

Economy This Week (01st Jan to 07th Jan 2022)

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1. RBI rethink on dual structure may delay launch of bad bank (ET 3/1/22)

- Govt had announced a bad bank in the budget
- This could further delay the launch of bad bank
- RBI has informed lenders that it is not inclined to permit a dual structure in which one entity acquires the NPAs and the other reaches a resolution. This is because there are no such legal provisions allowing for dual structure
- Under the proposal given by the government, NARCL (National Asset Reconstruction Company) would be acquiring the NPAs from the banks and the IDRCL (India Debt Resolution Company) would be resolving them
- As per Securitisation and Resolution of Financial Assets and Enforcement of Securities Act (SARFAESI), acquisition and resolution has to be housed under the same structure
 - RBI draws its power to regulate the ARCs from this act
- With the objection of RBI, the PSBs who own majority stake in the bad bank have proposed a structure wherein there will be a principal-agent relationship between NARCL and IDRCL
 - NARCL will enter into a contract with the IDRCL to outsource the resolution of NPA

2. RBI approves small offline e-payments (TH 4/1/22)

- RBI has come out with the framework for facilitating the small value of digital payments in offline mode
- This is expected to boost digital payments in semi-urban and rural areas
- In case of offline digital payments, there is no need of internet or telecom connectivity
- Such transactions can be carried out face-to-face using any channel or instrument like cards, wallets and mobile devices
- These would also not require additional factor authentication as the customer would be getting the message with a time lag and transactions are offline

- The limit per transactions will be ₹ 200 and overall limit of ₹ 2000 until the balance in the account is replenished

3. Will grocery delivery startups have a smooth ride on quick commerce (BL 4/1/22)

- For many months now, the quick commerce model in the e-commerce segment has been introduced
- Companies (both existing and new) have been raising funds from the market
- India has the third largest grocery market in the world but has the lowest penetration of online groceries (less than 1%) compared to other major markets
- These companies develop a network of dark stores and supply chain allowing them to deliver in a very short time period such as delivery within 10 min
 - Shorter time periods mean the deliveries done per rider increase
 - As deliveries are done within localities, transportation cost per delivery also keeps reducing
- Concerns
 - Will the customer pay a premium to get the groceries delivered?
 - In times of inflation the customer will be concerned about such purchases

4. Red hot white metal: MFs eye silver ETFs (BL 5/1/22)

- ICICI Mutual fund will be launching its silver ETFs and other are readying to issue the silver exchange traded funds
- Unlike other index based equity ETFs, gold and silver ETFs hold physical inventory of London Metal Exchange approved metals
- The Nippon India MF will launch the fund of funds along with the ETF, the former will help those not having a demat account to invest in the ETFs
- The annual expense ratio is capped at 1% of the assets but the fund houses are expected to maintain 0.5% to 0.6% (expense ratio of Fund of Funds is capped at 1%)

5. India questions China's developing country status (BS 5/1/22)

- During the latest round of China's trade policy review India has questioned China's claim that it is a developing country. India contends that as per World Bank definition China would be part of upper middle income country group
- According to world bank countries with per capita income of \$4096 to \$12695 are upper middle income countries and China's per capita income in 2020 stood at \$10435 (India has a per capita income of \$1928 and belongs to low middle income countries)
- All the WTO agreements contain special provisions for developing countries including longer periods to implement the agreements, abiding by the commitments, implementing technical standards etc
- In recent times USA has been demanding that countries such as India and China should give up the benefits that come with the status on account of their rapid economic progress and both of the above countries have opposed such a move

6. NPCI Bharat BillPay launched Unified Presentment Management System (BL 5/1/22)

- NPCI Bharat BillPay (NBBL) – wholly owned subsidiary of National Payments Corporation of India (NPCI) has introduced Unified Presentment Management System (UPMS) for recurring bill payments
- Under this system, it would be fetching the details of recurring bills and providing them to the customers for the action, in terms of auto debit and bill payment management system
- UPMS will enable the customers to set up standing instructions
- NBBL was already facilitating recurring payments, the new service will enable Bharat BillPay Operating Units (banks and payment companies) to extend the facility for their customers (corporate billers and consumers)
- As of now more than 50% of the insurance premium payments and SIPs are done through the standing instructions and this new service expects all the mutual funds, insurance companies and educational institutions to use this facility

7. Commerce ministry to launch Brand India Campaign to boost exports (BL 5/1/22)

- Ministry of Commerce is expected to launch Brand India Campaign to boost exports
- This is to provide momentum to exports of goods and services in new markets
- Will be an umbrella campaign to promote goods and services from India
- Initially the focus will be on exports from specific sectors such as gems and jewellery, textiles, plantation products etc and focus on quality, technology, innovation etc
- The campaign approach would include
 - Focused export-oriented messaging to buyers as well as consumers
 - New potential markets
 - Indian talent
 - Tradition and modernity
 - Promotional events through digital channels & international events

8. India appeals against WTO ruling on sugar export subsidies (BL 3/1/22)

- India has appealed against WTO trade dispute panel settlement ruling against its domestic support measures in sugarcane and sugar sector
- India contends that the findings are erroneous on domestic schemes
- The panel in its ruling on 14th December 2021 recommended India to withdraw the alleged prohibited subsidies under the Production Assistance, Buffer Stock and the Marketing and Transportation Schemes within 120 days of this report as these support measures are inconsistent with WTO Trade rules