2. GS PAPER 3

Economic Growth and Development

Angel Tax

Syllabus: Indian Economy and Issues relating to mobilization of resources

In News

Recently, the government has eased the procedural norms for exemption of tax on start-ups (angel tax) in response to protests from the industry.

About The New Rules

- ***Conditions for tax waiver:*** The new rules provide for a tax-waiver, if the aggregate paid up share capital and share premium of a start up after an offering of shares does not exceed Rs. 10 crore, if the angel investor has filed income tax returns of at least Rs 50 lakh for the year preceding the year in which the investment was made, and if the investor has a net worth of at least Rs 2 crore.
- ***DIPP and CBDT to approve:*** The other relief is in the form of the dismantling of the bureaucratic layer, the inter-ministerial board, which used to vet the credentials of these firms. Hereafter, the Department of Industrial Policy and Promotion (DIPP) will directly route the applications to the Central Board of Direct Taxes, which will have 45 days to decide if investors in the start-up are eligible for a tax waiver.

Final Analysis

- The latest move may at best partly assuage some of the concerns of start-ups and investors. It is this share premium that has been a major bone of contention between angel investors and the tax department. Entrepreneurs argue and rightly so, that start-ups need a good amount of capital at the early stage, which angel investors provide at a premium.
- Moreover, it would surely help if Indian policymakers look around and assess what makes a country like Israel, now known as the 'Start-up Nation', a magnet for investors such as Bill Gates and Warren Buffet. That has a lot to do with the enabling role of the government which has provided not just fiscal incentives as in some other countries, but also ensured a positive investment climate.
- Leaning on new age entrepreneurs to boost tax collections can at best be a near term view, but a failure to smoothen the path for start-ups runs the risk of discouraging potential entrepreneurs and their ability to create jobs, boost revenues and innovation in an economy which needs all these in large measure.

(Also see topic 'Tax on Angel investment' in December 2018 issue)

SC Upholds Constitutional Validity Of IBC

Syllabus: Indian Economy and Issues relating to mobilization of resources

In News

- A bench of **Justices R F Nariman and Navin Sinha**, upheld the Constitutional validity of the Insolvency and Bankruptcy Code (IBC) and found that since its enactment, approximately **3,300 cases have been disposed** of by the Adjudicating Authority based on out of court settlements between corporate debtors and creditors, which themselves involved claims amounting to over Rs. 1,20,390 crore.
- Summing up, the court also noted that enactment of the Code is proving to be largely successful.

The defaulter's paradise is lost and in its place, the economy's rightful position has been regained.

- ***Validity of NCLT and NCLAT:*** Further, the apex court also dismissed the contention that the appointments made to the National Company Law Tribunal and National Company Law Appellate Tribunal (NCLAT) were contrary to its earlier judgments and the Companies Act. The judgment also directed the government to establish Circuit Benches of NCLAT within a period of six months.
- ***Partially strikes down Section 29A:*** However, the judgment, partially reads down Section 29A, which disqualifies certain kinds of persons from submitting a resolution plan. The court said the very purpose of Section 29A is to ensure that the persons responsible for insolvency of the corporate debtor do not participate in the resolution process. But the SC interpreted clause (j) of Section 29A to hold that the mere fact that somebody happens to be a relative of an ineligible person cannot be good enough to oust such person from becoming a resolution applicant, if he is otherwise qualified.
- ***Upheld relaxation for MSMEs:*** The court upheld certain relaxations given to micro, small and medium enterprises (MSME) under Section 29A of the Code as MSME form the bedrock of our economy and stringent restrictions through the IBC would adversely affect them. Further, instead of resolving crisis, it would lead to the untimely liquidation of MSMEs.

Final Analysis

- While the code is still work in progress, the early evidence shows that of about **1,500 cases** admitted until end December 2018, only 79 ended in an approval of the resolution plans and liquidation in a little over **300 cases**.
- The major worry, is the failure in many cases to stick to the prescribed timeline of **180 to 270 days** to firm up a resolution plan with elaborate hearings at NCLT benches. Such delay goes against the very *raison d'étre* of the law which is to ensure a swift resolution or closure and thus lower the risk for banks and the government arising from a rising pile of bad debts.
- Over time, the NCLT may be better tuned with capacity building and training of professionals. It will also be helpful as the Court has directed the government to set up **circuit benches** within **six months**.

Two Statistician Quit Panel For Delay In Releasing Post Note Ban Jobs Report

Syllabus: Indian Economy and Issues relating to employment.

In News

- Protesting against the withholding of the National Sample Survey Organisation's (NSSO) first Annual Survey on Employment and Unemployment for the year 2017-18, the Acting Chairperson of the National Statistical Commission (NSC) along with other colleague resigned.
- Earlier, the NSSO undertook employment/unemployment surveys once in five years. The last survey was released in 2011-12. This report was expected to reflect job losses in the wake of demonetisation.

About NSC

- ***Introduction:*** NSC is an autonomous body constituted in 2006 and tasked to monitor and review the functioning of the country's statistical systems.
- ***Composition:*** The Commission consists of a part time Chairperson, four part time Members, an ex-officio Member and a secretary. The Chief Statistician of India who is the Head of the National

Statistical Office is the Secretary of the Commission and the Chief Executive Officer of the NITI Aayog is the ex-officio Member of the commission.

- ***Procedure for releasing report:*** The normal convention is that NSSO presents the findings to the NSC and once approved, the report is released within the next few days.

Final Analysis

- Such move denies citizens access to reliable data and thereby assessing the government's performance.
- There is a need for better data collection techniques, transparency, collaboration with people and capacity building of data collecting organization such as NSSO.

The Code on Wages Bill, 2017

Syllabus: Indian Economy and Issues relating to employment.

In News

This Bill was tabled in Lok Sabha in August 2017 and subsequently referred to the Standing Committee. It will provide for minimum wage applicable to all employments covering organised as well as unorganised sectors.

Provisions Of The Bill

- ***Consolidation of laws:*** The Code on Wages will amalgamate the the four central labour laws relating to wages *i.e.* The Payment of Wages Act, 1936, The Minimum Wages Act, 1948, The Payment of Bonus Act, 1965 and The Equal Remuneration Act, 1976.
- ***Consultation for fixing minimum wage:*** The Bill provides for consultation with states before fixation of National Minimum Wage by the Central government.
- ***National minimum wage:*** A concept of statutory National Minimum Wage for different geographical areas has been introduced. It will ensure that no State Government fixes the minimum wage below the National Minimum Wages for that particular area as notified by the Central Government. Further, the overtime rate will be at least twice the normal rate of wages of the employee.

- ***Revision of wages:*** Minimum wages must be revised by the central or state governments at an interval of five years.
- ***Facilitator instead of inspector:*** The Bill uses the term 'facilitator' instead of 'inspector' and the Clause 51 defines the role of the facilitator, who may supply information and advice to employers and workers concerning the most effective means of complying with the provisions of the Code and inspect the establishment based on inspection scheme, as would be notified by the government.
- ***Advisory board:*** The central government and state governments will constitute the Central Advisory Board and State Advisory Boards respectively. These boards will consist of: (i) employers, (ii) employees in equal number as the employers, and (iii) independent persons (not exceeding one third of the total members of the board). They will advise the central or state

governments on issues such as setting and revision of minimum wages and increasing employment opportunities for women, among others.

- ***Penalty provisions:*** The Bill also provides for the maximum penalty of Rs 10 lakh instead of Rs 50,000 for employers who pay less than the amount due to employees.

Amendment in Trade Unions Act

Syllabus: Indian Economy and Issues relating to employment.

In News

- The Centre proposes to amend the Trade Unions Act, 1926, to facilitate recognition of trade unions at the Central and State level.
- But most of the trade unions vehemently opposed the proposed amendments, saying the government was trying to interfere in and cripple, their functioning.

Provisions Of The Amendment

- **Purpose:** The amendment aim to ensure that the nomination of workers' representatives in tripartite bodies by the government will become more transparent and it reduces litigation and industrial unrest.
- ***Responsibility of trade union:*** Trade unions, which are recognised under the amended law would be accountable in maintaining industrial harmony.
- ***Role of government:*** The Central or State government may make rules for: (i) the recognition of such Central or State Trade Unions and (ii) the authority to decide disputes arising out of such recognition and the manner of deciding such disputes.

One Family One Job scheme

Syllabus: Indian Economy and Issues relating to employment.

In News

- Sikkim has recently launched the 'One Family One Job' scheme which **entitles one government job for every family in the state**.
- At a Rojgar Mela (employment fair) over 12,000 unemployed youths were handed out appointment letters. However, the letters were awarded only to members of those families which do not have a government job at present.
- As of now, the state government has over 1 lakh regularised employees on its rolls from a population of just 6.4 lakh.
- The task of providing employment was entrusted to the Department of Personnel. It was also announced that over 25,000 already employed but unregularised government employees would also be subsequently regularised within 2019 according to their seniority.
- Sikkim has become the **first state in the country to carry out such an exclusive programme** for the people who would now be entitled to state government employee benefits.
- It is the only state that earmarks 70 per cent of its revenues towards salaries for state government employees and it is also the **only state in the country that gives the highest salaries to state government employees**.

Reservation For Pahari Community

Syllabus: Indian Economy and Issues relating to employment.

In News

- Jammu & Kashmir's Governor S P Malik, has given his assent to the Jammu & Kashmir Reservation (amendment) Bill, 2014, providing reservation to people belonging to Pahari community, clan or tribe having a distinct cultural, ethnic and linguistic identity.
- **Pahari is a linguistic group, comprising both Muslims and Hindus, and is mainly located in Poonch, Rajouri, Kupwara and Baramulla districts**.
- Because of the remoteness and inaccessibility of the areas of their residence, the Pahari community has **historically faced considerable economic distress leading to overall socio-economic backwardness**.
- The welfare legislation is aimed at providing job opportunities to the Pahari people residing in backward areas of the state. This was a long pending demand of the people belonging to this group and will go a long way in improving their status and educational and job opportunities.
- The amendment provides for addition of a separate category of the persons belonging to Pahari community among the Socially and Educationally Backward classes (other than Scheduled Caste and Scheduled Tribes) and **envisages 5% reservation without disturbing the reservation already granted to other communities**.

Jan Shikshan Sansthans

Syllabus: Indian Economy and Issues relating to employment.

In News

- In a bid to **boost skill training and entrepreneurship** in the remotest corners of the country, comprehensive reforms have been proposed for Jan Shikshan Sansthan (JSS), to further strengthen the skills ecosystem benefiting those in the underprivileged sections of society.
- JSSs are established to provide vocational training to non-literate, neo-literate, as well as school drop outs by identifying skills in the region of their establishment.
- JSSs can play an important role in **bridging information asymmetry between skill training and market opportunities** thereby giving an impetus to the creation of a workforce equipped in technology-driven skills, including in areas like health & wellness, tourism, e-commerce, retail and trade.
- Formerly under the Ministry of Human Resources Development, JSS has been **transferred to the Ministry of Skill Development & Entrepreneurship in 2018** marking an important step towards the convergence of all skilling activities under the aegis of one ministry.
- JSS guidelines have been reformed keeping in mind the diverse stakeholders engaged in running these institutions and **will bring in greater flexibility, transparency and uniformity**. The launch of these strategic guidelines is an attempt by the MSDE to re-energize and reinvigorate the JSSs. Key highlights of the guidelines are:
  - Alignment of JSS course and curriculum to National Skill Qualification Framework (NSQF) to standardize training
  - Decentralization of powers for JSSs- giving more accountability and independence to district administration

- o Identify and promote traditional skills in the district through skilling / upskilling
- o Evidence based assessment system
- o Easy Online certification
- o Linking JSS to PFMS (Public Finance Management system) maintaining transparency and accountability of the ecosystem
- o Creating livelihood linkages
- o Training of Trainers to develop the capacity through NSTIs (National Skills Training Institutes)

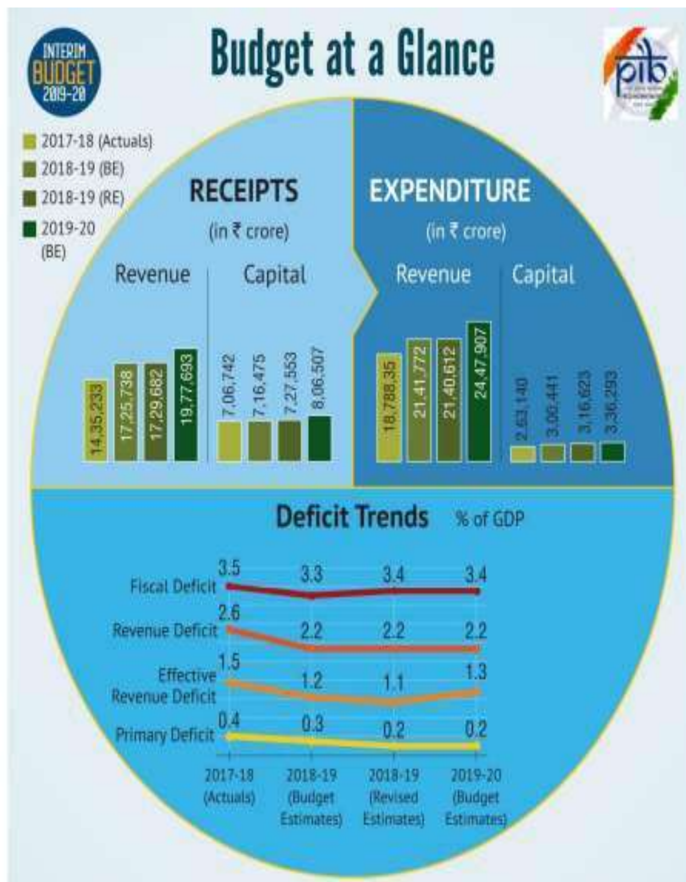
- A skilled society is an essential precondition for achieving social and economic advancement for any country. The re-energised JSS form a unique position for themselves and the convergence under Skill India will help bring in a mindset shift amongst the rural youth, to make vocational education and technical training as a preferred career choice

Interim Budget Highlights

Syllabus: Government Budgeting

In News

(a) New Schemes/Projects/Boards



- ***Pradhan Mantri KIsan Samman Nidhi (PM-KISAN):*** It has been announced to extend direct income support at the rate of Rs. 6,000 per year to farmer families, having cultivable land upto 2 hectares. Further, this amount will be transferred to the bank accounts of around 12 crore Small and Marginal farmer families in three equal installments of Rs. 2,000 each.
- ***Pradhan Mantri Shram-Yogi Maandhan:*** This new Scheme has been launched to provide pensionary benefits to at least 10 crore labourers and workers in the unorganised sector. The government claims that within next five years it would be one of the largest pension schemes of the world. It aim to provide Rs. 3000 per month after 60 years of age with an affordable contribution of only Rs. 100/55 per month.
- ***AIIMS:*** Currently, 14 of the 21 AIIMS operating or being established in the country. The budget announced setting up of a new (the 22nd AIIMS) in Haryana.
- ***Welfare board:*** Welfare Development Board to frame special strategies for the benefit of the hard to reach De-notified, Nomadic and Semi-Nomadic communities will be set up under the Ministry of Social Justice and Empowerment.

- ***Artificial intelligence:*** The Finance Minister also announced that a National Artificial Intelligence Portal will also be developed soon as a part of the National Programme on Artificial Intelligence.
- ***Renaming:*** The Department of Industrial Policy and Promotion will now be renamed as the Department for Promotion of Industries and Internal Trade.

(b) Tax Provisions

- ***Tax relief:*** Individual taxpayers having taxable annual income up to Rs. 5 lakhs will not be required to pay any income tax. Further, the persons having gross income up to Rs. 6.50 lakhs are not required to pay any income tax if they make investments in provident funds, specified savings and insurance *etc.*
- ***Deductions:*** Standard Deduction is being raised from the current Rs. 40,000 to Rs.50,000. Exemption on levy of income tax on notional rent on a second self-occupied house is also been proposed. Currently, income tax on notional rent is payable if one has more than one self-occupied house.

(c) Fiscal Situation

- ***Tax base growth:*** There has been a growth of 18% in Direct Tax Collections in 2017-18 and increase in tax base by as many as 1.06 crore people filing income tax returns for the first time in FY 2017-18, mainly on account of demonetization.
- ***Expenditure:*** In all the total expenditure is to increase from Rs. 24,57,235 crore in 2018-19 to Rs.27,84,200 crore in 2019-20 BE. A rise of Rs. 3,26,965 crore or approximately 13.30%. The fiscal deficit of year 2019-20 is estimated to be 3.4% of GDP. The government maintained that it will stick to the glide path towards target of 3% of fiscal deficit to be achieved by 2020-21.
- ***Disinvestment target for the budget year:*** 80,000 crore.

(d) Agriculture:

- ***KCC:*** The budget also announced 2% interest subvention to the farmers pursuing the activities of animal husbandry and fisheries, who avail loan through Kisan Credit Card. Further, in case of timely repayment of loan, they will also get an additional 3% interest subvention.
- ***Gokul Mission:*** Under Rashtriya Gokul Mission the budget announced setting up of Rashtriya Kamdhenu Aayog to upscale sustainable genetic upgradation of cow resources and to enhance production and productivity of cows. The Aayog will also look after effective implementation of laws and welfare schemes for cows.

(e) Allocation For Major Schemes And Sector

- ***MGNREGA:*** The budget allocated Rs. 60,000 crores for MGNREGA.
- ***PMGSY:*** Pradhan Mantri Gram Sadak Yojana (PMGSY) has been allocated Rs. 19,000 crore.
- ***ICDS:*** Allocation for Integrated Child Development Scheme (ICDS) increased to Rs. 27,584 crore.
- ***Defence:*** The Finance Minister also announced that for the first time, the Country's Defence Budget will be of over Rs. 3 lakh crore.
- ***Railways:*** Capital support from the budget for Indian Railways is proposed at Rs. 64,587 crore. The Railways overall capital expenditure programme is of Rs. 1,58,658 crore.

(f) Industrial Sector

- ***MSME:*** 2% interest subvention on an incremental loan of Rs 1 crore for GST registered SMEs and atleast 3% of the 25% sourcing for the Government undertakings will be from women owned SMEs.

(f) Ten Dimensions of Vision for India of 2030

- To build physical as well as social infrastructure and to provide ease of living.
- To create a **Digital India**, digitize government processes with leaders from youth.
- Making India pollution free by leading transport revolution with electric vehicles and focus on renewables.
- Expanding rural industrialisation using modern digital technologies to generate massive employment.
- Clean rivers, safe drinking water to all Indians and efficient use of water through micro-irrigation.
- Besides scaling up of **Sagarmala**, coastline and ocean waters powering India"s development and growth.
- Aim at our space programme **– Gaganyaan**, India becoming the launch-pad of satellites for the World and placing an Indian astronaut into space by 2022.
- Making India self-sufficient in food, exporting to the world to meet their food needs and producing food in the most organic way.
- A healthy India *via* **Ayushman Bharat** with women having equal rights and concern for their safety and empowerment.
- Transforming India into a **Minimum Government Maximum Governance nation** with proactive and responsible bureaucracy.

Recent Tweaks In GST

Syllabus: Government Budgeting

In News

The GST Council in its 32nd meeting took slew of decisions aimed at reducing the tax and compliance burden on small and medium enterprises, including increasing the threshold limit below which companies are exempt from GST, extending the Composition Scheme to small service providers and allowing small companies to file annual returns.

Details Regarding The Council Decision

- ***Exemption limit for GST:*** The Council raised the annual turnover limit under which companies would be exempt from GST to Rs. 40 lakh for most States and Rs. 20 lakh for the North Eastern and hill states, from the earlier limit of Rs. 20 lakh and Rs. 10 lakh, respectively.
- ***Eligibility for composition scheme:*** The Council had decided to extend the Composition Scheme to small service providers with an annual turnover of up to Rs 50 lakh at a tax rate of 6%. Moreover, the companies opting for the Composition Scheme would be allowed to file annual returns and pay taxes quarterly from April 1. The Composition Scheme currently allows companies with an annual turnover of up to Rs. 1 crore to opt for it and file returns on a quarterly basis at a nominal rate of 1%. So far, only manufacturers and traders were eligible for this scheme.

- ***Kerala cess:*** GST Council also decided to allow Kerala to levy a cess of up to 1% for up to two years on intra State supplies to help finance the disaster relief efforts following recent floods in state.

GST Appellate Tribunal

Syllabus: Government Budgeting

In News

- The Union Cabinet approved the creation of a National Bench of the Goods and Services Tax Appellate Tribunal (GSTAT), which would serve as the forum of second appeals to do with the applicability of GST and will also be the first common forum of dispute resolution between the Centre and the States.
- The first appeal against the orders of adjudicating authority shall lie before the appellate authority of the states.
- The National Bench of the Appellate Tribunal, to be situated in New Delhi, and will be presided over by its president. It will consist of a technical member from the Centre and a representative of the States.

Provisions In This Regard

- **Chapter XVIII** of the CGST Act provides for an appeal and review mechanism for dispute resolution under the GST regime.
- **Section 109** of this chapter empowers Centre to constitute, on the recommendation of the GST Council, an appellate tribunal for hearing appeals against orders passed by the Appellate Authority.

Final Analysis

- Being a common forum, GST Appellate Tribunal (national bench) will ensure that there is **uniformity** in redressal of disputes arising under GST and therefore, in implementation of GST across the country.
- Further, the appellate authority is also being seen crucial for being a **forum for higher appeal** for disputes under the indirect tax regime and will also help in resolving the confusion created by contradictory rulings given by **Appellate Authority for Advance Rulings (AAAR)** on the same or similar issues in different states. The industry had been demanding a centralised appellate authority that could reconcile the contradictory verdicts of different AAARs.
- The tax experts also believe that its formation will help prevent any unwarranted delays in future.

Centre's Debt-To-GDP Falls But Of State's Rises

Syllabus: Government Budgeting

In News

- According to the **Status Paper on Government Debt** for 2017-18, the Centre's total debt as a percentage of GDP reduced to **46.5% in 2017-18 from 47.5%** as of March 31, 2014. The total debt of the States, however, has been rising over this period, **to 24% in 2017-18**, and is estimated to be **24.3% in 2018-19**.
- In absolute terms, the Centre's total debt increased from **Rs. 56,69,429 crore** at the end of March 2014 to **Rs. 82,35,178 crore** in 2017-18, representing a 45% increase. The total debt of the States

increased from **Rs. 24,71,270 crore** to **Rs. 40,22,090 crore** over the same period, an increase of almost 63%.

Analysis

Recommendation of NK Singh Committee

The N.K. Singh headed FRBM Review Committee report had recommended the ratio to be **40% for the Centre** and **20% for the States**, respectively, **by 2023**. It said that the 60% consolidated Central and State debt limit was consistent with international best practices, and was an essential parameter to attract a better rating from the credit ratings agencies.

- ***Overall trend:*** While the Centre is moving in the right direction in terms of meeting the N.K. Singh Committee recommendations on Fiscal Responsibility and Budget Management (FRBM), the States are moving in the opposite direction.
- ***Steps by Centre:*** The Central debt has been within control because the government has been trying to stick by and large to the fiscal deficit parameters.
- ***Risk of debt trap:*** The increase in the debt stock at the State level is worrying because they don't have the wherewithal to service the debt if it goes beyond a certain point. They could then start getting into a debt trap situation.
- ***UDAY bonds:*** Outstanding liabilities of States have increased sharply during 2015-16 and 2016-17, following the issuance of UDAY bonds in these two years, which was reflected in an increase in liability GDP ratio from 21.7% at end March 2015 to 23.4% at end March 2016 and further to 23.8% at end March 2017.
- ***Suggested reform:*** The report says that the state governments as a group have exhibited a tendency to hold large cash surpluses/investments in Cash Balance Investment Account on a consistent basis while at the same time resorting to market borrowings to finance their Gross Fiscal Deficit (GFD). This indicates scope for reducing the quantum of market borrowings by State governments in case they bring down their cash surpluses (parked as investment in treasury bills of the Central government).

WTO Members Pushing For New E-Commerce Rules

Syllabus: Changes in industrial policy & their effects on industrial growth.

In News

- Impatient with a lack of World Trade Organization rules on the explosive growth of E-Commerce, 76 members, including the United States, China, the European Union and Japan agreed to start negotiating a new framework. Recently, China, also signalled conditional support for the E-Commerce initiative but said it should also take into account the needs of developing countries.
- E-commerce, has become a huge component of the global economy. A WTO report put the total value of e-commerce in 2016 at **$27.7 trillion**, of which nearly $24 trillion was business to business transactions.
- The **WTO's 164 members** failed to consolidate

some 25 separate E-Commerce proposals at a conference at **Buenos Aires** in December, 2018 including a call to set up a **Central e-commerce negotiating forum**.

Opposite Views

- ***India's stand:*** India did not join the initiative as it believe that the WTO should finish off the stalled but development oriented **'Doha Round'** of talks before moving into new areas.
- ***Developed Countries view:*** The global trade rulebook is rapidly becoming outdated and needs to keep up or become obsolete. A recent study also found that **70 regional trade agreements** already include provisions or chapters on e-commerce.

India As Second Largest Steel Producer

Syllabus: Changes in industrial policy & their effects on industrial growth.

In News

Rank	Country	2018 (Mt)	% chg
1	China	928.3	6.6
2	India	106.5	4.9
3	Japan	104.3	-0.3
4	US	86.7	6.2
5	S Korea	72.5	2.0
6	Russia*	71.7	0.3
7	Germany*	42.4	-2.0
8	Turkey	37.3	-0.6
9	Brazil	34.7	1.1
10	Iran*	25.0	17.7

- According to World Steel Association (worldsteel) India has replaced Japan as world's second largest steel producing country, while China is the largest producer of crude steel accounting for more than 51 per cent of production,.
- India's crude steel production in 2018 was at 106.5 MT, up by 4.9 per cent from 101.5 MT in 2017. While, Japan produced 104.3 MT in 2018, down 0.3 per cent compared to 2017.
- Others in the **top 10 steel producing countries** include the United States at the 4th position as the country produced 86.7 MT of crude steel in 2018, South Korea (72.5 MT, 5th place), Russia (71.7 MT, 6th), Germany (42.4 MT, 7th), Turkey (37.3 MT, 8th), Brazil (34.7 MT, 9th) and Iran (25 MT, 10th).
- World Steel Association (worldsteel) is one of the industry associations in the world. Its members represent around **85 per cent of the world's steel production**, including over 160 steel producers with 9 of the 10 largest steel companies, national and regional steel industry associations and steel research institutes.

NITI Aayog for Liberalising Mineral Mining Policy

Syllabus: Infrastructure: Energy, Ports, Roads, Airports, Railways etc.

In News

- The government is considering liberalising the exploration and licensing regime for mineral exploration in India to attract big ticket private investment in the sector.
- Despite being among the top five globally in industrial minerals, India's import is seven times of its domestic production and there is immense scope to expand exploration.

The Plan

- ***Aim of the Mission:*** The plan includes an Explore in India mission, much on the lines of Skill India, Start-up India and Make in India, for the mining sector to reduce imports and tap India's huge mineral wealth.
- ***Aayog's proposal:*** Niti Aayog has floated the idea for the mining sector with an aim to double the area explored in the country to 20% from 10%, which in turn is expected to create employment for 15 million people by 2022-23 against 10 million currently employed, both directly and indirectly.
- ***Changes in the Policy:*** Aayog has also suggested changes in the exploration and licensing policy to create a level playing field between private sector companies and PSUs with respect to mining

concessions besides rationalising tax structure to facilitating investments in the sector to boost its growth from the current 3% in 2017-18 to an average growth of 8.5% during 2018-23.

- ***Issue of taxes:*** The taxes, royalties and levies amounting to over 65% in India are high compared to global standards, the Aayog has proposed that taxes, royalties and other levies should be capped at a maximum of 40% of the sale value as per global practice to make mining competitive and attractive to foreign direct investment. This, in turn, will help in both export promotion as well as import substitution.
- ***Regulator:*** The Aayog has also suggested that the government reduce rail freight charges for all minerals besides setting up a National Mineral Regulatory Authority.
- ***Other proposal:*** Government should allocate reserved areas through auction route after development of the reserves for bulk minerals like iron ore, bauxite and others. Moreover, the mining companies should be allowed the freedom to co-mine other minerals found in the same mining area.

Power Sector NPAs

Syllabus: Infrastructure: Energy, Ports, Roads, Airports, Railways etc.

In News

The cases of as many as 34 financially stressed power projects, with a capacity of **40 GW** and with bank exposure of over **Rs. 1.8 lakh crore**, are reportedly headed to the National Company Law Tribunal (NCLT) for resolution under the Bankruptcy Code.

Reason For NPAs In Power Sector

- ***Unvaible power tariff:*** Political failure in terms of unviable rate is one of the major reason for weak finances of state utilities and underlies the power sector's problems.
- ***Other reasons:*** The other 3 main reasons for stressed power assets are- missing fuel linkage, absence of power purchase agreements (PPAs) & inability of private promoters to increase equity stakes.

Suggestions

- There is a need for transparency in state power utility finances and regular disclosure of quarterly results. Concurrently, the main reasons for stressed assets need to be identified and prompt follow-through action taken.
- The Union power minister move to mandate prepaid meters for power connections, to address rampant revenue leakage is a welcome initiative.
- In tandem, asset reconstruction companies, including agencies like the Power Finance Corporation, need to be purposefully roped in to finance operations and maintenance at the stressed plants.
- Thus, the above steps need to be implemented these for sustainable resolution of insolvency in power. Mere sale of assets will achieve little.

Resolving The Issue Of Shortage Of Coal

Syllabus: Infrastructure: Energy, Ports, Roads, Airports, Railways etc.

In News

Despite India sitting on **300 billion tonnes** of coal reserves, it has been facing perennially shortage of coal due to various issues.

Implication Of Coal Shortage

- ***Increase in import:*** Due to the issue of coal shortage the import of coal has grown from 21.7 million tonnes in 2006 to 131.3 million tonnes in 2014.
- ***Foreign exchange outgo:*** Import of coal substantially leads to large foreign exchange outgo that further adds to balance of payment crisis.
- ***Inventory with power plant:*** The thermal power plants now have an average inventory of coal for not more than 20 days.
- ***Load shedding:*** There is also a classical case of inventory mismanagement by both Coal India and the power plants. This has also lead to load shedding by the discoms.

Solutions

- There is a need to find the cause for poor coal production such as, those relating to land acquisition, environment, forest clearances, connectivity of the coal bearing areas and shortage of railway rakes to transport coal. Such issues need to be resolved on priority basis.
- Further, planning for ramping up coal production be undertaken in consultation with stakeholders that includes those involved in mining of coal at the ground level. The states, too, need to be involved.
- There is also a need for **prediction of demand swings**. This would help both coal producers and consumers to react faster and recalibrate their actions appropriately.
- Further, as suggested by the **NITI Aayog** there is also a need for splitting up of Coal India subsidiaries into independent companies for improving efficiency.

Guwahati To Get International Flights Under UDAN Scheme

Syllabus: Infrastructure: Energy, Ports, Roads, Airports, Railways etc.

In News

- With the Centre finalising bids for the Guwahati-Dhaka and Guwahati-Bangkok routes, Assam's capital is likely to be the first city to be connected internationally under the Ude Desh ka Aam Nagarik (UDAN) scheme.
- Under the UDAN scheme for affordable international connectivity, Assam government is likely to provide a subsidy of Rs 2,370 and Rs 4,400 for a certain number of seats on the flights operating on the Guwahati-Dhaka and Guwahati-Bangkok routes, respectively.
- Assam government has also proposed subsidised international connectivity under UDAN scheme from Guwahati to six destinations *i.e.* Singapore, Dhaka, Yangon, Kathmandu, Kuala Lumpur and Bangkok.

About International UDAN Scheme

- Under international version of the UDAN scheme, the subsidy will come from the States and not the Central government.
- Moreover, in contrast to the domestic UDAN scheme, no airline company will be given any exclusivity over any route.

Issue Of Fishery Subsidies At WTO

Syllabus: Issues related to direct and indirect farm subsidies and minimum support prices

In News

- India and China have demanded protection of livelihood of small fisherfolk at the World Trade Organization (WTO) but the US has cautioned against allowing developing countries to continue with their sops as negotiations on curbing fishery subsidies picked up pace.
- At the Ministerial Conference of WTO in Buenos Aires in December 2018, members agreed to work towards adopting an agreement on disciplines that prohibit subsidies that contribute to overcapacity and overfishing and eliminate subsidies that contribute to illegal, unreported and unregulated fishing by the next Ministerial Conference in 2019.

Analysis of country positions on WTO fisheries subsidies negotiations

Champions	On the right tracks	Needs to do much better	Bad
NEW ZEALAND	BRAZIL	CHINA	INDIA → Blocked the negotiation. Opposed everything, including language on subsidies provided to IUU fishing.
NORWAY	SENEGAL	RUSSIA	
EUROPEAN UNION	THAILAND	USA	
ICELAND	JAPAN	KOREA	
PAKISTAN	INDONESIA	BANGLADESH	
CANADA		GUATEMALA	
African, Caribbean and Pacific Group of States (ACP)		SRI LANKA	
Least-Developed Countries (LDCs)		PHILIPPINES	
Latin American Country group (LAC) ARGENTINA, COSTA RICA, COLOMBIA, PANAMA, PERU, URUGUAY			

Rival Contentions

- ***USA contention:*** The US, in its representation, said **14 of the top 25 marine catch producers** in the world were developing countries and one least-developed country. Thus, there is a need to carefully think about providing exemptions to developing countries from provisions to discipline how much subsidies they provide their fisheries sector.
- ***Problem of over fishing:*** The discussions on curbing fishery subsidies is led by an informal grouping of members called **'Friends of Fish'** (including Argentina, Australia, Chile, Colombia, New Zealand, Norway, Iceland, Pakistan, Peru and the US) which argues that subsidies to the fisheries sector estimated at $14-20.5 billion annually have led to over capacity and over fishing.
- ***India's contention:*** While India emphasised that a WTO agreement should consider needs of marginal fisherfolk. India provides minimal subsidies to fisherfolk who depend on the sector for sustenance.
- ***Very less subsidies:*** India also stress that it provides minimal subsidies to its fishers and should therefore be not subject to caps on subsidies. China, which too qualify for special dispensation extended to developing countries, gives subsidies to its fishers several times more than India.

KALIA Scheme

Syllabus: Issues related to direct and indirect farm subsidies and minimum support prices

In News

Among a number of farmer specific schemes, announced or planned, across the country, the ***Odisha government*** has come up with a support scheme whose primary targets are small farmers, cultivators and landless agricultural labourers.

About The Scheme

- ***Introduction:*** Called Krushak Assistance for Livelihood and Income Augmentation (KALIA), the scheme involves payments to encourage cultivation and associated activities.
- ***Aim:*** Under the scheme, Rs 10,180 crore will be spent over three years until 2020-21 in providing financial assistance to cultivators and landless agricultural labourers.
- ***Assistance:*** All farmers will be provided Rs 10,000 per family as assistance for cultivation. Each family will get Rs 5,000 separately in the kharif and rabi seasons, for five cropping seasons between 2018-19 and 2021-22.
- ***Other features:*** The KALIA scheme includes a life insurance cover of Rs 2 lakh and additional personal accident coverage of the same amount for 57 lakh households. Crop loans up to Rs 50,000 are interest-free.

Farm Loan Waiver

Syllabus: Storage, transport and marketing of agricultural produce and issues and related constraints

In News

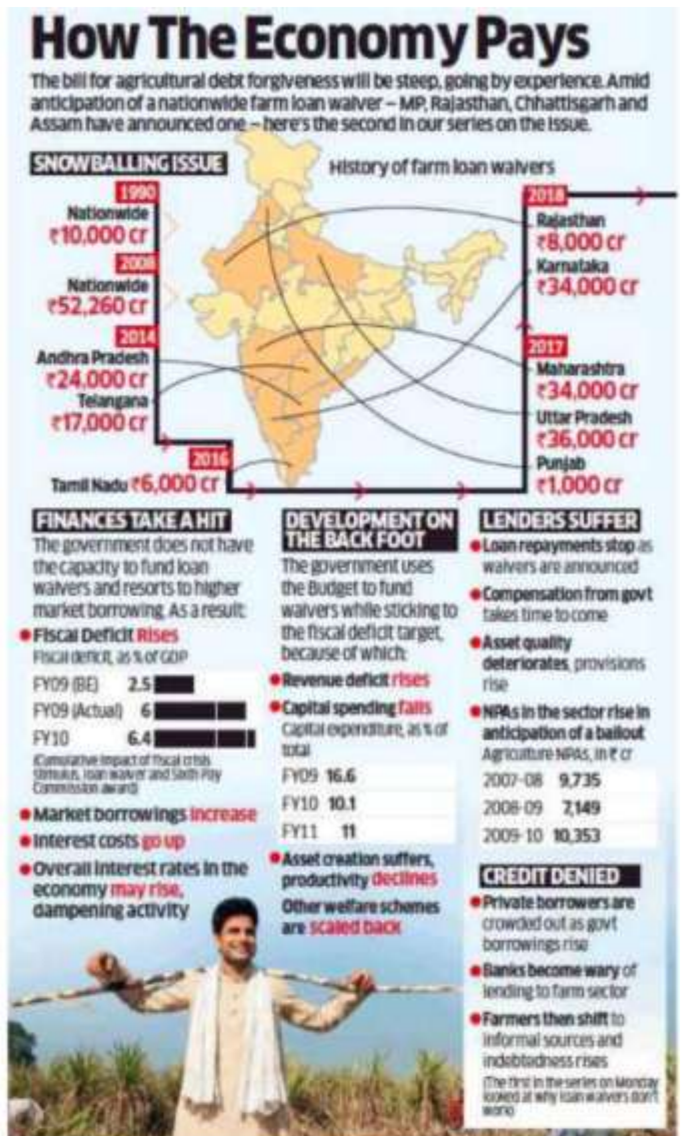
- After the recent Assembly elections, the new governments in Rajasthan, Madhya Pradesh and Chhattisgarh announced farm loan waivers, a key promise. Last year, Uttar Pradesh, Maharashtra, Karnataka and Tamil Nadu announced waivers as farmers were in distress.
- According to the **NABARD survey (2016-17),** 52.5% of agricultural households are indebted and the non-institutional credit still hovers around 40%.

Reason For Farm Loan Waiver

- ***Overall issue:*** The rising pressure of population on land and agriculture, besides sluggishness in the shifting of workforce away from agriculture, has adversely affected small and marginal farmers.
- ***Suicide among farmers:*** Rising costs, drop in income and increasing incidence of indebtedness among small and marginal farmers manifested in a spate of suicides over the years.

Negative Impact

- ***Does not benefit all farmers:*** The number of farmers who avail themselves of institutional loans are very limited. Thus, even after loan waivers not even half the farmers are benefiting. In some of the States, *not even*



25% of farmers get loans from institutional sources.

- ***Bad loans:*** The loan waivers disrupt the credit cycle that leads to very high bad loan ratio, which cripples the fiscal health.
- ***Reduced credit flow:*** Increased default of farm loans further reduces flow of credit to farmers, making them more reliant on informal sources.
- ***Investment in agriculture falls:*** With loan waivers, capital investment takes a back seat, leading to fall in asset creation (irrigation, markets, power, etc) that is crucial for sustainability of the agriculture sector.
- ***Reduced Capex:*** Farm loan waivers will adversely impact the combined state government fiscal deficit and capital expenditure *i.e.* spending on projects. Thus, during periods of fiscal adjustment due to farm loan waivers, capex may become a soft target for deficit control.
- ***Misuse of loan waiver:*** NITI Aayog study has also highlighted the fact that in some States, about three-fourths of the farm loans were being used for consumption instead of meeting agricultural needs.
- ***Vicious cycle:*** There are also apprehensions of a rise in loan defaults spreading to other states as expectations rise for such a waiver there as well.

Conclusion

Loan waiver is only a **stop-gap arrangement**. Until policies are not tweaked in favour of farmers to address their risks related to production, weather-disaster, price, credit and market, the loan waiver will become a periodical instrument for temporary relief. Thus, there is a need for long term solution to this problem.

Agriculture Export Policy

Syllabus: Storage, transport and marketing of agricultural produce and issues and related constraints

In News

The Union Cabinet has approved the Agriculture Export Policy, 2018. India's share in global exports of agriculture products rose to 2.2% in 2016 from 1% a few years ago. It is currently ranked ninth among exporters globally.

Feature Of The Policy

- ***Export target:*** The new trade policy for agriculture aims to double India's farm exports to more than $60 billion by 2022.
- ***Removal of export restriction:*** The government has also decided to remove export restrictions on most organic and processed agricultural products, barring commodities other than those identified as essential from the food security perspective such as onions.
- ***Monitoring framework:*** The Policy has also approved a proposal to establish a monitoring framework to oversee the implementation of the agriculture export policy. ***Monitoring of prices:*** The government will also keep a check on the movement of price and supply sensitive commodities through periodic reviews on a case-to-case basis.
- ***Diversifying:*** The policy seeks to diversify the country's export basket and destinations, by boosting high value and value added agricultural exports, including perishables.
- ***Branding:*** Better branding would be undertaken under the policy to promote exports.

- ***Focus area:*** The emphasis would also be on promoting export of novel, indigenous, organic, ethnic, traditional and non-traditional agri products.
- ***Infrastructure:*** The government would seek to provide infrastructure and logistics support to exporters. On the infrastructure front, the government would identify ports that will handle agri exports. There will also be focus on clusterbased models and efforts would be made to attract private investments into production and processing.
- ***APMC:*** The States would be urged to amend their Agricultural Produce Market Committee Acts and remove mandi taxes applicable on export-oriented goods.
- ***Institutional mechanism:*** The Policy also plans to provide an institutional mechanism that would pursue market access, tackle barriers and deal with sanitary and phytosanitary issues that come up from time to time.
- ***Nodal Ministry:*** With the Ministry of Commerce as the nodal department, it will have representation from various line Ministries/Departments, agencies and State governments concerned.

Impact

- ***Doubling income:*** The policy is in line with the government's promise to double farmers' income by

2022.

- ***Benefit farmers:*** The new policy measures such as support for infrastructure and logistics, focus on clusters and greater involvement of state governments will open new avenues for investment, apart from ensuring remunerative rates for farmers.
- ***Predictibility:*** Till date, India's agriculture exports were more opportunistic or accidental in nature without proper policy backup. With the new policy measures, there will be better predictability for exports of agri and agri-based produces.

Way Forward

Agri export policy must be in sync with the domestic agriculture policy. While increase in the minimum support price of agri commodities is very much required but it also need to consider that it makes India's agri export less competitive in the global marketplace.