

Economy This Week (27th Nov to 3rd Dec 2021)

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Video Links: <https://youtu.be/1lmfWQM7fn8>

1. GDP grew 8.4% in Q2 (TH 1/12/21)

- India's Gross Domestic Product (GDP) grew by 8.4% in July to September quarter (Q2) compared to a contraction of 7.4% a year ago.
- If the first-quarter growth rate (20.1%) is also considered then the growth rate for the first half-year would be 13.7% and it is likely to register a double-digit growth for the current fiscal.
- Though the absolute GDP was 0.3% higher than the pre-pandemic levels, there are still some concern areas.
 - The private consumption spending has remained below the pre-pandemic levels
 - Demand and investments are yet to see a meaningful recovery
 - The investments from the govt have remained the key growth drivers and private consumption is yet to show a decisive recovery
 - Activity in employment-intensive sectors such as construction and contact-intensive sectors such as retail and hotels have remained weak
- In addition to this, the base effect (because of contraction in the base period) has pushed up the growth numbers.

2. Private bank promoter's stake holding cap raised to 26% from 15% (BL 27/11/21)

- RBI has raised the limit that promoters can hold in their banks from 15% to 26%.
 - The promoter can reduce their stakeholding to below 26% after a lock-in period of five years.

- Will promote the confidence of the depositors knowing that the promoters are committed to stability in the bank.
- It has also allowed SFBs more time to list as part of its move to align regulations to meet the requirements of the dynamic banking landscape.
- These are part of 21 recommendations made by the Internal Working Group (IWG) that have been accepted by the bank.
 - The IWG had made a total of 33 recommendations
 - The remaining 12 are under consideration
- The payments banks wanting to convert to SFBs are now mandated to have a track record of 5 years (earlier it was 3 years).

3. Why farmers in arid zones are not bothered about MSP (BL 27/11/21)

- Though the farmer protests against the government have continued, it has received little support from farmers from the arid regions.
- The farmer suicides from Marathwada and Vidarbha regions are very high.
- The farmers in this region spend about ₹ 14500 to ₹ 17700 per acre to cultivate soyabean and the govt has announced an MSP of ₹ 3950 per quintal. The farmers demand an MSP of at least ₹ 6000 per quintal to match the production cost.
- Many of the households in India are unaware of the MSP.
 - As per the 77th round of NSSO, the percentage of the output sold by households under MSP varies between 0 to 24.7% (except sugarcane).
 - Paddy and wheat growing households dominate the charts of MSP awareness and output sold under MSP. That's why the demand for legal MSP is being backed by farmers from Punjab and Haryana.
- Govt announces MSP based on recommendations of [CACP](#) and views of the state government.
 - CACP considers factors such as cost of production, domestic and international prices, demand and supply conditions, inter-crop price parity, terms of trade between agri and non-agri sectors to finalise the MSP.
- The [farm laws](#) would have given an option for the farmers to sell their produce either to procurement agencies, APMC, FPOs, food processors, under contract farming, etc. wherever they had better returns.
- Another issue faced by the farmers is that the govt agencies to procure the food grains come late to the market and by that time the farmers would have sold the food grains to private players.

4. With DBT, Govt forecasts savings of ₹ 44000 Cr in fiscal 21 (BL 29/11/21)

- Govt has estimated savings over ₹ 44000 Cr in fiscal '21 with the help of DBT (Direct Benefit Transfer).
- With this, the total savings under the DBT have crossed ₹ 2.2 lakh Cr.
- As of now, there are over 310 schemes of the central government which are covered under DBT, wherein either cash transfer/assistance is done to the beneficiary account or in kind transfer is ensured under Jan Dhan, Aadhaar and Mobile Trinity (JAM Trinity).
 - In this year, 57.8 Cr beneficiaries have received the DBT in cash and 83.3 Cr got in kind.
- The Public Distribution Scheme (PDS) has seen the maximum benefit with deletion of 3.99 Cr duplicate and fake/non-existent ration cards (since 2013 to 2020), this has resulted in savings of over ₹ 1 lakh Cr.
- Other schemes where the savings have been high are MGNREGS, LPG Subsidy.

5. VISA complaints to US govt about India promoting RuPay (BS 29/11/21)

- Visa has complained to the US govt that the formal and informal promotion of RuPay done by the Indian govt is hurting the company.
- The PM has likened the usage of RuPay to providing national service.
- The US govt memos have raised concerns about a “level playing field” in India during the recent TPF (Trade Policy Forum).
- Mastercard has also raised similar concerns with the USTR.
- As of recent data (November 2020), RuPay accounts for 63% of India’s 952 mn debit and credit cards, up from just 15% in 2017.

6. Farmers turn to black market for fertilisers (LM 30/11/21)

- Farmers are turning to the black market to purchase fertilisers at higher prices.
- Though the govt mandates prices at which these have to be sold, the shortage has led to a supply crisis leading to the black marketing of fertilisers.
- Currently, there is a planting season which means there is a huge demand for these fertilisers.
- With black marketing of these, there are two options available to the farmers - one is to reduce the usage which will reduce supply and earnings but also lead to a shortage of supply leading to inflationary trends and the other is to pay a higher price which will hurt the income/earnings of the farmers when more than 80% of the farmers are marginal and small.
- India is one of the worst affected by this global fertiliser crisis.
 - Tight supply of coal and natural gas has forced some of the plants to shut down in Europe
 - China and Russia have curbed exports to safeguard the domestic supply

- These issues are expected to keep the prices of the fertilisers elevated in the first half of 2022
- India will be the first to feel the pinch as its demand for fertilisers tends to peak in the fourth and first quarters.
 - India imports about a third of the fertilisers and is the biggest buyer of DAP
 - China is one of the top suppliers of fertilisers for India
- This has added to the already existing concerns.
 - Rising diesel prices taking the market prices upwards
 - Unseasonal rainfall leading to the crop losses

7. RBI report flags debt to GDP ratio of the states (BL 2/12/21)

- The report is titled “State Finance: Study of Budgets”.
- RBI report has stated that states need to take credible steps to address debt sustainability.
- The combined debt to GDP ratio of states stood at 31% at the end of March 2021 and is likely to remain at that level by the end of March 2022.
- This is much higher than the 20% target which is supposed to be achieved by the end of 2022-23 by the FRBM review committee.
- The [15th FC](#) has estimated that the ratio would be peaking at 33.3% in 2022-23 and thereafter gradually declining to 32.5% by 2025-26.
- The gross fiscal deficit of the states at 3.7% of GDP for 2021-22 is lower than the 4% level recommended by 15th FC and this reflects the intent.

8. Why actual expenditure on Central Sector farm schemes is low (BL 3/12/21)

- The central government incurs expenditure on centrally sponsored and central sector schemes and this, in turn, reduces the burden on the state government.
- However, the latest data that is available shows that actual expenditure incurred by the centre on six major schemes for the last five years (2017-18 to 2021-22) has been lower than the budget estimates.
- Sub Mission on Agriculture Mechanisation (SMAM).
 - Was launched in 2014-15 by the Ministry of Agriculture and Farmers' Welfare
 - The aim was to increase the reach of farm mechanisation to
 - The small and marginal farmers
 - Those regions where power availability is low
 - In the five years, only 86% of the budget estimates have been used up
 - **Read more on the [Sub-Mission on Agriculture Mechanisation \(SMAM\)](#) in the link.**

- Pradhan Mantri Krishi Sinchayee Yojana (PMKSY)
 - Launched in 2015
 - The aim is to enhance the physical access of water on farms
 - Has received the highest budget allocations compared to the remaining five schemes
 - The actual expenditure incurred is just 62% of the budget estimates
 - **Read more on the [Pradhan Mantri Krishi Sinchayee Yojana](#) in the link.**
- The concerns are that
 - The benefits have not reached all the farmers. It has reached a particular group of farmers and hardly benefits those who need it. The information related to the schemes reaches very few farmers.
 - These were supposed to reduce the cost of farming but rather have not been able to do it.

9. Privatisation process for non-strategic sectors for rejig (BS 3/12/21)

- As per the new PSE policy, sectors such as steel, tourism, urban development, healthcare have been identified as non-strategic and the govt is in the process of revamping the process of privatisation.
 - As per the policy, the companies in non-strategic sectors will be privatised and if that's not possible then they would be closed.
 - The new process will involve the Department of Public Enterprises (DPE) examining the non-strategic sectors and identifying the PSEs in these areas for privatisation.
 - Once the evaluation of the sector is done, DPE would then recommend the names of the PSUs to the Department of Investment and Public Asset Management (DIPAM) which will take the names to the cabinet for approval.
 - The exercise is similar to the one conducted by [NITI Aayog](#) for the strategic sector.
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