

Economy This Week (14th to 20th Jan 2023)

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 14th to 20th Jan 2023 is given below. Business news is essential for IAS exam preparation.

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1. High interest costs may force RBI to cut dividend top the govt (IE 16/1/23)

- The dividend transfer to govt from RBI may remain lower for the current year with RBI incurring higher costs due to rising interest rates and costs in managing surplus liquidity in the system
 - Banks would have parked their surplus liquidity under reverse repo or SDF with RBI
- RBI had transferred ₹ 30307 Cr in FY22 (lowest in last 10 years) in FY21 it was ₹ 99126 Cr

2. Panel moots adoption of group insolvency framework in phases (BL 20/1/23)

- Ministry of Corporate Affairs appointed Cross Border Insolvency Regulations (CBIRC-II) has submitted a report in December 2021

- The remit of CBIRC was expanded in February 2020 to analyze UNCITRAL Model Law on Enterprise Group Insolvency (MLEGI)
 - MLEGI provides
 - Comprehensive framework for domestic as well cross border insolvency for enterprises groups
 - It has recommended
 - Introduction of group insolvency framework in phases
 - MLEGI may not be considered now but after implementation of the above
 - Framework should not be applicable financial service providers notified under section 227 of IBC
 - There should be a border definition of ‘group’ to include a large number of corporate debtors
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3. Board formed to fix tariffs at major ports (BS 19/1/23)

- The Ministry of Ports, Shipping and Waterways (MoPSW) has notified rules for setting up The Major Ports Adjudicatory Board
 - Will be the nodal body for tariff setting and PPP dispute resolution for all major ports
 - Was proposed in Major Ports Authorities Act 2021
 - Will have the same powers vested in a civil court
 - It will be taking over the functions of Tariff Authority for Major Ports (TAMP), which would
 - Regulate tariffs
 - Rates for lease of properties in major ports trusts and private operators located within them
 - Members of the body will be appointed by a committee comprising of CJI, secretary of MoPSW, Secretary of department of personnel and training
 - With this the tariff fixing is expected to become convenient as earlier there would be dispute between the operators and government regulators which led to stalling of the projects
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4. RBI moots ‘expected loss based’ model for provisioning by banks (TH 17/1/23)

- RBI has proposed a framework for adoption of an expected loss based approach for provisioning by banks

- Banks will be allowed to implement their own model for measuring expected credit losses for the purpose of estimating loss provisions in line with the proposed principles
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5. India-China trade deficit crosses \$100 bn for the 1st time (BS 14/1/23)

- The bilateral trade between India and China has reached an all time high of \$135.98 bn in 2022 but the trade deficit has crossed \$100 bn for the first time over
 - China's exports to India have climbed to \$118.5 bn (YoY have increased by 21.7%) on the other hand Indian exports registered a decline by 37.9% to \$17.48 bn
 - The trade deficit ballooned from \$69.38 bn in 2021 to \$101.02 bn for FY22. The other concern is that the trade deficit has been widening year after year
 - Causes
 - The trade with China has thrived with availability of cheap Chinese goods
 - India exports very narrow basket of items to China mostly primary
 - Market access impediments for most of the agricultural products and sectors where India is competitive such as pharmaceuticals, IT/ITeS
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6. Property tax collection - Civic bodies amp up tech adoption (FE 15/1/23)

- The civic bodies are mapping properties using technologies to shore up the property tax collections
 - The unassessed or under assessed properties data is being integrated with data for other utilities and this is helping to move to a newer system of real-time tracking of properties to prevent illegal constructions
 - Municipal corporations are adopting the technology to improve efficiency in collections by using the satellite images, drone surveys, geographic information systems data, cloud and analytical to plug leakages etc
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7. Oxfam report on wealth (FE 16/1/23)

- As per the report - Survival of the Richest : The India Supplement 2023"
 - The gap between the rich and poor is widening post covid and this means that there should be a wealth tax
 - Govt as of now imposes surcharge on this earning above ₹ 50 lakh
 - Top 10% own 72% of wealth
 - Top 5% own 62%

- Top 1% owns more than 13 times the wealth owned by the bottom half of the society I.e. almost 40.6% of wealth in India and the latter owns around 3%
 - India still has highest number of poor in the world - 228.9 mn and the number of billionaires has increased from 102 in 2020 to 166 in 2022
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8. Ministry ends Padho Pardesh Scheme (BL 15/1/23)

- Ministry of Minority Affairs (MoMA) has discontinued the Padho Pardesh Scheme under which the students from minority communities are offered interest subsidy on education loans for overseas studies
 - The interest on the education loans shall be borne by the government of India
 - The eligibility criteria is that total income from all the sources should not be higher than ₹ 6 lakh per annum.
 - 35% of the seats were reserved for girls
- The scheme was so far being implemented by Canara Bank as a nodal bank