

Economy This Week (24th Apr to 30th Apr 2021)

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1. RBI extends temporary advances limit of ₹ 51560 Cr for states (TH 24/4/21)

- RBI has decided to continue with the existing interim Ways and Means Advances (WMAs) limit of ₹ 51560 Cr for the states and UTs till 30th September 2021.
- This is based on the recommendation of the Advisory Committee on WMA to State Governments 2021, chaired by Sudhir Shrivastava.
- The Special Drawing Facility (SDF) availed by the states and UTs will continue to be linked to the quantum of their investments in marketable securities issued by the govt.

2. RBI partially allows dividend declaration (BL 24/4/21)

- RBI has partially lifted the freeze on the declaration of dividends by commercial banks for FY21.
- It has also allowed cooperative banks to pay dividends on equity shares from profits for FY21.
- RBI in April 2020, had directed commercial banks not to make any further dividend payout from the profits pertaining to FY20. It was done in an environment of heightened uncertainty caused by Covid-19, as it was important for the banks to conserve capital to retain their capacity to absorb the losses and support the economy.
- The banks are allowed to pay dividends, not exceeding 50% of the dividend payout ratio (DPR).
 - DPR is calculated as a percentage of the dividend payable (excluding the dividend tax) to net profit.
 - As per RBI's 2005 circular, depending upon the matrix criteria of capital to risk-weighted assets ratio and net [NPAs](#), the dividend payout ratio cannot exceed 40%.

3. Svamitva - PM to start distributing e-cards (BL 24/4/21)

- PM will launch the distribution of e-property cards, a property validation solution under the [Svamitva Scheme](#) from the National Panchayati Raj Day.
- 4.09 lakh property owners will be given these cards.
- Svamitva is 'Survey of Villages and Mapping with Improved Technology in Village Areas' to be implemented across the country.

- It was launched on 24th April 2020.
- It will allow the land to be used as collateral for availing loans and other financial benefits.
- It will cover 6.62 lakh villages during 2021-25.
- The pilot project was implemented in 2020-21 in Maharashtra, Karnataka, Haryana, Uttar Pradesh, Uttarakhand, Madhya Pradesh and selected villages in Punjab and Rajasthan.

4. Pulses not part of the PM-GKAY scheme (BL 25/4/21)

- Under the PM-GKAY (Pradhan Mantri Garib Kalyan Ann Yojana) this year, pulses will not be distributed and only cereals such as wheat and rice would be distributed.
- Last year, as an exception, pulses were covered under this and after the scheme ended, the govt has provided 5 lakh tonnes of pulses to the states for distribution.
- As much as 80 lakh tonnes of food grains will be distributed to 80 crore beneficiaries belonging to Antyodaya Anna Yojana and priority households during May and June.
- The govt will be incurring a total cost of ₹ 26000 Cr for this.
- The entitlement will be over and above the entitlement under the National Food Security Act ([NFSA](#)).

5. Reforms in the National Pension System (TH 25/4/21)

- New Pension Scheme (NPS) was launched in 2004 under Pension Fund Regulatory Authority (PFRDA).
- The Employees' Provident Fund Organisation (EPFO) covers only the formal employer-employee relationship, and it only covers a fraction of the workforce.
- NPS allows members to withdraw 60% of their accumulated savings at the time of retirement and the remaining would be invested in an annuity product and it will provide a fixed monthly income till the retiree's demise.
- If the members accumulate up to ₹ 2 lakh in their NPS account then they are exempted from the mandatory annuitisation.
- The PFRDA chairman has said that-
 - This limit would be increased to ₹ 5 lakh.
 - Annuity purchase stipulation must be dropped for 40% of members' retirement corpus (so that this remains with the NPS fund managers even after the retirement and the members will be able to earn better returns).
- There are members who have raised complaints about the lower interest rates and poor returns offered by the annuity products. If inflation and taxes are considered then the returns would be in the negative for the members.

6. Solar imports from China seen surging in FY22 (FE 26/4/21)

- From August the solar module imports may witness a sudden surge.
- The safeguard duty imposed by the govt would be ceasing from 31st July and imports of the solar modules and cells would attract the Basic Customs Duty (BCD) - the govt had imposed a safeguard duty of 15% on imports of solar imports from China and Malaysia.
- The solar modules and cells will start attracting BCD of 40% and 25% respectively.

- The imports of solar cells and modules have declined to \$392.8 mn (75% year on year) in April - January FY21.
- Modules cost up to 60% of the project cost or total cost of the project.
- Currently, with the safeguard duties, the costs of the domestic modules are higher than the imports; with safeguard duty ending, these imports are expected to cost 5 to 6% lesser than the domestic companies.

7. Agriculture Infra Fund - govt receives 8665 applications (FE 29/4/21)

- The Centre has received 8665 applications seeking [Agriculture Infrastructure Fund \(AIF\)](#).
- Subsidised loans worth ₹ 8216 Cr have been sought under the scheme to augment post-harvest infrastructure.
- The scheme has been launched for a period of ten years from 2020-21.
- Loans worth ₹ 1 lakh Cr will be provided under this at interest subvention of 3% per annum and credit guarantee coverage under CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises) for loans up to ₹ 3 Cr.

8. States implementing key institutional reforms can borrow ₹ 1.06 lakh Cr (IE 29/4/21)

- The Finance Ministry has permitted some states an additional borrowing of ₹ 1.06 lakh Cr as these have implemented some institutional reforms.
 - Last October, the central govt linked the additional borrowing of 1% of GSDP to four critical reforms:
 - One Nation One Ration Card
 - Ease of doing business reforms
 - Power sector reforms
 - Urban and local body reforms
 - States implementing three of these are given additional grants from the centre for capex purposes.
 - Under Atmanirbhar Bharat, the central govt announced support measures allowing them to raise the borrowing limit from 3% to 5%, which would translate to additional borrowing of ₹ 4.28 lakh Cr.
 - Only 0.5% is unconditional
 - Next 1% is linked to the implementation of 4 reforms
 - 0.5% is allowed if at least three of the four milestones are met
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