

## Economy This Week (10th Apr to 16th Apr 2021)

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#### 1. Govt directs firms not to hike MRP of non-urea fertilisers (FE 10/4/21)

- The central govt has directed the fertiliser companies not to increase the maximum retail price for non-urea fertiliser such as DAP.
- The companies have announced a rise in the selling price of the fertilisers in line with the global market (global prices of raw materials have increased).
- The prices of di-ammonium phosphate (DAP), Muriate of Potash (MoP) and NPK are decontrolled and are determined by manufacturers; the centre provides a subsidy for these manufacturers annually.

#### 2. For every e-NAM deal worth ₹ 100, just ₹ 1 routed through DBT (FE 10/2/21)

- The electronic National Agriculture Market ([e-NAM](#)) is underperforming and it is pretty much evident when we look at the sale proceeds wherein only ₹1 is transferred into the bank account of the farmers via the facility for every transaction of ₹100.
- Between 2016 and 2020, the total value of transactions through e-NAM is over ₹ 1 lakh Cr but out of this just over ₹ 1050 Cr has been paid to the farmers through the e-payment facility.
- Cashless transaction is key to the success of intra-state and inter-state trading among mandis on the e-NAM portal.
- The reason for this is the reluctance on the part of the states to implement the scheme.
- The transfer to the accounts is integral to e-NAM and the centre has been insisting on this, but it is not mandatory for the states to implement the policy.
- The portal has been set up to provide remunerative prices to the farmers; the volume, as well as the value of commodities sold on the portal, has increased in 2020.
- So far, 1000 mandis across 18 states and UTs have been integrated into the portal and in the budget, the govt has announced the integration of 1000 more mandis.
- Payments under e-NAM can be settled through cash payments, cheque payment, RTGS, NEFT, debit card, internet banking.

### 3. India plans to step up oilseed output, extend sugar export subsidies (BL 12/4/21)

- India's plan to increase the domestic oilseed production and cut the vegetable oil imports worth \$10 bn a year has come under WTO scrutiny.
- In a recent meeting of the Committee on Agriculture, questions have also been raised over-
  - \$626 mn interest subvention grant to help India use its sugar for ethanol production
  - Approval of export subsidies worth ₹ 475.8 mn for export of 6 mn ton of sugar
- India has stated that these concerns raised by the US and Brazil are premature as no details were available on the increase in production and other related matters at this stage and the concerns are solely based on the reports that India was working out on such a plan.
- Member countries have also called on India to explain whether these new subsidies are in line with the Nairobi Declaration, in which member countries will have to ensure that any export subsidies should have at most minimal trade-distorting effect and should not displace exports of another member.

### 4. Extend interest subsidy scheme for exporters (BL 13/4/21)

- To help exporters who are struggling because of the uncertainty in the global market, the govt has asked RBI to continue with the interest equalisation scheme (IES) without any curtailment (without any modifications), which lapsed on March 31.
- IES:
  - Was introduced on 1st April 2015.
  - Extends subsidy on interest provided on pre and post-shipment export credit ranging between 3% and 5% to the exporters.
  - The banks would be providing the loans at a lower interest rate to the exporters and later would be reimbursed for it by the govt.
  - In addition to MSME exporters of all products, exporters of 416 identified products are eligible under this.
- There is concern about the implementation of the scheme in the current fiscal, as the amount set aside in the budget for FY22 is ₹ 1900 Cr, which is lower than revised estimates for last year.
- There are experts who warn that with the extension of the scheme, it could be targeted for providing export subsidies under [WTO](#) by other member countries.
- India's export for FY21 stood at \$289.92 bn (was 7.4% lower than the previous fiscal - \$313.36 bn).

### 5. Govt clears FCIs liabilities to NSSF (BS 14/4/21)

- Govt has cleared the unsecured debt of the [Food Corporation of India \(FCI\)](#) it owed to NSSF.
- This has ended the process which began in 2017. With this, the FCI will have the usual working capital loans through bonds, ways and means advances and short term loans.

- The central govt had envisaged a cash infusion of ₹ 1.2 lakh Cr to FCI in the last fiscal, close to half the amount of money FCI owed to NSSF, but the centre has ended paying more to FCI, which has helped the FCI to clear the NSSF debt (govt has transferred a total of Rs 4.63 tn in FY21 - for the usual food security act and offtake under the [Pradhan Mantri Garib Kalyan Yojana](#)).
- This will help the FCI to get loans at a lower rate of interest in the market now, along with increasing its efficiency in operations.
- However, issues such as open-ended procurement, excess procurement, etc. will continue.

#### 6. Centre to amend key PSB privatisation laws (FE 15/4/21)

- Govt has started inter-ministerial consultations to draft the legislative changes that are required for the privatisation of the public sector banks.
- The objective is to amend all these laws in one go so that the process of privatisation of these banks is not hindered.
- Govt is deliberating on whether the banking nationalisation acts of 1970 and 1980 should be repealed.
- In addition to this, the govt also has to ensure that there is a smooth transition from the nationalisation act to the companies act, as no such shift has happened earlier.
  - Banks such as IDBI, Axis bank, etc. have shifted to the [Companies Act](#). Under this, the govt had ownership but no bank which was nationalised has seen such a shift under the companies act.

#### 7. WPI inflation shoots up to 8 year high (BS 16/4/21)

- With the fuel prices and manufactured products' prices rising, the [WPI](#) has hit an 8-year high.
- The WPI rate stood at 7.4% for March as against 4.17% in February and 2.51% in January.
  - Manufactured products have recorded a price rise of 7.3% in March.
  - Fuel and power - 28-month high of 10.25% (0.58% in February and contraction of 4.78% in January).
- The rate of price rise is expected to be in double digits in the near term with higher food prices and a low base of last year.
- This dims the hopes of rate cuts along with uncertainty caused by the pandemic.
- Retail inflation (CPI) has also risen to 5.03% on the back of a sharp rise in food and core segment.

#### 8. Bond yields spike as RBIs purchase disappoints (TH 16/4/21)

- The yield rates on the 10-year G-sec spiked as the first purchase of bonds by RBI has disappointed traders while inflation concerns were also weighed.
- RBI purchased ₹ 250 bn worth of bonds under G-SAP.

- Traders expected that the RBI would be buying much higher 10-year G-sec as against the purchases of ₹ 75 bn as done by RBI.

#### **9. 8 entities line up for RBI on tap banking licenses (BS 16/4/21)**

- Entities have lined up to apply for universal bank and small finance bank (SFBs) licenses.
- RBI has set up a five-member standing external advisory committee (SEAC) headed by Shyamala Gopinath to evaluate applications for universal banks and SFBs.

#### **10. RBI sets up authority to review regulations – RRA 2.0 (TH 16/4/21)**

- RBI has set up Regulations Review Authority 2.0 (RRA 2.0) to review regulatory prescriptions internally along with seeking the inputs from regulated entities for simplification and ease of implementation.
  - The authority will have a period of 1 year from May 1 and will be headed by M Rajeshwar Rao.
  - RBI had set up a similar authority back in 1999.
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