

Economy This Week (27th Mar to 2nd Apr 2021)

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1. Mobile device makers press for FY21 as zero year under PLI (BS 27/3/21)

- Mobile manufacturers who are eligible for the [Production Linked Incentives \(PLI\) scheme](#) have petitioned the govt to invoke the clause of 'force majeure' to declare FY21 as the zero year.
- The reason cited has been the disruption which has been caused by the pandemic and trade tensions between India and China
- Except for Samsung, all other eight manufacturers selected under the scheme have faced issues.
- The scheme mandates that:
 - Companies will have to make incremental sales of ₹ 4000 Cr in the first year of PLI (for Indian company it is ₹ 500 Cr).
 - Each phone will have to have an invoice value of ₹ 15000 and above.
 - Investment of ₹ 250 Cr (for Indian company it is ₹ 50 Cr).

2. IBC threshold limit raise is a setback to creditors (BL 27/3/21)

- Limit under the IBC for invoking an application has been enhanced from ₹ 1 lakh to ₹ 1 Cr, but it leaves many creditors within the bracket without any remedy either under the [Companies Act \(CA\)](#) or the IBC.
- With the introduction of IBC, the govt deleted Section 271(2) of the CA 2013 and asked the creditors to approach the IBC.
- These creditors (who have debts below ₹ 1 Cr) can approach the civil courts, but this would lead to further delay.
- The govt under Section 10A had suspended the IBC for a period of overall one year and this was done to protect the companies from the adverse impact of the pandemic.

3. Centre mulls unique ID for all plots of land by March 2022 (TH 29/3/21)

- The central govt has planned to issue a 14-digit identification number for every plot of land within a year.
- It will subsequently update the land records with revenue court records, bank records, as well as Aadhaar numbers on a voluntary basis.
- Unique Land Parcel Identification Number (UL-PIN) scheme.
- This has been launched in 10 states and will be rolled out throughout the year by March 2022.
- It is like Aadhaar for land - a number that would uniquely identify every parcel of land surveyed and prevent land frauds, especially in the rural parts of India (land records are outdated and there are a large number of disputes).
- The identification will be based on:
 - Longitude and latitude of the land parcel
 - Detailed surveys
 - Geo-referenced cadastral maps
- This will be the next step in Digital India Land Records Modernization Programme (DILRMP):
 - Was launched in 2008
 - Has been extended several times and due to end next week
 - Likely to be extended further till 2023-24

4. India levies anti-dumping duty on bottle grade PET from China (LM 29/3/21)

- Govt has imposed anti-dumping duty on Chinese bottle grade PET imports to offset the impact/damage to the domestic industry.
- After investigations, the Director-General of Trade Remedies in December 2020 recommended imposing anti-dumping duty on PET.
- The recommendation has been accepted and notified by the Ministry of Finance.
- PET (Polyethylene terephthalate) is used in making bottles and jars for mineral water, carbonated drinks, etc.
- The market share of the domestic industry has fallen from 80% to 64% over the injury period.
- India is currently the largest user of [anti-dumping](#) measures.
 - Between 2015-19, it had initiated 233 investigations, a sharp increase from 2011-14 where it had begun 82 investigations.
 - Most of the investigations initiated relate to products originating from China, followed by the Republic of Korea and the European Union.
 - At the end of 2019, it had imposed 254 anti-dumping duties mostly on chemicals and products.
 - The average length of anti-dumping measures at the end of 2019 was 5.9 years.
 - 58 measures, applied mainly on imports from China, have been in place for over 10 years now.

5. Leading banks to cancel auto debit from tomorrow (BS 31/3/21)

- Various banks have cancelled the auto-debit of the funds from cards based on the e-mandate.
- This is in the face of large fines/penalties which could be imposed by the regulator.
- In this regard leading banks have already intimated to their customers that they will have to make their own payments rather than banks auto-debiting the amount for recurring transaction from the cards.
- This is because RBI has announced certain guidelines in 2019 regarding recurring payment through debit/credit cards and any violation would attract a fine of ₹ 5 lakh.

6. Govt to snip red-tape in PSU sale approval (BS 31/3/21)

- NITI Aayog and the Department of Investment and Public Asset Management (DIPAM) are looking into a proposal to reduce the time required for disinvestment to a few months from the present requirement of 12 to 13 months.
- This is to overhaul the privatisation process and may include:
 - The process of directly seeking the approval of CCEA after the think tank submits its recommendations identifying the PSEs for privatisation.
 - Do away with the Core Group of Secretaries on Divestment (CGD) for privatising those from non-strategic sectors (the consultation process takes time).
 - The [NITI Aayog](#) getting approval sector-wise rather than taking approval for individual PSUs.
- Current process:
 - NITI identifies the companies.
 - These are considered by CGD. This gives suggestions to Alternative Mechanism (FM, minister for administrative reforms, minister for roads).
 - Once it is approved by AM, DIPAM will take it to CCEA for approval (for strategic disinvestment of a PSU).
- Currently, the process involves around 12 steps and the objective is to reduce the timeframe by 90%.
- The govt in the budget has mentioned that it wants to keep a bare minimum presence in strategic sectors.
 - Atomic energy, space and defence
 - Transport and telecommunications
 - Power, petroleum, coal and other minerals
 - Banking, insurance and financial services

7. Indian govt bonds on FTSE radar for possible inclusion (LM 31/3/21)

- FTSE Russell (Financial Times Stock Exchange) has placed Indian govt bonds for a possible inclusion.

- These bonds would be considered for the FTSE Emerging Markets Government Bond Index (EMGBI) and the market accessibility will be reviewed and classified from “0” to “1” and this would put them at the minimum level needed for inclusion.
- This is an acknowledgement of India’s efforts to liberalise the sovereign bond market as rising govt borrowing has necessitated opening up the domestic bond market to a broader investor base.
- FTSE has said that the global index users have shown an interest in the Indian sovereign securities issued via Fully Accessible Route (FAR) which was introduced by the govt last year.
- FM in the [budget speech for FY21](#) has announced that certain types/categories of govt securities would be opened fully for non-resident investors, apart from being available to the domestic investors.
- Following this, the RBI announced FAR for investment by non-residents in securities issued by the govt.
 - These investors are allowed to invest without any investment ceilings
 - They can access 12 series of govt bonds with a total outstanding amount of \$163 bn
 - Future issuances of 5, 10 and 30 year govt securities are automatically included under FAR

8. Centre ropes in RBI for disbursal of funds to states (ET 31/3/21)

- Over the years the centrally sponsored schemes (CSS) have accounted for higher financial outflows for the central govt and various committees including the [15th FC](#) have recommended pruning the expenditure and rationalisation for effective implementation.
- Some of the issues which have been flagged are:
 - Time lag in the release of grants
 - The utilisation of the funding
 - Parking of funds in states for interest
- The Department of Expenditure has issued a new rule book for improving the management and bringing efficiency in public expenditure management and key to all of this is a Single Nodal Agency.
- Starting from 1st July 2021, the states are to set up a Single Nodal Agency (SNA) for each of the central sector schemes with an account in commercial banks to conduct the govt business. Separate SNAs may be set up for subschemes of an umbrella scheme if needed.
- All the union ministries and departments will be releasing the funds of the central share for each CSS to the state govt’s account held in RBI and these would be further released to the SNA account. The state govt shall transfer the CSS funds issued to the respective SNA account within 21 days of its receipt and also release its share within 40 days from the release of the central share.
- In addition to this, the centre will be initially releasing no more than 25% of central funding at the beginning of the fiscal. The further release is contingent upon:
 - State has transferred its stipulated share

- 75% of the total central state funds released have been utilised
- The new guidelines stipulate that these central funds will not be transferred to any other account and be kept in the respective SNA (states have transferred these funds to their accounts to earn interest).
- All interest earned on the funds at SNAs should be remitted back to the Consolidated Fund of India.
- All the SNAs will be mapped to the centrally-run Public Financial Management System (PFMS) to track and monitor the flow.
- The central ministries have also been asked to conduct the monthly reviews.

9. Small savings to fetch lower interest (BL 1/4/21)

- Govt has lowered the interest rates on various small saving schemes such as National Saving Certificates (NSC) and Public Provident Fund (PPF) by 50 to 90 bps.
- The new rates would be coming into effect from 1st April.
- The Small Saving schemes comprise 12 instruments such as National Saving Certificate (NSC), Public Provident Fund (PPF), Kisan Vikas Patra (KVP) and [Sukanya Samriddhi Scheme](#).
- The govt generally resets the interest rates on these at the start of every quarter.
- Theoretically, the interest rates are being adjusted with changes in the yield rates on G-sec of the corresponding maturity with some spread on the scheme for senior citizens as recommended by Shyamala Gopinath Committee.

10. Inflation target (BL 1/4/21)

- Govt has decided to continue with the inflation target of 2 to 6% for the next five fiscal years beginning April 1.
 - The headline inflation will be continued to be taken as the base or the anchor.
 - This decision to follow an inflation target set by the central govt by RBI is as per the framework which was signed between the RBI and govt in 2015. Following this, the RBI Act 1934 was amended in May 2016 to provide a statutory basis for the implementation of the flexible [inflation targeting](#) (FIT).
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