

Economy This Week (3rd to 9th 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. India overtakes UK to become 5th largest economy (ET 3/9/22)

- India has overtaken UK to become the 5th largest economy
- The last time India's economy was larger than that of UK was in 1700s before the colonial rule began in India
- India's GDP in nominal terms at the end of the first quarter was \$854.7 bn and that of UK was \$816 bn
- Indian economy in the Q1 has expanded by 13.5% and that of UKs has contracted by 0.1%
- Earlier in 2017, India had overtaken France to become the 6th largest

2. RBI moves to digitise Kisan Credit card lending (ET 3/9/22)

- The central bank has embarked upon the project to digitise the farm loan delivery under the Kisan Credit Card (KCC) scheme to make it cost and time effective ‘the central banker in this direction will be running a pilot project in certain districts of Madhya Pradesh, Tamilnadu with Union Bank of India and Federal Bank respectively
- This is expected to play an important role in facilitating credit flow to the underserved and unserved rural population by making the process faster and more efficient
 - Currently the process is that the customers will have to visit the bank branch along with land records and multiple other documents sometimes they are required to visit the banks multiple times
 - The turnaround time from loan application to disbursement has been high - two to four weeks

3. Govt links funds release to usage (FE 3/9/22)

- Central govt has rolled out a new expenditure management scheme under which the funds will be released from consolidated fund of India (CFI) into the banks accounts of the implementing agencies just in time for use
- The scheme earlier covered centrally sponsored schemes and autonomous bodies and now will be extended to cover expenditure routed through central sector schemes as well
- This is expected to result in fiscal savings
- Currently the funds would be released and would keep on floating between many agencies, state government accounts etc
- The lower floating funds will help the govt to manage its borrowings more efficiently and with this measure the govt is expected to save around ₹ 10000 Cr annually in the form of interest rates
- Government has implemented Central Nodal Agency (CNA) for central sector schemes, Single Nodal Agency (SNA) for centrally sponsored schemes and Treasury Single Account (TSA) for autonomous bodies . with this the government will be able to track the flow of funds

4. Centre may cap green bond issues at ₹ 25000 Cr (BS 3/9/22)

- The finance ministry is finalizing the details of green bond issuance
- Initially the issuance of green bonds is not expected to be for more than ₹ 25000 Cr and available for the domestic investors
- The govt is also considering giving tax benefits to the investors
- One of the issues has been that there is no local definition of what constitutes green projects. Govt is expected to clarify regarding this

5. Nano urea fast tracked for approval despite incomplete trials (TH 4/9/22)

- Nano urea has been approved for commercial use without fully testing it
 - For a full test, the product is tested by ICAR (Indian Council of Agriculture Research) for three seasons and then approved
 - In case of nano urea it has been reduced to two
 - In addition to this the scientists are yet to determine if the product on its own can cut the farmers' dependence on urea
- Nano Urea
 - Is patented product by IFFCO
 - A half-litre bottle can replace the 45 kg sack of solid urea
- By 2025, along with traditional urea, nano urea would be produced making India self-sufficient. This would reduce the import dependence saving India around ₹ 40000 Cr
- The plants such as wheat, rice mustard use two bags of urea. One at the early sowing stage and another once the plant has sprouted a canopy of leaves. Despite the nano urea, there is a requirement of traditional urea during the initial stages as the nano urea is useful only at the latter stages, when the plant has leaves

6. RBI crackdown on errant co-ops gathers pace (LM 7/9/22)

- Government in 2020 amended banking regulation act and provided more powers to RBI to regulate the cooperative banks
- So far in 2022 RBI has imposed penalties on 100 cooperative banks (124 in 2021 and 22 in 2020)
- Before 2020 the central banker had limited powers to regulate these banks
 - The regulations came into retrospective effect - from 29th June 2020
 - State cooperative banks, district central cooperative banks from 1st April 2021
- The cooperative banks are prone to political influence, mismanagement and if the safeguards are not implemented properly then the depositors money is at risk
- As of 31st march 2021, there were 98042 cooperative banks
 - 96508 rural cooperative banks
 - Remaining are urban cooperative banks

7. Financial inclusion drive - 316 brick and mortar branches (BS 8/9/22)

- PSBs are targeting to open around 363 brick and mortar branches by December to cover villages with a population of over 3000 and within 5 km radius. In addition to this even the PVBs (Private Sector Banks) would be opening 47 branches in villages with population over 3000

- These branches would be opened in 21 states and opened in locations given to the banks by State Level Banking Committee (SLBC)
 - SLBC is an institutional forum for coordinating and implementing banking policies in states
 - Has representatives from RBI, banks, NABARD etc
- As per the Lead Bank Scheme (LBS) of RBI, these banks have been asked to focus more on opening brick and mortar branches in villages with population of over 5000
 - LBS was introduced in 1969
 - Promote the role of banks in overall development of rural sector
 - Enhance the flow of bank finance to the priority sectors and other sectors to promote development in rural areas
- As per RBIs National Strategy for Financial Inclusion (NSFI) 2019-24 , the key achievement under NFSI in FY22 was top ensure the availability of a banking outlet within 5 km radius of every village or hamlet of 500 households in hilly areas

8. Panel to draft national cooperation policy (BL 7/9/22)

- Government has appointed a 47 member committee under the chairmanship of Suresh Prabhu to prepare the national cooperation policy to promote cooperative based economic development model
- India is estimated to have 8.5 lakh cooperative societies with a member base of 29 crores
- The last cooperative policy was framed was in 2002