

## ETW (27th Aug to 2nd Sep 2022)

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 27th Aug to 2nd Sep 2022 is given below. Business news is essential for IAS exam preparation.

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#### 1. 1st quarter GDP growth rate (IE 1/9/22)

- Economy has grown by 13.5% for the Q1 and it's the fastest YoY growth for the last 4 quarters
  - This is on account of higher household consumption, especially of contact intensive services and buoyant investment activities
- This is lower than the estimates given by RBI - 16.2%
- Two bright spots are
  - Private final consumption expenditure has grown by 25.9%
  - GFCF a proxy for the private investment has grown by 20.15%
- However
  - The GDP for the quarter is ₹ 36.85 lakh Cr it is just 3.8% higher compared to the pre-covid levels (Q1FY20)
  - If the sequential GDP values are compared the GDP for Q1 has shrunk compared to Q4 for the last fiscal (₹ 40.78 lakh Cr)
- Going forward the concerns are there regarding the likely impact of worsening global growth, rising interest rates by central banks with inflation rising etc which may dent the growth prospects

## 2. India keen to know more on Russian oil price cap plan (TH 27/8/22)

- The G7 coalition has proposed a global price cap to rein in Russian fuel prices
- India has shown interest in learning more about joining this coalition
- As per the plan, a price capping mechanism, will be put in place for Russian oil exports before 5th December and after this European Service providers will stop providing insurance cover for the Russian crude oil transportation by the sea

## 3. Masala Bonds - ED tightens noose around Thomas Isaac (BS 29/8/22)

- Kerala government became the first state in India to tap masala bonds to raise the capital
  - The Kerala Infrastructure Investment Board (KIIFB) became the first sub-sovereign entity in India to tap offshore rupee bond market
  - KIIFB had plans to mobilize ₹ 50000 Cr and through the above issue had raised ₹ 2150 Cr
- Enforcement Directorate (ED) has registered a case against KIIFB for violating the FEMA (Foreign Exchange Management)
- As per the Kerala government ED has no authority regarding the FEMA violation and it should be dealt by RBI
- The contention is that the interest rates offered were higher and as a result the state has incurred a huge loss
- Comptroller Auditor General (CAG) has been criticizing the government for off-budget borrowing made through KIIFB and has stated that as a result of such borrowings the state could end up in a debt trap. If the off-budget borrowing done by the KIIFB is considered the overall debt of the state could be reaching 42.8% of GSDP as against the stipulated level of 29.67% of GSDP

## 4. 80% fixed term workers' contracts not renewed (FE 29/8/22)

Government has rolled out fixed term employment (FTE) in phases since its launch in 2016

- FTE was launched in apparel manufacturing sector and was later extended to all sectors in 2018

This has helped in creating new employment opportunities, formalisation of jobs and improving productivity. However the recent study on this has found that only 1 out of 5 fixed term employees (FTEs) get their contract renewed for a second term. This means 80% of FTEs either graduate to unemployment or inactivity after their contract ends

FTE allows the businesses to adjust employment as per the business cycles and is an alternative to contract labour system with a provision of written contract

The FTE contracts generally range between 6 months to one year

The issue with FTE is that the company will not be investing in developing the human capital and the employee also knows that their contract will be ending and will not be committed to the firm

## **5. Govt open to giving non-tax incentives on solar modules (LM 31/8/22)**

- Govt in order to cut imports, in march 2021 announced that there will be a 40% basic customs duty applicable on solar modules and 25% on solar cells starting from 1st April 2022
  - The social welfare charge on the modules will take the tax up to 44%
  - The government, to promote domestic production of solar modules, has included it in the PLI, initially the allocation was ₹ 4500 Cr and in the budget for FY23, additional ₹ 19500 Cr was done
- Govt has stated that it is open to providing other relief to the solar importers and is not in favour of giving tax incentives
- If tax breaks are provided it could lead to other sectors asking for the same, add to litigation etc
- This also emphasizes the fact that govt is trying to create an exemption free tax regime
- The increasing import duties will add to rising costs affecting the projects which have been awarded prior to the imposition of the duty. The industry representatives have been requesting for a grandfathering clause for the projects awarded till 9th march

## **6. RBI mulls fraud registry to help check banking frauds (TH 30/8/22)**

- The Reserve Bank is considering setting up a fraud registry to create a database of fraudulent websites, phones and various models operandi used for digital fraud
- The payment system participants would be given access to this registry for real time fraud monitoring
- The aggregate fraud data would be published to educate the customers on emerging risks

## **7. Financial inclusion a major step to inclusive growth (ET 29/8/22)**

- Finance Minister has stated that the financial inclusion is a major step towards inclusive growth which ensures overall economic development of marginalised sections of the society

- The total number of accounts opened under PMJDY have touched 462.5 mn in eight years, taking the total deposits to ₹ 1.73 tn
- The scheme was launched in 2014 to include those who were not covered under banking. In the first year itself 179 mn bank accounts were opened
- The number of operative accounts were 368.6 mn or 85.6%
- The average of deposits held in the bank account has increased compared to last year which shows increased usage of accounts and inculcation of saving habits among the people
- The accounts opened under the PMJDY have been increasingly used for Direct Benefit Transfer (DBT) promoting digital payments through the use of RuPay cards