

Economy This Week (29th Oct to 4th Nov 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 29th Oct to 4th Nov 2022 is given below. Business news is essential for IAS exam preparation.

| | TABLE OF CONTENTS |
|----|--|
| 1. | More for retail in future NHAI InvITs - Gadkari (BL 29/10/22) |
| 2. | India, smaller nations talk trade via rupee accounts (ET 31/10/22) |
| 3. | Abuse of LRS for offshore betting under CBIC lens (BS 3/11/22) |
| 4. | India agrees to back Afghanistan banking sector technically (ET 31/10/22) |
| 5. | CII-NCAERs study - soften FDI rules and rationalise tariffs to be electronic hub (ET 31/10/22) |
| 6. | Centre doubles fertiliser subsidy (TH 3/11/22) |
| 7. | Centre to states - survival of discoms questionable (BS 31/10/22) |
| 8. | Google has stopped in house Play billing system (ET 2/11/22) |
| 9. | US Fed increases rates by 75 bps (IE 3/11/22) |

1. More for retail in future NHAI InvITs - Gadkari (BL 29/10/22)

- Mr Nitin Gadkari - union highways minister - has stated that in future the retail portion allocated in the NHAI InvITs would be much higher
- Recent NHAI InvIT has recently issued NCDs worth ₹ 1430 Cr
- The second issue was oversubscribed by seven times and around 25% was reserved for retail investors
- The InvIT has so far raised ₹ 8000 Cr from foreign and domestic institutional investors. In the second tranche 25% was reserved for the retail investors

2. India, smaller nations talk trade via rupee accounts (ET 31/10/22)

- India is in talks with over a dozen countries to conduct trade in rupee accounts and internationalize indigenous payment modes
 - Zimbabwe, Malawi, Djibouti, Ethiopia, Sudan etc
 - The trade with these countries is smaller compared to trading partners such as - UK, USA etc. However this could grow with more number of countries getting involved
- This will help in bypassing the SWIFT system and create an alternate payment system
- There is a need to kick start bilateral talks and later use UPI payment system, which will help in rupee gain international clout
- RBI and NPCI will be involved in sorting out the exchange rate and payment technicalities once the strategic partnership will be agreed upon

3. Abuse of LRS for offshore betting under CBIC lens (BS 3/11/22)

- CBIC (Central Board of Indirect Taxes and Customs) has raised concern over misuse of LRS (Liberalized Remittance Scheme) being misused for betting in the overseas market
 - Individuals and entities are misusing the LRS route to place bets on offshore betting platforms operating from tax havens
- Such use of the dollars is not allowed and leads to tax evasion
- LRS
 - Introduced in 2004
 - Allows up to \$250000 a financial year to be remitted out of the country for permissible transactions

4. India agrees to back Afghanistan banking sector technically (ET 31/10/22)

- India has agreed to offer technical support to Afghanistan's banking sector
 - The officials of Da Afghanistan Bank (DAB) have approached New Delhi for assistance
- The banking sector in Afghanistan is under pressure following embezzlement and freeze of funds. The bank has been barred from the international banking system, financial community and other countries' domestic banks after Taliban's takeover. This has barred DABs access to \$9 bn of foreign exchange reserves
- The economy has contracted by about 20% in 2021

5. CII-NCAERs study - soften FDI rules and rationalise tariffs to be electronic hub (ET 31/10/22)

- India has targeted a turnover of electronic industry at \$300 bn and exports of \$120 bn by 2026
- A study conducted by CII (Confederation of Indian Industry) and NCAER (National Council of Applied Economic Research), in a study have recommended certain policy changes in order to make India an electronics manufacturing hub
 - Softening of rules applicable to FDI from neighbouring countries, as many countries are adopting China+1 strategy
 - DPIIT (Department for Promotion of Industry and Internal Trade) in 2020, has made entry of FDI coming from neighbouring countries through approval route mandatory irrespective of the sectoral caps
 - The tariffs imposed by the govt on imports will affect export competitiveness. Hence there is a need for rational approach towards this
 - The export subsidies are to be paid promptly without any delays
 - In order to become a large manufacturing hub, India should host value chain such as mobiles, computers, hearables etc including most advanced technology segments such as healthcare, education, logistics etc
 - India should invite tier 1 to tier 3 companies to create our own manufacturing ecosystem and scale up the volume of production for both domestic and export markets
 - Single window clearance system and dispute resolution systems are critical components

6. Centre doubles fertiliser subsidy (TH 3/11/22)

- Centre has doubled the fertiliser subsidy as the global prices have increased. The union cabinet has approved a subsidy of ₹ 51875 Cr for nitrogen, phosphorus and potash (NPK) and sulphur for ongoing Rabi season
- The total subsidy for Rabi season will be ₹ 1.28 lakh Cr and the total subsidy will be ₹ 2.2 lakh Cr (last year it was ₹ 1.6 lakh Cr)
- The commercial fertiliser prices in the global market have doubled because of UK-Russia conflict and the logistics issues due to pandemic
- Subsidy
 - A bag of DAP costs around ₹ 1350 and without this subsidy would have increased to ₹ 2650.
 - For urea the subsidy is around ₹ 2400 per bag. With subsidy it is being sold at ₹ 266 instead of ₹ 2700 per bag

- Centre has taken various measures to increase the production of urea.
 - The domestic requirement is 350 lakh tonnes and production is 250 lakh tonnes
 - 4 new urea plants were coming up and nano urea would replace the use of urea

7. Centre to states - survival of discoms questionable (BS 31/10/22)

- Central govt has raised questions over the viability of the state government owned discoms
 - This comes at a time when the centre is implementing revamped distribution sector scheme (RDSS) and proposed electricity amendment bill 2022
 - In the last 15 years there have been 4 reforms the most recent one which concluded in 2019-20 was Ujjwal Discom Assurance Yojana (UDAY)
- The ministry has stated that
 - Discoms with high cost - revenue gap would require steep increase in the tariffs as the financial health of the discoms is deteriorating and the debt levels are rising
 - As of march 2021, the losses of the discoms stands at ₹ 5.1 tn
- The rising debt has also increased the interest burden, this has increased the gap between Average Cost of Supply (ACS) and Average Revenue Realized (ARR), thereby creating a debt trap
- The weakness of discoms has led to delayed payments to generating companies (gencos), which has reached all time high of ₹1.38 tn in June
 - There has been a delay in payments made by the government departments, which has added to the problems faced by discoms. The department dues owed by end of June was ₹ 63500 Cr
 - The discoms supply electricity at subsidized rates but the payments are delayed
- Way forward
 - The states will have to adhere to the policies of the centre
 - The subsidy regime in the electricity sector has to be revamped
 - Provide subsidies to consumers rather than simply providing revenue gap financing
 - There should be adequate state government budgetary allocations made for committed subsidy

8. Google has stopped in house Play billing system (ET 2/11/22)

- Google has placed on hold the guideline that Indian app developers must use their in house billing system for app purchases and in-app purchases

- This comes after CCI has levied penalty on the tech giant for abuse of the dominant position
- The company earlier had set 31st October as a deadline for developers to comply with the guideline and following CCI order has put it on hold
- CCI on 25th October imposed a penalty of ₹ 936.44 Cr

9. US Fed increases rates by 75 bps (IE 3/11/22)

- US Federal reserve has increased the federal funds rate by 75 bps and has signalled that the future hikes will be smaller
- USA has experienced highest inflation in 40 years and fed has been hiking rates to control it and bring it to 2% over time
- This has taken the federal funds rate to 3.75% to 4%, the highest level since 2008
- The central bank has increased the rates in its last six meetings starting from march