021)

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1. Make exports from SEZs eligible for RoDTEP benefits (BL 6/1/21)

- The govt has announced that the RoDTEP scheme would be implemented from 1st January 2021 and the rates of input duty remission would be notified soon.
- Special Economic Zones (SEZs) and Export Oriented Units (EOUs) contribute to around 30% of the total exports.
- The MEIS scheme under which these units were given incentives, has expired from 31st December 2020.
- There is a concern that these would not be given any duty remissions under the new RoDTEP scheme.
- In such cases, these may get relocated to other countries. The units in these procure domestic inputs and bear taxes and duties covered under the new scheme.

2. Centre to launch e-platform to sell non-core assets (BS 6/1/21)

- The govt is set to launch an online platform to sell surplus land and properties of Public Sector Undertakings (PSUs) as part of its asset monetisation drive. It is estimated that this would help govt raise ₹ 10000 Cr.
- In this regard, the govt has asked MSTC (earlier known as Metal Scrap Trade Corporation Limited) to set up an e-bidding platform for auctioning non-core assets of PSUs. It is set to be operational in one month and is likely to be announced in the budget.

- The platform will be coordinated by the Department of Investment and Public Asset Management (DIPAM), and will initially have the assets of PSUs in which the govt has approved strategic divestment.
- The govt would be successful in selling off all the assets/properties which were earlier stuck due to issues.
- The platform will be used to auction litigation free lands and properties and also immovable enemy property (under the custody of the Custodian of Enemy Property).
- MSTC
    - Is a Miniratna Category 1 company
    - Under the Ministry of Steel
    - Incorporated in 1964 under Companies Act 1956
    - Later renamed in 1994

3. High point in GST (BS 6/1/21)

- GST reached a record collection of ₹1.15 tn for the month of December (grew by 11.6% compared to the same month last year). It is also important as it was the third consecutive month of GST collections in excess of ₹ 1 tn.
- It is also seen as an indicator of economic recovery. However, the output in the eight core industries slid by 2.6% in November (drop in demand for steel and cement, the demand for electricity was also down).
- The higher GST collection could be reflecting festive demand and this may not sustain in the coming months.
- The govt also has taken many measures/steps to boost the GST revenue collections.
- The collection could also have been helped by some of the backlogs as the payment due date was 31st December.

4. Govt mulls $14 bn bank to fund infra projects (FE 7/1/21)

- Govt is considering a proposal to set up a bank to fund infra projects such as port, road and power projects.
- The new entity is likely to have equity capital of ₹ 1 lakh Cr ($13.7 bn).
- Once set up, the existing India Infrastructure Finance Co will be merged with this.
- It could be on the lines of the state-run National Investment and Infrastructure Fund.

5. Govt mulls bank to fund infra projects (BS 7/1/21)

- Initially, it will be funded by the govt and later it would be inviting the private investors, on the lines of NIIF, which counts Canada Pension Plan Investment Board, Asian Development Bank, Abu Dhabi Investors Investment Authority among its investors.
- Attracting the investors is also important to meet the goal of spending $1.5 tn on roads, rail links and other infrastructure.
- The govt so far has pumped in ₹ 1.7 tn in the public sector banks but the widening fiscal deficit has put a brake on this.

6. MDR remains a thorny issue (LM 9/1/21)

- MDR is a charge paid by the merchants to banks and payment service providers for having used the infrastructure provided by the latter for digital transactions.
- Starting from 1st January 2020, govt has scrapped the MDR for all RuPay and UPI transactions.
- The proposal was first announced in the budget in July 2019. This was done to:
  - Boost digital transactions
  - Address tax evasion by the digitisation of monetary transactions
  - Boost homegrown real-time payment system UPI at merchant locations
- The payment industry says that this affects their returns negatively. This will also affect the small start-ups and fintech companies. The banks are unable to pay these companies and are also not investing in developing such infrastructure.

7. WTO urges India to reduce tariffs (LM 9/1/21)

- The report published by WTO (Trade Policy Review) has called for a reduction in the tariffs to make it simple and more predictable. The Trade Policy Reviews are mandated in the WTO agreements. In this, the trade policies of various countries are evaluated regularly. For India, the last review was conducted in 2015 (it was India's seventh such review).
- India's average tariff has increased from 13% (FY15) to 14.3% (FY21).
- This has happened on account of policymakers using the trade policy measures to promote domestic production and curb inflation.
- The overall goal of the govt should be to promote exports but the govt frequently changes the tariffs which creates uncertainty in the economic actors.
- International trade receives inadequate attention both in the govt and outside in India.
- In the case of agriculture, the average tariffs have increased from 36.4% in FY15 to 36.5% in FY21 and the non-agriculture tariffs have risen from 9.5% to 11.1% during the same period.

- India’s tariffs range from 0% to 150%.

8. India to WTO - resolve public stockholding issue (BL 9/1/21)

- India has urged other members of WTO to find a permanent solution to the issue of public stockholding (PSH) for food security purposes.
- The onset of the pandemic has brought to the fore the importance of food and livelihood security.
- As per the WTO norms, the food subsidy bill of WTO members should not cross 10% of the value of production based on the reference price of 1986-88.
- India is concerned that its food security programme may result in it breaching the ceiling, India has been calling for amendments to the formula.
- As a temporary solution, the members in Bali Conference 2013 had agreed to put in place ‘Peace Clause’ and had committed to negotiating an agreement for a permanent solution.

9. Developing nation status (FE 9/1/21)

- The US has been attacking many countries including India and China for self-designating themselves as developing countries and getting special and differential treatment because of such status.
- India has recommended a policy of voluntarily forgoing such status.
- India has also called for restoring the dysfunctional Appellate Body of WTO for dispute resolution.
- The status of Special and Differential Treatment allows countries more time frame to implement the commitments and greater flexibilities in adopting measures to improve their presence in global markets.
    - These countries are allowed to provide larger input subsidies and minimum price support (product specific farm subsidies up to 10% of the value of production is allowed in case of developing countries, whereas it is 5% in case of developed countries).
    - These countries will continue to provide indirect export subsidies (covering internal support and marketing until 2023), five years after the deadlines for the elimination of all forms of export subsidies.
- Any reform in the WTO should preserve the multilateral character of WTO including a consensus-based approach to decision making.
- A good starting point for the reforms agenda would be the elimination of the unequal and trade-distorting entitlements of the developed countries in the Agreements on Agriculture. China and the US provide domestic support per farmers to the tune of $60586.

10. Govt puts out draft pre-pack scheme (FE 10/1/21)

- This could be available for all the corporate debtors and for stress either pre or post-default.
- As per the information now, this could be available for defaults from ₹ 1 lakh to ₹ 1 Cr and Covid-19 defaults.
- This could be followed by defaults of over ₹ 1 Cr and then defaults from ₹ 1 to ₹ 1 lakh.
- The corporate debtors can start the pre-pack with a simple majority of financial creditors and shareholders.
- There will be no dilution of Section 29A disqualification criteria.
- Under this, the market participants will be given a time period of 90 days to submit their resolution plan to the adjudicating authority which will have another 30 days to approve the plan.
- This will ensure there is a resolution unless the creditors with a 75% voting share decide for liquidation.
- This will require an amendment to the IBC.

11. RBI unveils guidelines for digital payment infra fund (LM 6/1/21)

- RBI has announced operational guidelines for Payments Infrastructure Development Fund (PIDF) scheme (PIDF was formerly known as Acceptance Development Fund - ADF).
- The fund will be used to subsidise banks and non-banks for deploying the payment infrastructure. This will be contingent upon meeting certain targets.
- The bank has set up an advisory council headed by Mr B P Kanungo to manage the fund.
- The fund will be operational for a period of three years starting from 1st January 2021 and can be extended for two more years based on its progress.
- The fund has ₹ 345 Cr of which ₹ 250 Cr is contributed by RBI and the remaining ₹ 95 Cr is from authorised card network operators in India (such as Visa, Mastercard and RuPay).
    - In addition to this, PIDF will be receiving annual contributions from card networks and card-issuing banks.
- The primary focus will be to develop infrastructure for payment acceptance in tier 3 and tier 6 cities, with a special focus on north-eastern states.
- The primary targets will be merchants providing essential services such as transport and hospitality, govt payments, fuel pumps, public distribution system shops, healthcare facilities and kiranas (especially those who do not have a payment acceptance device).
- Multiple payments acceptance devices and infrastructure supporting card payments are covered such as physical Point of Sales (PoS terminals), mobile PoS, Quick Response (QR) code-based payments.
- The subsidies would be varying based on the cost of Infrastructure.

- It would be in the range of 30% to 50% in case of physical PoS
- It would be in the range of 50% to 75% in the case of digital PoS