

Economy This Week (17th Apr to 23rd Apr 2021)

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1. Direct MSP transfer (IE 17/4/21)

- In the earlier system, the arthiyas used to issue payment/cheque to the farmers for the agri commodity sold but under DBT, the amount is directly transferred into the bank of the farmer.
- The final settlements of the accounts took time or arthiyas delayed making payments in the earlier system.
- This system has been implemented by the Punjab state govt after it was pushed by the central govt.
- FCI had earlier asked the state govt to provide the information on land records to transfer the funds.
- The state govt raised a concern stating that some of these farmers were merely cultivators and not the owners of the land.
- The Haryana Model has been recommended to overcome this problem, wherein the cultivators' data is provided for MSP transfers.
- As of now, the [MSP](#) transfers are being done on the basis of Aadhaar and the quantity of crop being brought to the mandis.

2. ECLGS ambit widened to companies with loan dues up to 60 days (IE 17/4/21)

- The govt has expanded the coverage of ECLGS (Emergency Credit Line Guarantee Scheme) to the healthcare sector and stressed sector companies that have loan dues for up to 60 days (SMA-1) as against 30 days earlier (SMA-0).

- This has been demanded by industries for some time now and is expected to provide some relief to the stressed companies which are facing issues of rising covid related disruptions and effects of partial lockdowns.
- Under ECLGS 2.0, the 26 stressed sectors (as identified by the Kamath Committee) and healthcare sector companies will be covered.
 - Under the scheme, the companies with an outstanding loan of over ₹ 50 Cr and below ₹ 500 Cr will be allowed to get access to fresh credit without providing any additional collateral.
 - The tenure of this loan will be for five years including a one-year moratorium on the principal repayment.
 - Sanctions and disbursal are much faster as the centre provides a guarantee in case of defaults.
 - Accounts classified as SMA-2 or [NPAs](#) are not allowed to avail of this facility.
 - All of this is within the ₹ 3 lakh Cr to be set up for the scheme and could be raised depending upon the demand.
- As of February, the banks have sanctioned loans worth ₹ 2.46 lakh Cr to 92 lakh accounts.
- Govt has extended the scheme till June 2021 as against the end date of 31st March.

3. India and 10 other countries put in currency practices monitoring list (IE 17/4/21)

- The United States has placed 11 countries (including India) on the currency practices monitoring list.
- It includes other countries - China, Japan, South Korea, Germany, Italy, etc.
- All these countries except Ireland and Mexico were covered in the December report.
- Any economy that meets two of the three criteria in the 2015 act is placed on the monitoring list.

4. Importers may get their shipments quicker (LM 17/4/21)

- Importers owing to minor breaches may face very low penalties and receive their shipments quicker. This has been proposed in an action plan to promote cross border trade.
- The CBIC (Central Board of Indirect Taxes and Customs) has released the National Trade Facilitation Action Plan (NTFAP) to reduce the red-tapism under legislative, administrative and technology-related changes.
- The objective is to:
 - Reduce the cost and time involved in cross border trade
 - Make legal regime more predictable
 - Improve ease of doing business

- Targets - reduce the time taken to
 - 12 hrs and 24 hrs in outbound air and sea cargo respectively
 - 24 hrs and 48 hrs for inbound air and sea cargo respectively
- It is also a part of India's commitment under the WTO's deal on Trade Facilitation.

5. Compliances for business may be cleared (ET 18/4/21)

- Govt is in the process of easing the compliance burden on companies and individuals with a focus on “ease of living” and “ease of doing business”.
- What is being considered?
 - Decriminalisation of regulations that prescribe jail term for minor offences
 - Use of blockchain in land registry
 - Deploying artificial intelligence in identifying frauds
 - Availability of pre-populated tax returns forms
- In addition to this, the states are also being urged to reduce their regulations so that the companies may save time and cost.
- The Finance Ministry is said to have-
 - Picked 9732 compliances to be tweaked or erased or subsumed from a total of 24853 compliances that come under the centre (there are a total of 68549 compliances all governed under 678 acts and rules and of this 43696 belong to states).
 - 37 acts with 212 provisions have been identified for decriminalisation.
 - The [Companies Act](#) has 46 such provisions.
 - 67 central and state laws are said to be redundant, making a case for repeal, amendment or subsumption.
 - Ministry of Environment, Forests and Climate Change has 8 such laws
 - Maharashtra, Karnataka, UP have 11, 9 and 8 laws respectively

6. India invokes peace clause as rice subsidies exceed 10% cap (ET 19/4/21)

- India has invoked the peace clause at WTO for the second time as the support has crossed the 10% ceiling limit.
- The total value of production for FY20 stood at \$46.07 bn and subsidies worth \$6.3 bn was provided (13.7% as against the permitted level of 10%).
- India had earlier revoked the clause in 2018-19 becoming the first country to do so.
- Many countries including the US, EU, Canada, Brazil, etc. have questioned India's invoking of the peace clause.
- The peace clause cannot be challenged.

7. Govt rolls out ₹ 945 Cr fund for startups (LM 20/4/21)

- There are over 41000 startups in India and 44% of these are officially recognised.
- Govt unveiled the [Startup India Seed Fund Scheme \(SISFS\)](#) to handhold and financially support early-stage startups.
- The fund is expected to benefit 3600 startups and give a booster to startups in tier 2 and tier 3 cities.
- A sum of ₹ 945 Cr has been allocated for this.
- Grants of up to ₹ 5 Cr shall be provided to the eligible incubators selected by an expert committee.

8. Cabinet okays subsidy for urea produced via coal gasification (FE 21/4/21)

- CCEA has approved a subsidy for urea produced by state-run Talcher Fertilisers (TFL), which is soon to be commissioned.
- This will be the only plant to produce urea through the coal gasification route.
- TFL is setting up a 1.27 mn tn per annum capacity urea plant in Odisha with an estimated investment of ₹ 13277 Cr.
- The project is expected to be completed by September 2023.
- Coal gasification is the process of converting coal into gas and then using it to produce urea. The technology will be a clean-coal technology, which means that there will be negligible sulphur dioxide, nitrogen dioxide, free particulate emissions as compared to directly coal-fired processes.
- India consumed a total of 61 MT of fertilisers of which 55% was urea.
 - 22 MT is produced domestically and 9 MT is imported.
 - The earlier govt changed the policy to allow the companies to use natural gas to manufacture urea than using naphtha which is costlier; this has not helped in cutting the imports.
- The govt has announced that by 2030, ₹ 20000 Cr would be invested in coal gasification projects.

9. RBI sets up committee to review working of ARCs (TH 20/4/21)

- RBI has set up a committee to undertake a review of the functioning of Asset Reconstruction Companies (ARCs).

- The committee is expected to recommend measures to enable them to meet the growing requirement.
- The six-member committee will be headed by Sudarshan Sen.
- The committee will submit its report within three months of its first meeting.

10. Citibank - Citigroup selling its retail biz (IE 17/4/21)

- Citigroup has announced that it's selling its retail business or consumer banking business in India (along with 12 other countries) as a part of its global strategy to focus on international business.
 - The group however will continue its wealth management operations and institutional business in India.
 - About Citigroup:
 - It started its operations in India in 1902.
 - Serves 2.9 mn retail customers with 1.2 mn retail bank accounts.
 - Has 2.2 mn credit cards and accounts for 6% market share in credit card spends in India.
 - Customers need not worry as the whole consumer business of the bank will be sold off and not shut down.
 - Reasons for this:
 - Citigroup has not been able to scale its retail business.
 - Profits under retail banking are under stress.
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