

## Economy This Week (26th Nov to 2nd Dec 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 26th Nov to 2nd Dec 2022 is given below. Business news is essential for IAS exam preparation.

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### 1. Retail pilot for digital rupee to start Dec 1 (TH 30/11/22)

- The Reserve Bank of India (RBI) has announced that the first pilot for the retail version of digital rupee (e₹-R) will be launched on 1st December 2022
- The pilot will be limited to few banks, customers and merchants
- The e₹-R
  - Will be in the form of digital rupee and will be a legal tender
  - Issued in the same denominations as the paper currency and coins
  - Distributed via banks
  - Users will be able to transact using the digital wallets offered by the participating banks and stored on mobile phones or devices

- Transaction will be person to person and person to merchant
  - The payments to merchants can be done by using the QR codes displayed in the merchant location
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## **2. Can RBI help those who genuinely failed to exchange notes (TH 26/11/22)**

- Supreme Court (SC) has enquired whether in genuine cases, the Supreme Court can provide solution to the citizens who were unable to deposit their old notes during demonetisation in 2016
  - The SC pointed to sub-sections (2) and (3) of section 4 of The Specified Bank Notes (Cessation of Liabilities) Act, which gave RBI discretion to independently verify applications from citizens who could not deposit their old notes within grace period between 9Th November and December 2016
    - These sub-sections existed independent of demonetisation notification
  - There are around 700 odd such application under such section and was not in position to accede to them
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## **3. Remittances to India to hit world beating \$100 bn this year (LM 1/12/22)**

- The World Bank report on remittances has stated that
    - India is on track to receive over \$100 bn this year
    - The remittances will be experiencing a growth of over 12%
    - The Indian migrant labour in countries such as US, UK, Singapore have been sending a lot of money home
      - Indians over a period have moved away from doing lower paid work in Gulf countries
      - Apart from this weakening rupee, wage hikes and record employment have supported this growth
    - The remittances account for about 3% of GDP
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#### 4. RBI revises regulatory framework for UCBs (BL 2/12/22)

- RBI has revised regulatory framework for UCBs (Urban Cooperative Banks) and has prescribed a minimum net worth of ₹ 2 Cr for tier-1 banks and ₹ 5 Cr for other banks
  - Tier 1 banks will continue to maintain the CRAR (Capital to Risk Weighted Assets Ratio) of 9%
    - UCBs with deposits up to ₹ 100 Cr are Tier 1
    - UCBs with deposits of more than ₹ 100 Cr and up to ₹ 1000 Cr are Tier 2
    - UCBs with deposits of more than ₹ 1000 Cr and up to ₹ 10000 Cr are Tier 3
    - UCBs with deposits more than ₹ 10000 Cr are Tier 4
  - The Tier 2 to Tier 4 UCBs shall maintain the CRAR at 12%
  - The UCBs which do not meet the required criteria of minimum net worth will be meeting them in phases
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#### 5. Micro lenders step into secured loans (LM 28/11/22)

- Some of the Micro Finance Institutions (MFIs) have ventured into the secured asset classes to diversify their portfolio and balance their risks of unsecured loans
  - A micro finance loan
    - A household with an annual income of up to ₹ 3 lakh qualifies for micro finance loan
    - Loan should not be having any collateral
    - Customers must not be penalized for paying ahead of the original tenure
  - The RBI has allowed the MFIs to lend 25% of their total assets in non-micro finance loans (until now they were allowed only 15%)
    - This will help them in diversification of their loans
    - These would help in issuing the secured loans
    - Some of the borrowers tend to move away from their lenders as the MFIs were not able to meet all their demands. This will help in retaining such customers
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#### 6. Govt plans pilots on new DBT model for fertilizers (BS 1/12/22)

- Centre is planning a pilot run of modified version of DBT in fertilizers wherein there would be a connection between land holding and nutrient's consumption. This would help in monitoring consumption

- Currently under the DBT, farmers will have to authenticate their identity using Aadhaar but there is no limit on the number of bags to be purchased. This could sometimes lead to excess usage and misuse
  - To address this now the officials are thinking of feeding in the data of land owned or used by the farmers into the system so that once the authentication is done, this can be used to find the amount of fertilizers that the farmers are entitled to
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#### **7. Pesticide sale via e-commerce sites allowed (BS 30/11/22)**

- The government has allowed online sale of pesticides through e-commerce platforms
  - The domestic industry though has welcomed the move has raised concerns that it may increase the sale of counterfeit products
  - The e-commerce companies
    - Before allowing the sales must verify the license issued to the manufacturer by the concerned authorities
    - Both (platform and sellers) will have to comply with the relevant rules and consumer protection act
  - Positive aspect of this is that the buyers may be able to get the product at reasonable prices
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#### **8. States ask centre to curb its cess habit (TH 26/11/22)**

- Several states have urged the central government to keep a control on reliance on raising revenues through cesses and surcharges as their share in the divisible pool of taxes will come down
  - The states also have demanded greater support to revive the economy and demanded that the GST compensation period be extended
  - The cesses and surcharges have grown from 10.4% to 26.7% from 2011-12 to 2021-22
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#### **9. GDP growth dips to 6.3% as manufacturing slides (TH 1/12/22)**

- For the July-September quarter the GDP has recorded a growth of 6.3%
- The GDP for the first half of the fiscal was larger than the pre-covid level
- The April to June quarter the growth rate was 13.5%