Economy This Week (7th Dec to 13th Dec 2020)

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1. India marches towards 100% access to electricity, LPG (BL 11/12/20)

- India has attained almost 100% access to clean cooking fuel and electricity supply.
- LPG:
  - The LPG penetration has reached 98% of Indian households.
  - The present government has almost doubled the number of LPG connections or customers since 2014.
  - In 2014 there were 14.8 Cr LPG connections and it has swollen to nearly 28 Cr.
  - This increase is driven by deposit free LPG connections for the poorest of the country through the Pradhan Mantri Ujjwala Yojana (PMUY).
  - So far over 8 Cr new LPG connections have been provided under the scheme.
- Power for all
  - Over 19000 villages have been electrified under Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) since its launch in 2015.
  - Before this, over 6.5 lakh villages had been electrified.
  - Though most of the villages are electrified, the government still says that some are yet to be electrified because of the access issues.
  - The Pradhan Mantri Sahaj Bijli Har Ghar Yojana (PM Saubhagya) has electrified 2.8 Cr households since its launch in October 2017. This is in addition to 21.3 Cr existing households, the total now is over 24 Cr households.
  - Some of these households were having illegal electricity connections and now are metered.

2. RTGS round the clock (IE 10/12/20)

- RBI has announced that Real Time Gross Settlement (RTGS) will be available round the clock from 14th December.
- With this India joins the club of the few countries which operate RTGS 24X7.
- This has come within a year of operationalising the National Electronic Fund Transfer 24X7.

- RTGS began operating from March 26, 2004.
- This will provide flexibility to businesses for effecting payments and can be used to enhance operations of the Indian financial markets and cross border payments.

3. Cement firms face fresh probe by CCI (BL 11/12/20)

- The Competition Commission of India (CCI) has ordered a fresh investigation into the alleged cartelisation in the cement industry.
- This comes as the earlier order of CCI penalising 11 cement companies ₹ 6300 Cr is still pending in the Supreme Court since 2018.
    - The Builders Association of India (BAI) had filed a complaint against the cement manufacturers in 2016.
    - The cement manufacturers had approached the Companies Appellate Tribunal (CAT) which had stayed the order of CCI.
    - In 2018, National Company Law Appellate Tribunal (NCLAT) had dismissed the cement manufacturers' plea.
    - The cement manufacturers then approached SC, which had stayed the order and the case is pending.
- CCI has initiated an investigation against many cement companies for their anti-competitive behaviour.
- Previously, Builders Association of India (BAI) had written to PM requesting him to constitute a Cement Regulatory Authority (CRA) to check the cartelisation.
- It is alleged that the cement manufacturers are underutilising their production capacity to create an artificial scarcity in the market and control the prices.

4. Nine states complete one nation one ration card (ONORC) reform (BL 10/12/20)

- The central government had earlier approved a new mechanism wherein the states achieving certain reforms would become eligible for additional borrowing of up to 2% of GSDP in the current fiscal.
- In order to ensure long term debt sustainability and prevent any adverse impact on the future, part of the additional borrowing was linked to states implementing certain reforms in sectors which are crucial for service delivery to the citizens.
- The Finance Ministry has stated that Andhra Pradesh, Karnataka and Gujarat are among the nine states which have completed One Nation One Ration card reforms.
- This makes them eligible for additional borrowing of ₹ 23500 Cr.
- Of the additional 2% borrowing, the state’s borrowing could be increased by 25 bps if they implemented the ONORC reform.
- The objectives of the scheme are:
    - To ensure the beneficiaries under NFSA will get access to subsidised food grains at Fair Price Shops (FPS)
    - Better targeting of beneficiaries

- Elimination of bogus, duplicate and ineligible ration cards
- Increased welfare and reduced leakages

- It is the Department of Food and Public Distribution that has to certify that the state has implemented the reform.
- In addition to this, for the states to become eligible, they will have to implement the scheme by December 31st
- **Other important reforms under this are ease of doing business, urban local body reforms, utility reforms and power sector reforms, etc.**

5. Price risks make farmers worry (LM 8/12/20)

- Over the last five years, because of various issues, the market prices of various commodity prices have fluctuated and have taken a toll on the farmers.
- Many farmers are dependent on the private markets for sales and the risks in the private markets are high and recurrent.
- The prices of commodities such as cotton are affected by the global trends and that of perishables fluctuate based on seasonal factors, weather and demand-supply dynamics.
- The farmers have weak bargaining power in the private market because of their inability to store, process or time sales.
- With the price risks being higher, the farmer relies more on cultivation and sales of these commodities to the government at MSP. Hence farmers in Punjab are addicted to the cultivation of paddy.
- Such cultivation has ill-effects such as the depletion of groundwater; for example, a water-stressed region such as Marathwada cultivates sugarcane.
- The Centre is hopeful that alternative marketing channels that it has proposed in the new bills will address the issue of price volatility.
- In case of Bihar which abolished the regulated markets in 2006 and where purchases at MSP are negligible, the farmers sell paddy and maize at discounts and private traders sell these at MSP in Punjab and Haryana.
- One of the reforms allows contract farming but the issue here is that the farmers have a concern that the buyers may raise the issue of quality and renege on the contract when the market prices are lower and the buyers are worried that the farmers may renege the contract when the market prices are higher.
- Globally the practice is to provide direct cash support; a fixed upfront subsidy is provided based on the size of the landholding.

6. A four point agenda for Indian banks (LM 11/12/20)

- Though COVID is not a banking crisis, it will have a huge impact on the banking sector as the credit losses will continue and so will be the uncertainty in the demand. The banking sector will take five years i.e. till 2024 to take the returns back to the pre-covid level of 2019.

- A comforting factor is that the banking sector has entered the crisis period well capitalised and is playing a critical role in the economic recovery, however, the challenges for the banking sector will continue.
- To protect the banking sector and to ensure that the banks will play an important role in the recovery, there is a need to look at the following points:
    - There is a need to have productivity transformation. With customers happily shifting to the digital channels, there is a need to accelerate digital engagement, using the digital assets and reskilling of the workforce for digital operations.
    - Better risk management models should be developed. Data processing and analytics must be improved.
    - Banks should start to develop automated infrastructure to increase efficiency and customer experience.
    - Lending activity has to be looked into. Some of the banks which have high exposure to the COVID-hit sectors will be facing more challenges and existing risk models will have to be looked into.

7. Govt okay's 74% FDI in defence under auto route (BL 10/12/20)

- Finance Ministry has permitted FDI up to 74% in the defence sector under the automatic route.
- It was initially announced by the Commerce and Industry Ministry in September (from 49% to 74%).
- The increased limits will help new firms seeking new industrial licenses.
- FDI up to 74% would be allowed for companies seeking new industrial licenses.
- All the foreign investments in the defence sector would be subject to security clearance by the Home Ministry.