Economy This Week (21st Aug to 27th Aug 2021)

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1. National Monetisation Pipeline - NMP (BL 24/8/21)

- NMP was announced by the govt in the budget this year and allocation of ₹ 10000 Cr has been made.
- The govt is aiming to generate ₹ 6 lakh Cr between FY22 and FY25 and in the current fiscal, the target is ₹ 88000 Cr.
- This is expected to be used for creating new assets.
- Under this, the govt has stated that the ownership of the asset will remain with the government and there will be mandatory hand back. Hence this exercise will unlock the value of the assets in brownfield public sector assets by tapping institutional and long term patient capital, which will be further leveraged for further public investments.
- NMP will be co-terminus with the balance period under the National Infrastructure Pipeline (NIP).
- The sectors included are roads, ports, airports, railways, warehousing, gas and product pipeline, power generation and transmission, mining, telecom, stadium, hospitality and housing.
- NMP will have all the central assets and states will also be encouraged to monetise their assets and for this, there is a three-point scheme:
    - If the state govt divests its complete control, then an equal amount will be provided by the centre
    - If the state PSU has been listed then half the amount of realised value will be provided
    - In case of any other asset, 33% will be provided by the govt
- For overall implementation, an Empowered Core Group of Secretaries on Asset Monetisation (CGAM) under the chairmanship of the Cabinet Secretary has been constituted.
- Instruments used under NMP will be -

- Direct contractual instruments such as PPP concessions and capital market instruments such as InvITs.
- Choice of the instrument will depend upon the nature of the asset, the timing of transaction (including market considerations), target investor profile and level of operations/investment control envisaged to be returned by the asset owner, etc.

2. Fresh SDR allocations may bump forex reserves (LM 23/8/21)

- With IMF crediting additional Special Drawing Rights (SDRs), India's forex reserves may shoot up.
- India is expected to receive around $17.94 bn based on the existing quota in the IMF.
  - India has a quota of 2.76%.
- Currently, India has $1.54 bn out of its forex reserves of $619.4 bn as of August 13.
- With this, the total SDR allocation would be reaching $19.48 bn.
- This issue is expected to help the least developed countries and developing countries which are facing foreign exchange shortages because of the pandemic.
- It has also drawn criticism as more SDRs would be issued to developed countries as they hold higher quotas.
  - US, EU and UK would be receiving almost half of the new liquidity
  - The low-income countries are expected to receive only about $21 bn worth of liquidity
- The SDRs can be held by the member countries or they can sell amongst themselves through voluntary arrangements or under a mandatory designation plan. Since 1987 the market has worked through voluntary arrangements.
- India initially was opposed to the new issue:
  - SDR allocations are asymmetrical
  - 62% goes towards the advanced economies
  - Only 3% goes to low-income countries

3. FM launches new fund for MSMEs - Ubharte Sitare Fund (ET 22/8/21)

- Features:
  - Co-sponsored by EXIM Bank and SIDBI
  - Corpus of ₹ 250 Cr
  - Fund will look into investing in certain identified MSMEs by way of equity and equity-linked products to boost the presence of such enterprises in the export market.
- The model followed is similar to the model used earlier by Germany, wherein the govt identified the champion sectors and provided them with hand-holding services.

- In the case of UP which houses the highest MSMEs, it has facilitated the identification of such champion sectors through its ODOP programme.

4. RBI panel pushes for merger of weaker Urban Cooperative banks (BL 24/8/21)

- As per the recommendations of the RBI Expert Committee on UCBs - headed by N S Vishwanathan:
  - All Inclusive Direction (AID) should be treated on par with moratorium under Section 45 of the Banking Regulation Act.
  - Once AID is imposed, the banks should not be allowed to continue beyond the time permitted to keep a bank under moratorium (3 months extendable by a maximum of another three months).
- These recommendations are of significance as many of the UCBs have been kept under the AID for many years. This has caused difficulties to the depositors as the withdrawals are capped.
- Currently, about 50 UCBs are under the AID.
- As the RBI has been given higher powers with recent amendments, it may begin mandatory resolution process including reconstruction or merger once the UCB reaches stage III under Supervisory Action Framework (SAF - at stage III, the capital to risk-weighted assets ratio is less than 4.5% and/or net non NPA is greater than 12%).
- RBI may also consider superseding the board if it fails to submit a merger or conversion plan within the stipulated time.

5. SCALE - committee to promote manufacturing (FT 24/8/21)

- The Steering Committee for Advancing Local Value Added and Exports (SCALE - set up under the Ministry of Commerce) is headed by Pawan Goenka.
- It has provided a roadmap for -
  - Doubling of exports in the next five years
  - Reducing imports by two thirds in select sectors
  - Driving up annual domestic consumption growth to about 9% from around 7%
- Achieving the above three will lead to domestic value addition of $350 bn to $380 bn over the next five years.
- India’s manufacturing exports stood at $229 bn in 2019 i.e. 43% of its total exports - services and merchandise. In contrast to this, it was 80% in Vietnam, 70% in Malaysia, 56% in Thailand (however, the total exports from India were way ahead compared to these countries).
- The panel has worked out action plans for 24 priority sectors.

6. Govt launches e-SHRAM portal (BS 27/8/21)

- About 1.6 lakh workers from the unorganised sector have registered on the portal.
- The portal aims to build a comprehensive database and also formalise the unorganised workforce.
- As per the Economic Survey 2018-19, 93% of the total workforce is unorganised. The total workforce is around 450 mn, 93% would come to around 418.5 mn.
- Workers would be provided with accidental insurance. They will be eligible for ₹ 2 lakh on death or permanent disability and ₹ 1 lakh in case of partial disability.
- Up to four workers can register using one mobile handset. Those not having handset can go to the nearest centres and get themselves registered by giving thumb impressions.

7. Pension scheme for informal workers hits stagnation point (LM 26/8/21)

- The scheme -
  - Was launched in 2018-19
  - Is a contributory pension scheme
  - Caters to unorganised workers in the age group of 18 to 40 years
  - Earning less than ₹ 15000 per month
  - Workers contribute between ₹ 55 to ₹ 200 and this is matched by the government
  - The scheme promises a pension of ₹ 3000 per month
- The number of people joining the Pradhan Mantri Shram Yogi Maandhan (PM-SYM) has hit an all-time low.
- The enrolment under this scheme for the first four months in the current fiscal is just 15283 and in the month of August for the first 24 days, the enrolments have been just 1223.
- In FY21, the average enrolment was 10843 per month. In the first year of the scheme in 2018-19, about 2.9 mn joined the scheme. Cumulatively so far 4.52 mn have enrolled under the scheme.
- The stagnation is because of income and job losses faced by the workers in the informal sector.
- The low enrolment is indicative of the hardships faced by the workers in the unorganised sector.
- There are multiple schemes providing similar facilities and constraints in scope as compared to the Atal Pension Yojana is considered to be the reason for lower enrolment.
  - The latter has a better branding
  - There is no income cap of ₹ 15000 for the people to join the scheme

8. FM unveils EASE 4.0 for PSB transformation (BL 26/8/21)

- The government has announced the fourth edition of public sector bank reforms.
- The focus under this is on deepening the customer-centric digital transformation of these lenders.
- EASE 4.0 commits the PSBs to tech-enabled, simplified and collaborative 24*7 banking.
- EASE - Enhanced Access and Service Excellence
- The EASE 4.0 reforms look at four key initiatives for public sector banks to adopt:
    - Smart lending backed by analytics
    - 24x7 banking with resilient technology and cloud-based IT systems
    - Data-enabled agriculture financing
    - Collaborating with the financial ecosystem

9. CCI penalty on the Maruti company (LM 24/8/21)

- The Competition Commission of India (CCI) has imposed a penalty of ₹ 200 Cr on Maruti Suzuki India Ltd (MSIL).
- This is on account of the company being found to be stifling competition with its policy of controlling the discounts that the dealers were allowed to give.
- The maximum penalty allowed under the law extends up to 10% of the average of turnover of the entity for the three preceding financial years.