

Economy This Week (15th Jan to 21st Jan 2022)

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1. Govt to pilot launch e-commerce network in April (BS 15/1/22)

- Govt is considering a small scale rollout of Open Network for Digital Commerce (ONDC)
 - To be launched in two cities by April
 - One from north and one from south
- ONDC
 - ONDC has been incorporated as a not for profit organization (company is yet to commence the business)
 - Is a unified payments interface (UPI) equivalent but for e-commerce space
 - Is spearheaded by the Department for Industrial Policy and Internal Trade (DPIIT)
 - It aims to go beyond the current platform centric models – where buyers and sellers will have to use the same application
 - It aims to reduce the cost of doing business
 - Benefit small, traditional retailers and also address the digital monopolies
- As of now a large number of startups such as PhonePe, Paytm etc have shown interest for integration

2. Govt weights extension of Emergency Credit Scheme (ET 20/1/22)

- The Emergency Credit Line Guarantee Scheme is about to expire this march and govt is considering extending the validity
- Under the scheme the govt offers guarantees up to ₹ 4.5 lakh cr of loans and the banks have used up ₹ 2.9 lakh Cr out of this
- The govt may extend the validity period by a year and the loan cap by 10%

- The scheme was launched by the govt to provide support to the MSMEs which were affected by lockdown. Govt has extended the coverage, however 95% of the loans given have gone to MSMEs
- This will help the banks to continue to support the sectors affected by the pandemic

3. Regulatory lens on 'buy now, pay later' space (BS 20/1/22)

- RBI has sought details of shadow banks' BNPL (Buy Now Pay Later) arrangements with the e-commerce
- It has also sought information on their roles as transferor or transferee for loans
- The RBI may be in the process of
 - Collecting information about the market – such as its size
 - Make more strict regulations
 - Bring more transparency to this growing segment
- The amount of loans disbursed under BNPL account for
 - 73% of banks loans (number of loans)
 - 07% of the NBFC loans (number of loans)
- The lending through digital mode has increased at a faster pace in case of NBFCs

4. Hike in duty may nix PLI benefits (BS 21/1/22)

- Govt has set a target of meeting \$250 bn in production value of electronics by 2025-26
 - Mobile manufacturing – \$110 bn (nearly 3.7 times of what was produced in 2020-21)
- The govt to promote domestic production has introduced the PLI (Production Linked Incentive Scheme) however repeated increases in the import duties may negate any benefits that the govt is providing for mobile phone manufacturing
 - Under this the govt's aim is to incentivise to address the issue of cost disability of Indian manufacturers (they have a cost disability of 10 to 12% against manufacturers from China, Vietnam)
- However the research shows that
 - The govt has raised the import duties (in 2020 and 2021) on various components which are used to manufacture the mobile phones
 - The average ex-factory costs of mobile phones has gone up by 5.72% since 2020 and 2021 due to increase in the import duties
 - This neutralises the 5-5.2% incentive the govt provides under PLI scheme

5. Applications invited under Design Linked Incentive (DLI) Scheme (PIB 16/1/22)

- Government is aiming to create a vibrant ecosystem for semiconductor chip design
- Ministry of Electronics and Information (MeitY) is seeking applications from 100 domestic companies, startups, MSMEs
- DLI has been announced by MeitY
 - It has three components

- Chip design infrastructure support
 - C-DAC will be setting up India Chip Centre to host design infrastructure and will facilitate its access to supported companies
- Product Design Linked Incentive
 - The govt will be reimbursing up to 50% of the eligible expenditure (up to ₹ 15 Cr) per application to those involved in semiconductor design
- Deployment Linked Incentive
 - Incentives to the extent of 4% to 6% of the net sales turnover over 5 years subject to a ceiling of ₹ 30 Cr per application will be provided
- Under this financial incentives and design infrastructure support are provided
 - It will be covering various stages of development and deployment of semiconductor design for integrated circuits, chipsets, systems and IP cores and semiconductor linked design for a period of 5 years
- The aim is to nurture at least 20 domestic companies involved in semiconductor design and also facilitate them in achieving a turnover of over ₹ 1500 Cr
- C-DAC (Centre for Development of Advanced Computing; operates under MeitY) will be the nodal agency
- The applicants must be meeting threshold and ceiling limits to become eligible for the disbursements under the scheme

6. RBI revises NBFC-ICC eligibility to undertake factoring business (BL 21/1/22)

- All the existing non-deposit taking NBFC – Investment and Credit Companies (NBFC-ICCs) with asset size of over ₹ 1000 Cr will be allowed to undertake factoring business
- This will increase the number of NBFCs providing factoring services from 7 to 182
- Other NBFCs can also undertake the factoring business by registering as NBFC-Factor
- The eligible companies can apply to RBI for registration under the factoring Regulation Act 2011
- As per the Factoring Act, 2011 'Factoring Business' is defined as "the business of acquisition of receivables of assignor by accepting assignment of such receivables or financing, whether by way of making loans or advances or in any other manner against the security interest over any receivables"

7. NITI May rank states on GSDP, Highways, power consumption (ET 21/1/22)

- NITI Aayog is planning to rank the states on their performance on various development indicators such as gross state domestic product (GSDP), per capita electricity consumption and state highways per sq. km
- The Aayog has initiated discussions with various experts and states on indicators that will be considered/tracked as part of State Performance Index
- The govt aims to make Indian economy worth \$5 tn of which \$1 tn each will come from agriculture and manufacturing sectors with remaining \$3 tn from the services sector
- The objective is to

- Assess the performance of the states
- Have them compete with each other
- Ensure holistic development of states and country as a whole

8. Roadmap for rolling out Online Storage Management (OSM) (PIB 21/1/22)

- FCI has developed a roadmap to rollout Online Storage Management (OSM)
- State portals will be integrated with the central portal
- It will put in place a single source of information for food-grains stored
- It is expected to be implemented by March 2022
- Benefits of OSM
 - It will improve efficiency and transparency in stocking, storage, movement and distribution of food grains
 - It will help in driving down costs of food storage and distribution by checking leakages in the entire process
 - It will also enable the Government with readily available information for both monitoring and fast-paced decision making to benefit the stakeholders, especially PDS consumer whose welfare is the priority of the government

9. Over 11 MT FCI silos to be built through PPP mode (FE 19/1/22)

- The food ministry has approved a policy which will allow the private players to bid for construction of 249 state of the art silos with close to 11 MT wheat storage capacity for FCI
- These silos will be built across 11 states – Punjab, Haryana, Madhya Pradesh, Maharashtra etc – over the next four to five years under PPP model with an estimated cost of ₹ 9200 Cr
- FCI will use the silos for storage of wheat through a lease of thirty years with private entities
 - The FCI will pay a fixed amount/charges for the storage done to the private entities
 - The storage charges to be paid (per tonne per year) will be the basis for the bidding parameters
 - Fixed charges escalates by 70% of the WPI and 30% of the CPI
- The ministry
 - Has removed the upper ceiling for bidding by any single entity or consortium (earlier it was 15% of the locations or storage capacity)
 - Now there is bundling of projects
- Based on the recommendations of the HLC (High Level Committee) headed by Shanta Kumar the govt developed an action plan to construct 10 MT capacity of wheat silos through private sector investment in 2016
- Currently silos with 1.11 MT wheat storage capacity have been developed and 1.81 MT is under construction in various states under PPP by 13 different bidders
- For the first time two silos for rice storage are currently being built at Buxar and Kaimur in Bihar by private entities for FCI on a pilot basis

- If the food grains are stored in bulk and transported in bulk then, losses due to theft, pilferage and transportation would be negligible

