Economy This Week (13th Nov to 19th Nov 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 13th Nov to 19th Nov 2021 is given below. Business news is essential for IAS exam preparation.

Video Link: - https://youtu.be/c77hkivwcEw

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1. Small investors, salaried can now buy govt bonds easily (TH 13/11/21)

- PM has launched two RBI initiatives.
  - To make it simple for retail investors to invest in govt securities
  - To provide a simpler redressal mechanism for customers of regulated entities such as banks, finance companies and payment service providers
- Earlier there was the Aggregator model – retail investors were allowed to submit non-competitive bids in auctions of the G-secs and stock exchanges acted as aggregators and facilitators of retail bids.
- Earlier the govt had allowed retail participation wherein the investors could buy G-secs and Treasury bills via National Stock Exchanges – NSE goBID and BSE Direct platforms.
- The retail investors will provide the bid to BSE/NSE. Then these will submit the aggregated bid to RBI.
- RBI has stated that it will open up the government bonds for retail investors under 'RBI Retail Direct' and in regards to this has announced guidelines.
- Retail investors can open the 'Retail Direct Guilt – RDG' accounts with RBI and can use these accounts to buy govt bonds, state development loans (SDLs), sovereign gold bonds (SGBs whose price is linked to gold).
- The retail investors can buy this and hold up to maturity in the account or sell them in the secondary market.

- The investor needs to have a savings account in any of the banks in India, a permanent account number and official documents such as a driving license, voter id or Aadhaar.
- Non-resident investors are also allowed to invest in some of the govt bonds.

2. New rate policy for major ports (BL 15/11/21)

- The major ports have been converted into authorities and with this, they have the right to fix the rates (no need for approval from the rate regulator).
- Ministry of Ports, Shipping and Waterways has issued a new tariff policy which is to be followed by the major ports authorities while setting the rates for the services rendered by them.
- The tariff policy 2021 is largely based on the guidelines issued by the government in 2018 and was followed by the Tariff Authority for Major Ports (TAMP) – the rate regulator.
    - Till now the major ports were to approach the TAMP and follow a time-consuming process for revising the rates.
- As per the new policy:
    - Port authorities will set up rates to meet the annual revenue requirement (ARR)
    - ARR (a cap) will be the average of total actual expenditure for the past three years plus 16% return on capital employed (ROCE includes net fixed assets, working capital, capital work in progress)
    - The rate will be worked out by factoring in the actual traffic handled in the previous year
    - These rates will be approved by the boards and notified by the state in the gazette
    - The rates will be fixed for a period of three years and will be indexed with WPI to the extent of 60%
- With this, the major ports will have the authority to fix the rates as per the market situation.
    - To respond to the market changes, the ports may periodically review the rates within the ceiling.

3. Centre plans to give strategic disinvestment powers to DPE (BS 15/11/21)

- Department of Public Enterprises (DPE) which has been brought under the Ministry of Finance is being considered by the union government to be entrusted with some of the powers related to strategic disinvestment.
- Currently from the identification to the execution of the transaction, it takes about 12 to 13 months. The government wants to reduce the timing.
- Hence it may empower the department to seek approvals from the cabinet once NITI Aayog finds the candidates.
- The current process involves around 12 steps.
- The DPE is currently in process of preparing guidelines for the closure of PSUs as the existing process takes about 13 months after CCEA gives its nod.

4. SEBI unveils Investor Charter (TH 18/11/21)

- SEBI has come out with a charter to protect the interest of the investors.

- The objective is to enable the investors to understand the risks involved and invest in a fair, transparent, secure market and get services in a timely and efficient manner.
- The investors will be getting quality services, getting fair and equitable treatment, expecting time-bound grievance redressal filed in the SCORES portal.
- SEBI has laid out do's and don'ts for the investors.
- A mechanism has been established wherein SEBI regulated intermediaries/entities will have to disclose the average time taken for redressal of the investors.

5. US urges major oil consumers to free up strategic reserves (LM 18/11/21)

- The US has reached out to India and other major oil consumers to release their strategic petroleum reserves to slow down the rise of prices of crude oil.
- This comes after US and India requested the OPEC+ to boost output which was ignored.
- India last year purchased oil at $19 per barrel and built up reserves of 5.3 mt. In the process, it has saved $685 mn. In addition to this, it is also planning to build 6.5 mt of strategic reserves.
- If the countries release the reserves, it will increase the supply and help in de-escalating the rising prices.
- International Energy Agency (IEA) members maintain emergency oil reserves equivalent to 90 days of net imports.

6. RBI panel moots law to regulate digital lending (TH 19/11/21)

- RBI Working Group (WG) on digital lending has recommended:
  - Separate legislation to oversee such lending
    - It will help in preventing illegal digital lending activities
  - Setting up of a nodal agency to vet the lending apps
  - A self-regulatory organisation for the participants in the digital lending ecosystem
  - Lending should be made directly into the bank account of the borrowers and repayment be also made into the bank account of the lenders
  - All data collection must involve prior consent of the borrowers and state must be stored locally
  - Development of baseline technology standards and compliance with those standards as a prerequisite to lend
- Digital lending includes lending through online platforms and mobile apps.

7. Special Credit Linked Capital Subsidy Scheme (SCLCSS) for Services Sector

- The scheme will help in meeting the technology-related requirements of enterprises in the services sector.
- It has a provision of 25% capital subsidy for procurement of Plant & Machinery and service equipment through institutional credit to the SC/ST MSEs without any sector-specific restrictions on technology up-gradation.