

Economy This Week (09th Apr to 15th Apr 2022)

TABLE OF CONTENTS

- [1. RBI to focus on inflation \(TH 9/4/22\)](#)
- [2. PMMY completes 7 years \(BL 9/4/22\)](#)
- [3. IBBI proposes to streamline role of information utilities \(BL 10/4/22\)](#)
- [4. Tax clouds over solar power \(BS 11/4/22\)](#)
- [5. RBI gives NBFCs in upper, middle layers April 1 deadline for compliance \(BL 12/4/22\)](#)
- [6. NITI's energy, climate index benchmarks states \(BL 12/4/22\)](#)
- [7. Rabi paddy procurement \(BL 12/4/22\)](#)
- [8. Nepal's ban on non-essential imports may hit India hard \(BS 12/4/22\)](#)

1. RBI to focus on inflation (TH 9/4/22)

- RBI has revised its inflation estimates for FY23 from 4.5% to 5.7%
- It has stressed that it will now focus on controlling inflation
- RBI would be withdrawing from the accommodative stance to ensure that the inflation remains within the target going forward
- The reasons for upward revision are
 - Sharp increase in the crude oil
 - Rise in prices of edible oil
 - Rise in prices of wheat
 - Rising costs of meat products
- The growth forecast for the FY23 has been slashed from 7.8% to 7.2%

2. PMMY completes 7 years (BL 9/4/22)

- The Pradhan Mantri MUDRA Yojana (PMMY) has completed 7 years and has sanctioned loans worth ₹ 18.6 tn to 34.4 Cr borrowers
- More than 68% of the loan accounts have been sanctioned to women and 22% to new entrepreneurs
- Under PMMY, credit up to ₹ 10 lakh is provided by banks and NBFCs for entrepreneurial activities to small business units
- NPAs have increased over the years
 - In FY21 total NPAs increased to ₹ 34090 Cr from ₹ 26078 Cr in FY20
 - %age of bad loans against the disbursement have increased to 3.6% in FY21 from 2.53% in FY20

3. IBBI proposes to streamline role of information utilities (BL 10/4/22)

- One of the issues in effectiveness of IBC has been the delay in admission of the applications (which is the first stage/step)
 - As per the IBC, the admission of the cases should be completed in 14 days from the date of application
- In this regard IBBI, wants to strengthen the role IU and has issued the discussion paper
- Information Utility (IU)
 - Is an information network that will store financial data such as borrowings, default and security interest etc of the firms
 - National e-Governance Services (NeSL) in 2017 became first IU under IBC
- The discussion paper
 - Proposes to expand the list of documents evidencing the debt/default in Form C to include records of acknowledgement of debt by the debtor

4. Tax clouds over solar power (BS 11/4/22)

- Solar and wind contribute 25% of total India's power capacity and 8% of electricity produced
- However solar power developers are struggling with new taxes and regulations while legacy issues continue to threaten the ambitious renewable goals
 - Govt has refused to reconsider the 40% basic import duty and on modules and 25% on cells from April despite protests by the developers
 - There is no sunset clause to the tax either
 - India has imported \$3.5 bn on solar imports in 2021 with 80% of it from china
- Why tax has been imposed
 - Earlier the govt had a safeguard duty which has been withdrawn
 - With higher imports, the foreign suppliers are controlling the prices, this has restricted the ability of the domestic manufacturers to cut costs and be price competitive
 - Higher duty will promote the Indian manufacturing
- The timing of tax is wrong
 - Govt has set an ambitious target of having a capacity of 500 GW by 2030 and just in eight years, the taxes may become a hurdle
 - With Russia being criticised and pushed out of the global trade, the supply of commodity has been affected, this has created artificial shortage of fuels and metals pushing up the prices
 - On the other hand the demand has been rising up with various countries focusing on renewable energy projects
- The way out of all of this is that we start to manufacture these panels in the domestic market but the challenge for us will be produce and maintain the standard/quality of the products

5. RBI gives NBFCs in upper, middle layers April 1 deadline for compliance (BL 12/4/22)

- RBI has asked all the NBFCs coming under upper and middle layer to implement a board approved policy and compliance function including appointment of chief compliance offices

- The chief compliance officer (CCO) will be the nodal point of contact between the NBFCs and the regulators and supervisors
- The CCO should not be given any responsibility which will bring elements of conflict of interest (no dual hatting)
- The CCO should be appointed for a period of at least three years

6. NITIs energy, climate index benchmarks states (BL 12/4/22)

- NITI Aayog has published the SECI (State Energy and Climate Index)
 - It is an indicator for the state's performance regarding the utility
 - The grading is based on six indicators, which are further divided into 27 indicators
 - Discom performance
 - Access, Affordability and reliability of energy
 - Clean energy initiatives
 - Energy efficiency
 - Environmental sustainability
 - New initiatives
 - The states are categorised into three groups
 - Front runners
 - Achievers
 - Aspirants
 - In case larger states Gujarat, Kerala and Punjab are top three performers. In case of smaller states Goa, Tripura and Manipur are top performers. In case of UTs Chandigarh, Delhi are top performers
- The best practices for all indicators in better performing states can be adopted by other states to improve their performance

7. Rabi paddy procurement (BL 12/4/22)

- Telangana CM has asked for clarity over procurement of Rabi crops from the state
- Telangana CM has demanded for an integrated agriculture policy
- The state earlier had agreed to not supply parboiled rice as its annual consumption is 20 lakh tonnes under PDS and the centre already has stocks that is sufficient for the next two years and cannot accept further stocks of this rice
- Unlike the Kharif the paddy grown in the Rabi season is exposed to excessive temperatures and the grains turn brittle. The millers boil the paddy before milling so that they can reduce the wastage
- Centre does not procure paddy from the states and only buys raw rice and very less parboiled rice as per the PDS demand

8. Nepal's ban on non-essential imports may hit India hard (BS 12/4/22)

- Nepal is experiencing a depleting forex reserves and has decided to ban import of non-essential items. This is expected to hit Indian exports

- Nepal is India's 9th largest trading export destination – 2021, India exported \$9.6 bn
- India is Nepal's largest trading partner
- Recent spike in inward shipments has led to huge outflow of foreign currencies and has increased concerns of crisis similar to Sri Lanka
- The central bank – Nepal Rastra Bank – has instructed commercial banks not to open letters of credit (LCs) for importing non-essential items
- LCs is a financial contract or a document that guarantees a buyer's payment to sellers

