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1. Government of India has extended Interest Equalisation System (March 11, 2022)

To boost the export from the country ,the government of India has extended the “**Interest Equalisation Scheme for Pre and Post Shipment Rupee Export Credit (‘Scheme’)**” up to **March 31, 2024** or till further review, whichever is earlier. The extension takes effect from October 1, 2021 and ends on March 31, 2024.

- The scheme was announced by the government of India in April **2015** and has been extended from time to time.
- Under the scheme the interest equalisation rates for the large Micro Small and Medium Enterprises (MSME) manufacturers and exporters under any Harmonized System (HS) will be 3% and two per cent for manufacturer exporters and merchant exporters exporting under 410 HS lines (after excluding 6 HS lines of the telecom sector).

What is the Interest Equalisation scheme

The scheme includes both Interest subsidy and reimbursement.

How it works

- Banks in India have the power to decide the interest rates on loans .
- Suppose SBI loan rate is 9% and it provides loans to the eligible exporters at 9 % interest rates . Suppose the exporters come under a 3% interest equalisation scheme. Then the banks will provide the loan at 9% and later will credit the subsidy amount of 3% in the exporter accounts.
- Effectively the exporter gets the loan at 6%. Here the interest subsidy is 3%.
- Then the SBI will approach the Government of India with proper documents and claim the interest subsidy of 3% from the government . The government will reimburse the SBI . Thus the bank will get its money with no loss and the exporter will get a loan at a cheaper rate which will help in boosting exports from India .
- **The export target for merchandise export for 2021-22 is \$400 billion.**

Post and Pre shipment Credit

- Loan Or credit provided to the exporter can be divided into Pre-shipment and Post-Shipment.

Pre shipment credit

- As the name suggests it is given to the exporter for meeting its export requirement before shipping the exported goods .
- Suppose ABC company gets a Rs 1000 order to export chairs to a United States company . The ABC company will need money to buy the raw materials to make the chair which is to be exported . It will approach a bank with the export order and ask for a loan for this

purpose . The bank, after being satisfied, can provide it a loan so that it is able to fulfil its export order .

- This loan is called Pre -shipment credit .

Post -Shipment Credit

- The ABC company ships the chairs and after that it will receive the money from the American importer. It will take time. But the ABC company needs money for its business now. Here the ABC company will approach the bank and show it a receipt from the customs that it has shipped \$100 worth of chairs to an American and ask for a loan from the bank.
- The bank, after being satisfied, can give a loan to ABC Company so that it can continue its business and the company will return the loan after it receives the money from the American.
- This is called Post-Shipment credit .

2. Axis Bank launches a co branded credit card with Airtel (March 8, 2022)

Indian private bank Axis bank has launched a co-branded credit card for the customers of the second largest telecom company in India,Airtel.

- Airtel being a telecom company cannot issue credit cards on its own .
- Only banks in India regulated by the Reserve Bank of India can issue credit cards in India .

Important for Exam

Axis Bank : It started its business as UTI bank in 1993. It's name was changed to Axis Bank in 2007.

Headquarters of Axis Bank : **Mumbai, Maharashtra**

Managing Director and Chief Executive Officer : **Amitabh Chaudhary.**

3. Impact of Russian-Ukrainian war on Diamond Industry in India (March 7, 2022)

The Russian Invasion of Ukraine and the resultant sanctions by the western countries led by the United States on Russia has created uncertainty in the diamond sector in India.

- India is one of the centres of global diamond trade and around 90% of rough diamonds in the world are cut and polished in India, especially in the Gujarati city of Surat.
- India is the largest exporter of cut and polished diamonds in the world. During the April to January 2021-22 period the export of cut and polished diamond was \$20.06 billion which is around 6% of the total merchandise export from India.
- India is totally dependent on imported diamonds and it imported \$14.83billion of rough diamonds during the April to January 2021-22 period.

- The major supplier of the diamond to India is the world's largest diamond company, Alrosa of Russia which contributes to around 30% of world's natural production.
- Major banks of Russia have been banned from the SWIFT (Society for Worldwide International Financial Telecommunication) financial messaging system for international payment. This has created a problem of payment by the Indian importers to Russia as payment and settlement in American dollars and Euro is becoming virtually impossible.
- This is likely to create a major problem for the diamond industry in India which creates lakhs of jobs in India.

Fact About Diamond

- Top producer of rough diamonds in the world
- The largest producer of natural diamond in the world is Russia followed by Botswana and Congo (2016 Data). These three companies control over 60% of the world's natural diamond production.
- The world's largest diamond trading companies are Alrosa of Russia followed by De Beers of Luxembourg and Rio Tinto company of Australia and Britain.

4. Wheat and Maize export opportunity for India (March 5, 2022)

Demand for India wheat and maize (corn) has increased in the world after the Russian -Ukraine war . Maize or Corn is the largest produced grain in the world and wheat is the second largest produced grain in the world .

- The largest exporter of wheat in the world was Russia and Ukraine was the fifth largest exporter of wheat in the world after the US ,Canada and France in 2019.Together they contribute about 25% of world wheat exports.
- Corn which is the largest produced grain in the world . **It is also called the Queen of cereals** because it has the highest genetic yield potential among the cereals.
- The biggest exporter of maize in the world was the United State followed by Argentina,Brazil,Ukraine and France in 2019.
- The contribution of Ukraine was 13.4% of the total export in the world. The Odessa port of Ukraine has stopped its operation after the war and the supplies have come to a halt.
- Western Europe, Turkey, Philippines are some of the largest buyers of Russian and Ukrainian wheats

Opportunity to boost Indian wheat export

- India is likely to benefit from this situation . The Food Corporation of India has a buffer stock of about 26million tonnes of wheat stock against the mandatory requirement of 4.4 million ton of buffer stock and 3 million tonnes of strategic reserves .
- Also wheat production in India is expected to be around 111.32 million tonnes this year.
- India has enough stock to export. In Asia India only has an exportable wheat stock India is receiving enquiries from Asia, North Africa, for import of wheat .India also enjoys

logistics advantage as it is nearer to some of the prospective buyers like Thailand, Egypt Etc. The cost of shipment is less as compared to the United States of America .

Fact File wheat

Largest producer of wheat in the world in 2020

- China was the largest producer of wheat in the world followed by India, Russia. United States of America and Canada .
- The largest producer of Wheat in India is Uttar Pradesh, Madhya Pradesh and Punjab(Source Economic Survey 2021-22)
- Egypt is the Largest importer of Wheat in the world .

Export of wheat :The country has exported 20,88,487.66 MT of wheat to the world for the worth of \$ 549.70 million during the year of 2020-21.

Major Export Destinations (2020-21) : Bangladesh, Nepal, United Arab Emirates Sri Lanka, Yemen.

(Source : Agricultural and Processed Food Products Export Development Authority)

Fact File Maize

- The largest producer of maize in the world is the United States followed by China, Brazil . India is the sixth largest producer of India .
- The largest producer of maize in India is Karnataka followed by Madhya Pradesh and Maharashtra .
- In India, maize is the third most important food crops after rice and wheat

Exports : The total export of maize from India in 2020-21 was 28,79,202.93 million tonnes worth \$ 634.85 million .

Destination of Indian Maize Export : Bangladesh, Vietnam, Nepal, Malaysia, Myanmar .

(Source : Agricultural and Processed Food Products Export Development Authority)

5. Impact of Russian-Ukrainian Conflict on Fertiliser Sector (March 3, 2022)

The Russian invasion of Ukraine on 24 February 2022 will have a negative and positive impact on the Indian economy. The western countries led by the United States have imposed a series of sanctions on Russian companies and banks to punish Russia. Certain Russian banks have been de-linked for the international financing messaging system SWIFT (Society for Worldwide Interbank Financial Telecommunication).

We will try to analyse sector wise impact on the Indian economy. Lets us examine the impact of the war on the fertiliser sectors

Fertiliser sector

- India is not self-sufficient in the production of various fertilisers used in agriculture sectors. India imports Urea, diammonium phosphate (DAP), muriate of Potash(MOP).
- India imports all its requirements of 5 million tonnes of MOP of which 18% comes from Belarus. Western countries have imposed sanctions on Belarus for allowing Russia to use its area for staging attacks on Ukraine. The supply from Belarus is likely to be disrupted.
- India meets its 25% of urea requirement through import. India imports around 10% of its annual urea requirement from Ukraine.
- DAP is mostly imported in India. Indian companies already have an import deal for 400,000 tonnes of DAP with Russian company Phosagro. It seems unlikely that the contracted fertiliser will reach India soon.
- Russia is a major supplier of natural gas in the world which is a key raw material for the production of fertilisers. Natural gas accounts for around 75 to 80% of the urea produced in India.
- So far the western countries have not imposed sanctions on the Russian oil and gas sector but if that policy changes then the prices of the natural gas will jump significantly making the fertilisers more costly.
- Russia is the world's largest producer of nitrogen and second largest producer of potash and third largest exporter of phosphate in the world.
- With the disruption in the supply chain and jump in the prices of natural gas, the prices of fertilisers have almost doubled in the international markets.

Implications for India

Agricultural sector, which employs about 43 per cent of the country's workforce and accounts for 18.8 percent of (2021-22) in Gross Value Added (GVA) of the country, will suffer.

- The rise in prices of fertilisers and its shortage will adversely affect the production of foodgrains. It will lead to the drop in the production of foodgrains which will further the food inflation in India.
- Food inflation will lead to increasing poverty and inequality in the country especially in the rural areas.
- Fertilisers are normally subsidised in India and with the rising cost of imported fertilisers the government will have to increase the subsidy on fertilizers. In 2020-21, the government spent Rs 127,921.74 crore on fertilisers subsidy and for 2022-23 it has provided Rs Rs 79,529.68 crore as subsidy.
- The increase in the subsidy bill will increase the government deficit leading to higher inflation.
- The Indian economy, according to RBI, is expected to grow by 7.8% in 2022-23 will face a considerable challenge.

6. SWIFT link between Indian and Russian banks snapped (March 2, 2022)

The transaction link between the Russian and the Indian banks has come to a halt after some of the key Russian banks were expelled from the SWIFT (Society for Worldwide Interbank Financial Telecommunication) network.

- SWIFT is an international body which provides messaging facilities between its member banks and financial institutions for International financial transactions.
- The decision to de-link the Russian banks from the SWIFT was taken by the western countries led by the United States of America to protest the Russian President's decision to invade Ukraine and to punish the Russians for it.
- The Russian financial system has been targeted by the western countries by imposing sanctions on Russian banks, the Central Bank of Russian Federation so as to cripple Russian ability's to wage war .

Impact on India

- Since most of the international trade is settled in American dollars the role of the American banks are crucial in settling the trade. After the imposition of the sanction by the American government on Russian banks and companies the American banks cannot participate in settling the international trade which is settled in American dollars. It will be virtually impossible for the Indian importers or exporters to pay or receive money from the Russian. It will virtually halt trade between India and Russia.
- India is a major importer of oil, coal, potash, defence equipment from Russia.

Indian Russia Trade and problem areas

- Russia is the 32nd largest export destination of India and it was the 20th largest import destination of India. In 2020-21 the total trade between the two countries was \$ 8.1 billion. Indian exports were \$2.6 billion and imports were \$ 5.48 billion.
- India's share of exports to Russia as a proportion of its total exports is 0.8%, while India's imports from Russia constitute 1.5% of its total imports. (Source ministry of commerce and Industry).

Likely sector to be impacted due to war and sanctions

Edible oils

- India imports 70% of its sunflower oil from Ukraine and 20% from Russia. Any supply disruption will lead to price rise in India.

Fertilisers

- Russia is the world's largest producer of nitrogen and second largest producer of potash and third largest exporter of phosphate in the world. Nitrogen, Potash and Phosphate are used in making fertilisers.
- India is one of the biggest importers of fertilisers in the world and it is totally dependent on import for phosphatic fertilisers. Any disruption of supplies from Russia will have a very negative effect on Indian agriculture.

Crude Oil

- Russia is a leading exporter of oil and gas in the world and India imports a substantial quantity of oil from Russia.

Coking Coal

- Russia is a major supplier of coking coal which is used in the production of steels. In October 2021 Indian and Russian signed an agreement for collaboration in the steel and mining sector with focus on importing Russian coking coal.

SWIFT

- Society for Worldwide International Financial Telecommunication was set up by 239 banks from 15 countries in Belgium. It went live in 1977 .At present it is present in all the continents with 200 plus countries and territories and more than 10,500 institutions as its client.

Function

- It provides instant communication between the networked member banks for cross-border international fund transfer. The communication is secured and standardised.
- Its headquarters : **La Hulpe, Belgium.**

For a detailed and clear understanding of SWIFT Kindly see our blog on SWIFT

7. Narayan Rane inaugurates KONBAC-SFURTI Bamboo Cluster at Kudal (Feb. 26, 2022)

Union Minister for Micro, Small & Medium Enterprises (MSME), Shri Narayan Rane inaugurated the KONBAC SFURTI (Konkan Bamboo and Cane Development Centre - Scheme of Fund for Regeneration of Traditional Industries) bamboo cluster at **Kudal**, Sindhudurg on 25 February 2022. The cluster will support 300 artisans.

The Ministry of MSME has released Rs 1.45 crore for setting up of the cluster.

Konkan Bamboo and Cane Development Centre - Scheme of Fund for Regeneration of Traditional Industries (KONBAC)

It is an independent non-profit organisation which has developed into a self-sustaining institutional ecosystem and has a fully developed facility for designing, prototyping and producing premium bamboo products for Indian and international markets.

It has in place mechanisms to link poor bamboo producers to larger lucrative markets and has already emerged as a model that is being emulated elsewhere in India and overseas.

Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

It was launched by the Ministry of Micro Small and Medium Enterprises in 2005 to promote Cluster development.

- Khadi and Village Industries Commission (KVIC) is the nodal Agency for promotion of Cluster development for Khadi.
- The scheme organises traditional industries and artisans into clusters to make them competitive and provide support for their long term sustainability. It also aims to provide sustained employment for traditional Industry artisans and rural entrepreneurs.

Bamboo

Is Bamboo a Tree?

The Indian Forest act 1927 considered bamboo as a tree. It meant that people couldn't cut or transport bamboo as it was under the control of the forest department. It was considered illegal.

The act was amended in 2017 and bamboo was classified as **grass**. It means that bamboos which are grown in non forest areas can be cut and transported without the permission of the forest department .

Scientifically also Bamboo is not a tree but a type of grass.

Fact file Bamboo

China is the largest producer of Bamboo in the world and India is the second largest producer of Bamboo in the world .

State having maximum Bamboo bearing area

Total bamboo bearing area in India (15 million hectare)

Madhya Pradesh 1.84 million hectare

Arunachal Pradesh 1.57 million hectare

Maharashtra 1.35 million hectare

Odisha 1.12 million hectare

Source : **Indian State of Forest Report 2021.**

8. JICA assistance to Pune river cleanup project (Feb. 23, 2022)

Japan International Cooperation Agency (JICA) has approved the tendering process for a Rs 1,000-crore project for cleaning up Pune's rivers, **Mula, Mutha and Mula-Mutha** (confluence of both rivers). The project to clean up the mula-mutha has been delayed due to issues of land acquisition and objection to the project.

- The Mula and Mutha rivers are heavily polluted with the city's sewage being dumped into the rivers.
- The project aims at improving the water quality by augmenting sewage collection systems and sewage treatment facilities in Pune Municipal Corporation (PMC) area.

- The funding would go in for construction of sewer lines, pumping stations and treatment plants for treatment of the sewage before its discharge into the Mula, Mutha and Mula-Mutha rivers.

Japan International Cooperation Agency (JICA)

It is an agency of the Japanese government . The Japanese government provides most of its Official Development Assistance (ODA) to the developing countries through JICA

Its Headquarters : Tokyo

9. 25th FSDC meeting held at Mumbai (Feb. 22, 2022)

The 25th meeting of the Financial Stability and Development Council (FSDC) was held in Mumbai on 22 February 2022, under the Chairpersonship of Union Finance Minister Smt. Nirmala Sitharaman.

The Council discussed measures required for further development of the financial sector and to achieve inclusive economic growth with macroeconomic stability.

The 25th FSDC meeting was also attended by

- Dr. Bhagwat Kishanrao Karad, Minister of State ,Finance;
- Shaktikanta Das, Governor, Reserve Bank of India;
- Dr. T. V. Somanathan, Finance Secretary and Expenditure Secretary;
- Ajay Seth, Economic Affairs Secretary;
- Tarun Bajaj, Revenue Secretary;
- Sanjay Malhotra, Financial Services Secretary;
- Ajay Prakash Sawhney, Secretary, Ministry of Electronics and Information Technology;
- Shri Rajesh Verma, Secretary, Ministry of Corporate Affairs;
- Dr. V. Anantha Nageswaran, Chief Economic Adviser, Ministry of Finance;
- Ajay Tyagi, Chairperson, Securities and Exchange Board of India;
- Supratim Bandyopadhyay, Chairperson, Pension Fund Regulatory and Development Authority;
- Injeti Srinivas, Chairperson, International Financial Services Centers Authority;
- Mrs. T. L. Alamelu, Member, Insurance and Regulatory Development Authority of India; and the Secretary of the FSDC, Department of Economic Affairs, Ministry of Finance.

Financial Stability and Development Council (FSDC)

It was set up on the recommendation of the Raghu Ram Rajan committee on “ Financial Sector Reform”.

FSDC was set up by the Government of India in 2010.

Aim of the FSDC

It was set up to strengthen and institutionalize the mechanism for maintaining financial stability, enhancing inter-regulatory coordination and promoting financial sector development.

The Chairman of the FSDC is the Finance Minister

Who are the members of the FSDC ?

Ministers, Secretaries of the Government of India, Chief of the financial sector regulators and Chief Economic Advisor are the members of the FSDC.

They are as follows

- Minister of State , Ministry of Finance,
- Insurance sector regulator : IRDAI (Insurance and Regulatory Authority of India), Chairman
- Banks regulator: RBI(Reserve Bank of India) Governor
- Capital Market regulator: SEBI(Securities Exchange Board of India),Chairman
- Pension Market regulator: PFRDA(Pension Fund and Regulatory Development Authority of India),Chairman
- Regulator of IFSC(International Financial Service Center): International Financial Services Centers Authority, Chairperson .

Secretary , Government of India

- Finance Secretary and Expenditure Secretary; Ministry of Finance
- Economic Affairs Secretary; Ministry of Finance
- Revenue Secretary; Ministry of Finance
- Financial Services Secretary; Ministry of Finance
- Secretary, Ministry of Electronics and Information Technology;
- Secretary , Ministry of Corporate Affairs;
- Secretary of the FSDC, Department of Economic Affairs, Ministry of Finance.

And the Chief Economic Advisor, Ministry of Finance .

Function of the FSDC

The Council monitors macro prudential supervision of the economy, including functioning of large financial conglomerates, and addresses inter-regulatory coordination and financial sector development issues.

It also focuses on financial literacy and financial inclusion.

Sub-Committee of FSDC

The FSDC Sub-committee has also been set up under the chairmanship of Governor, RBI.

All the members of the FSDC are also members of the Sub-committee.

All four Deputy Governors of the RBI are also members of the Sub Committee.

Note

IRDAI Chairperson : **Subhash Chandra Khuntia. He was not present in the meeting.**

Important Full Form for the Exam:

FSDC : Financial Stability and Development Council;

IRDAI : Insurance and Regulatory Authority of India;

IFSC : International Financial Service Centre;

PFRDA : Pension Fund and Regulatory Development Authority of India

10. Cairn Vedanta Discover oil in Rajasthan (Feb. 22, 2022)

Cairn oil and Gas company announced

on 21 February 2022 that it has discovered fresh crude oil in the Barmer oil block of Rajasthan.

The oil well has been named "**Durga**".

- The block is one of the 41 areas that the company had won in the first round of the open acreage licensing policy (OALP) bid round in October 2018.
- Cairns Oil and Gas is a subsidiary of Vedanta limited.
- Cairn Oil & Gas is the largest private sector producer of crude oil in India, currently producing oil from oil fields in Rajasthan, Andhra Pradesh and Gujarat.
- **Mangala, Bhagyam and Aishwariya fields**, the three major discoveries in the Rajasthan block, cumulatively have hydrocarbon reserves of approximately 2.2 billion barrels of oil equivalent.

Fact files Oil

- Edwin L. Drake drilled the world's first oil well in 1859 at Titusville, Pennsylvania, USA, in 1866,

- The first oil well to be dug in India was at Digboi field in Assam in September 1889-1890 by Assam Railways and Trading Company Limited registered in London.
- In 1901, Asia's first oil refinery was set up at Digboi, Assam. It is still functional and the world's oldest operating refinery.
- The first oil discovery in independent India was made in 1953 in Naharkatia and then in Moran in 1956 both in Upper Assam.
- Within a year of being formed, Oil and Natural Gas Corporation (ONGC) discovered oil at Cambay (Gujarat), the giant Ankleshwar field in the state of Gujarat in 1960, Kalol (Gujarat) in 1961, Lakwa (Assam) in 1964, Geleki (Assam) in 1968.
- However, the biggest discovery of oil in India was made by ONGC in Mumbai High in 1974. It is an offshore oilfield 176 km off the west coast of Mumbai, in the Gulf of Cambay region of India, in about 75 m of water.

Source : Directorate General of Hydrocarbons (Ministry of Petroleum and Natural Gas, Government of India)