

## Economy This Week (6th Nov to 12th 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 6th Nov to 12th Nov 2021 is given below. Business news is essential for IAS exam preparation.

Video Link:- <https://youtu.be/UT0R-1TYivI>

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#### 1. In global first, bourses to move to T+1 settlement from February 25 (BL 7/11/21)

- From February 25<sup>th</sup> Indian stock market will become the fastest in terms of payout of money to clients and trade settlement.
  - This will be the first in the global market.
- BSE and NSE have announced that they would be implementing the T+1 (trade plus one day) settlement cycle from February 25<sup>th</sup>.
- In the current system of T+2 cycle, the transfer of the shares takes 48 hrs or more to be transferred into the buyer's account and the seller cannot demand the payment for at least two days.
- Every broker has to upgrade the front end and back end software.
- FPIs will have to operate in different time zones and hence it becomes difficult for them and they have opposed the move. They will have to transfer the funds overnight and this would mean coordination between different participants will have to increase. Another reason for the opposition was that it involves technology and staff-related changes which could drive up their costs.
- For large funds this is expected to provide benefit as the movement of large sums of money will be speeded up.
- The concern is also that the new settlement system will be checking the current systems that we have.

#### 2. RBI's new current account (CA) rules (LM 8/11/21)

- RBI's new current account rules have confused the banks as well as the customers.

- Initially, RBI had asked the banks not to open CA for borrowers with little or no loan exposures. As a result, banks had to close many CAs especially those with exposures below ₹ 5 Cr. RBI in its recent guidelines has removed these restrictions and allowed the banks to open CAs with any borrower where the exposure to the banking system is lower than ₹ 5 Cr.
- New guidelines have been issued by the central banker when a lot of documentation has been done to close the CAs.
  - Small borrowers have been hit the most as their accounts have also been closed.
- The banks will have to conduct the Know Your Customer (KYC) all over again and open these accounts.
- The guidelines in the first place were introduced to prevent the borrowers from misusing the CA to siphon off the funds.

### 3. Logistics performance index (BL 9/11/21)

- The Logistics Ease Across Different States (LEADS) 2021 is published by the Ministry of Commerce and Industry.
  - The first version was LEADS 2018.
- Gujarat has topped the list with Haryana, Punjab, Tamil Nadu following it.
  - Gujarat has retained the top rank out of 21 states.
  - It has been the top performer since 2018.
- It is a perception-based index that ranks both states and UTs based on the efficiency of the logistics ecosystem.
- With the inputs from the report, the cost of logistics can be reduced to 5% in the next five years.

### 4. FinMin notifies new design for coins (BL 10/11/21)

- The government has the sole right to mint coins (under the Coinage Act 1906).
  - Coins are minted at four government mints – Hyderabad, Mumbai, Kolkata and Noida.
- The Finance Ministry has notified a new design of circulatory coins to celebrate 75 years of Indian independence.
  - The Ministry has announced coinage of one rupee, two rupees, five rupees, ten rupees and twenty rupees rules 2021.
  - There is no change in the obverse of the coins, however, the reverse side of the coins would be changing – the face would bear the image of 'Azadi Ka Amrit Mahotsav' at the centre, with rupee symbol, and denomination value with the 75<sup>th</sup> year of independence written at the top periphery.
  - The previous design was notified in 2019.
- Circulatory coins mean the coins which are in circulation for transaction purposes.
- There are coins with denominations ₹ 1, ₹ 2, ₹ 5, ₹ 10, ₹ 20 which are used for transactions and there are also commemorative coins that are not used for transactions.

### 5. Penalty on dry ATMs (BL 10/11/21)

- There are about 2.13 lakh ATMs in the country of which 1.15 lakh are onsite and the remaining 97383 are offsite.
- RBI in August 2021 announced a scheme for a penalty over non-replenishment of ATMs. If an ATM is without cash for a period of more than 10 hrs in a month then it would be charged a flat penalty of ₹ 10000 each and this has become effective from 1<sup>st</sup> October.
- The ATM operators and banks are in a wait and watch mode and are hoping that RBI would be reviewing the penalty in case of dry ATMs (those which have run out of cash).
- With the penalty in place, it makes more sense to keep the ATMs on site (along with bank branches) rather than offsite. This would help in servicing these ATMs much faster.
- If the relief is provided it would be aiding the expansion of ATMs in rural, semi-urban areas as there are logistical challenges in loading cash.
- As per various estimations, around 70 to 80% of semi-urban and rural ATMs and 20 to 30% of urban ATMs would end up paying the penalties which would translate to ₹ 80 to ₹ 100 Cr per month.

#### 6. Discoms under IBC ambit – govt clarifies (LM 11/11/21)

- The Power Ministry has stated that the Corporate Insolvency Resolution Process (CIRP) can be initiated against the state-owned discoms.
- The discoms owe around ₹ 1 tn to generation companies (gencos). The gencos in turn owe money which has affected the supply of coal, and which in turn has raised concerns of power supply shortage.
- The IBC does not distinguish between state-owned and private enterprises to initiate the corporate insolvency process.

#### 7. Snarled supply chains force manufacturing exodus from Asia (TH 10/11/21)

- The shoe and clothing production companies are moving their production closer to the US and European stores.
  - The cases of delta variants have forced shutdowns in some of the countries – China and Vietnam.
  - Shipping or logistics is also becoming a problem with the shortage of containers.
  - This is pushing up their costs.
- Some of the companies which have ramped up the production in other regions are Crocs, Steve Madden, Mango, etc. and the countries that are attracting these companies are Bulgaria, Ukraine, Romania, Morocco, etc.

#### 8. US inflation

- With the USA registering the highest inflation rate in the last three decades there are hopes that the fed will be increasing the interest rates soon.
- US retail inflation rate has reached 6.2%.
- If the rates are hiked, it will put pressure on the emerging market economy currencies such as the Indian rupee.
- This will also affect the borrowings of Indian companies who plan to borrow from foreign economies.

- This may also force the central banker in India to raise the interest rates, which will contribute to inflation in the domestic market.

#### 9. E-Amrit portal (10/11/21)

- Launched by NITI Aayog.
- It is a one-stop destination for all the information related to EVs.
- Is to create awareness about electric mobility.

