

## Economy This Week (17th Jul to 23rd Jul 2021)

Economy is an important part of the [UPSC prelims](#) and mains exams; this series titled ‘Economy This Week’ has been initiated to address the need to read and analyse economic articles in various business-related newspapers. The round-up of the Economy/Business section news for 17th Jul to 23rd Jul 2021 is given below. Business news is essential for IAS exam preparation.

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### 1. CPSEs must be present on GeM (BL 17/7/21)

- Government e-Marketplace (GeM)
  - Was set up based on the recommendations of two groups of secretaries in January 2016.
    - Set up a dedicated e-market for different goods and services procured/sold by the govt/PSU. Read more on [GeM](#) in the linked article.
  - FM in the budget of FY17 announced the setting up of GeM and the portal was launched on 9th August 2016.
- As per General Financial Rules (GFRs) 2017, it is mandatory for the ministries/departments/CPSEs to procure common use goods and services only through GeM.
- Many CPSEs are also sellers/service providers of goods and services to govt organisations.
- The Department of Public Enterprises (DPE) has written to central ministries and departments to get their CPSE registered in the (GeM).
- This is because it has been found that many of these are yet to be registered on the GeM.
  - The absence of these as sellers reduces competition and deprives the govt buyers of the opportunity to get competitive prices.
  - The CPSEs may also be losing business opportunities arising from govt buyers.

## 2. Pension funds can soon invest in IPOs (BS 21/7/21)

- Pension funds are allowed to invest in only those scrips which are part of F&O and have a market cap of ₹ 5000 Cr.
- PFRDA will be allowing the pension funds to invest in IPOs, BSE-200 and NSE-200 firms whether they are part of F&O or not.
- The IPOs will provide a good opportunity for the pension funds to invest in the companies in the early stage and benefit from their growth.

## 3. With more corpus, RoDTEP to pack more punch (BL 19/7/21)

- The Remission of Duties and Taxes on Exported Products ([RoDTEP Scheme](#)):
  - Was introduced on January 1, 2021
  - Was introduced along with the simultaneous withdrawal of MEIS
  - Seeks to refund exporters the embedded duties/taxes that are not rebated under other schemes (VAT on fuel used for transportation, mandi tax, duty on electricity used during manufacturing)
  - The rates of remission for various sectors are yet to be announced (this has created uncertainty among the exporters, who are struggling to price their products)
  - The finance ministry has raised the outlay under the scheme to ₹ 17000-₹ 18000 Cr and that too was not enough
  - It is yet to be seen whether the scheme will cover only the 8000 items which were covered under MEIS or it will cover all the 11000 traded items
  - There is also a need to decide on capping the refunds taken under the scheme
- RoDTEP is likely to get more attractive with -
  - Garments and made-ups sector no longer competing for the limited funds available
  - The outlay also is set to be increased
- Central govt recently has decided to extend the Rebate of State and Central Taxes and Levies (RoSCTL) scheme for garments and made-ups sectors for three years. It was to be kept under the RoDTEP.
- This will ensure that a considerable part of RoDTEP (around ₹ 7000 Cr), which was supposed to be allocated for these two will now be used to remit input taxes to other sectors.

## 4. PSBs write-off twice the capital infusion in seven years (BS 21/7/21)

- PSBs have a market share in loans of 60% while that of the private sector is 36%. The process of cleaning up the balance sheets in the banking sector began in 2015-16 with RBI conducting an asset quality review.
- The PSBs have written off ₹ 8 tn of loans in the last seven years and this is more than twice the capital infusion done by the govt.
- Between FY15 and FY21, the govt has infused capital of ₹ 3.37 tn into PSBs.
- The loan write-offs have been very high in the last four years at over ₹ 1 tn each.
- The [NPAs](#) in the banking sector started to rise from FY12 and hit a peak in 2018 with them accounting for 11.5% of gross advances.
- Most of these bad loans were coming from the PSBs.
- One of the reasons for the reduction in the NPAs has been banks writing off and this was the main reason for the reduction in FY20.
- The NPAs older than 4 years require 100% provisioning and the banks may prefer to write them off. Apart from this, the banks may prefer to write off NPAs to clean up their balance sheets. At the same time, the borrowers continue to remain liable for the repayment.

#### 5. Inflation index reset - wages under key schemes to rise (FE 22/7/21)

- Govt is set to revise the base year from 1986-87 to 2018-19 and expand the consumption basket of [CPI](#) (AL and RL). The new series is likely to be launched by September first week.
- This is likely to result in wages being revised upwards for millions of workers under [MG-NREGS](#), Anganwadi and Asha schemes from September.
- CPI-AL and CPI-RL are released by the Labour Bureau.
- The MGNREGA wages have been revised upwards by ₹ 20 to ₹ 202 per day from 1st April 2020.
- A person is considered to be agricultural labour if one follows one or more of the agricultural occupations in the capacity of a labourer on hire, whether paid in cash or kind or partly in cash and partly in kind.
- A rural labourer is defined as one who does manual work in rural areas in agricultural and non-agricultural occupations in return for wages in cash or kind or partly in cash and partly in kind.

#### 6. Govt considers automatic route for creditors in IBC (BS 22/7/21)

- Govt in order to expedite the insolvency resolution cases is considering the process automatic route for the financial creditors to begin with. Once done, the [NCLT](#) does not have to sit over the admission of the cases.
- To operationalise this, the govt needs to strengthen the Information Utilities (IU) and [IBC](#).

- IU is a repository of legal evidence for information regarding any debt or claim, submitted by the financial or operational creditor and verified and authenticated by the parties to the debt.
  - National e-governance services is India's first IU registered with [IBBI](#).
- Though under IBC the cases are to be admitted within a fortnight, in reality, it takes months for the applications to be admitted. This delays the process and also leads to deterioration of the value of assets (management may have a perverse incentive to divert assets of the company).
  - As per a survey, on average, it takes around 133 days for admission of applications.
  - The delays are because of the insufficient capacity of the NCLT benches.
  - At the admission stage itself, adjudicating authority often holds hearings to establish the default itself.

### 7. Centre plans big boost for MSMEs with data bank (LM 22/7/21)

- Lack of data regarding the MSMEs has been a challenge for the govt in promoting them, hence the centre is considering building a robust data bank of small businesses by integrating information across various ministries.
- The Ministry of MSMEs is in talks with other ministries asking them to consider Udyam registration as a formal identity for their schemes.
- Udyam registration number will be used as a common business number and used across all ministries.
  - There are schemes under the Ministry of Rural Development that aim to support enterprises in rural areas.
  - This will help in ministries identifying the units and providing the kind of support they need.
  - This will help the govt in bringing many of them under the formal sector.
  - It will also help the govt in framing stronger schemes.
- Udyam registration portal is integrated with [CBDT](#), GSTN, GeM and as of July 20, there are over 3.8 mn MSMEs registered on the portal.

### 8. India remains a challenging place to do business (IE 23/7/21)

- The US State Department in the report - '2021 Investment Climate Statements: India' has stated that India remains a challenging place to do business.
- The points mentioned are:
  - New protectionist measures have been implemented including increasing tariffs
  - Procurement rules limit the competitive choices
  - Sanitary and phytosanitary measures are not based on science

- Indian specific standards are not aligned with international standards

### **9. India has improved in ease of cross border trade (LM 21/7/21)**

- As per the latest edition of the UN Global Survey on Digital and Sustainable Trade Facilitation, India has made noticeable progress in ease of cross border trade.
  - The survey has tracked 143 countries on key trade facilitation parameters over a two year period.
  - India's rank has moved up from 78.49% in 2019 to 90.32% in 2021.
  - The survey tracks 58 parameters related to trade facilitation:
    - Facility for electronic submission of declarations
    - Electronic payment of duties and fees
    - Electronic application for refunds
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