

08 FEBRUARY 2019

1. RBI cuts rates, shifts focus to backing growth

Repo rate reduced by 25 basis points; EMIs to come down

The Reserve Bank of India (RBI) cut the policy repo rate by 25 basis points to 6.25% in a bid to revive economic growth as it projected retail inflation to remain below its target of 4% for the next 12 months. The rate reduction was the first since August 2017.

The RBI also simultaneously changed the stance of the policy to 'neutral' from 'calibrated tightening', which indicates that the central bank remains ready to move in either direction based on incoming data.

The move will enable banks to lower their lending rates. While all six members of the monetary policy committee voted in favour of a change in the stance, the vote for a rate reduction saw two members breaking with the majority view by backing the status quo. While some market participants had factored in a rate cut, there was near unanimity that the RBI would shift its stance given the softening inflation.

this is the first time since the MPC was set up in October 2016 that the Governor and the Deputy Governor voted differently.

Note: The acceleration in consumer price inflation in December was the slowest in 18 months.

Prelims Prespect:

- 1.About MPC
- 2.Monetary policy tools and their current values
- 3.Types of inflation and their conditions

2. Remove illegal power lines in Kawal tiger reserve: HC

Exhorting all government wings concerned to make concerted efforts for wildlife conservation, Telangana High Court passed a slew of directions including removal of all unauthorised power lines in **Kawal Tiger Reserve** which is spread over northern parts of the State.

A Division Bench directed the government to enforce all laws vigorously to ensure tigers and other animals were protected in Kawal reserve and elsewhere in the State.

Stepping on the gas

In his maiden monetary policy review, RBI Governor Shaktikanta Das announced a surprise 25 bps lending rate cut

- The rate cut follows tempered expectation on inflation
- Stance of policy changed to 'neutral' from 'calibrated tightening'

- CPI inflation expected at 2.8% In Q4 of FY19, 3.2-3.4% in H1 of FY20 and 3.9% in Q3 of FY20

- This is the first time since since October 2016, when the Monetary Policy Committee was born, that a Governor and Deputy Governor have voted differently

Note



The CJ instructed Telangana State Northern Power Distribution Company Limited officials to immediately remove all such connections in the tiger reserve. He also instructed them to use aerial bundled (AB) cables for better insulation of power lines in forest areas.

Unified command

An unified command be created, assigning the responsibility of saving tigers to one field officer for better management. The Bench said the State forest officials can take help of National Tiger Conservation Authority for any technical or financial support.

Assistant Solicitor General K. Lakshman said the Centre was ready to extend financial and technical support to the State for saving tigers. Already, the Centre has sanctioned funds and consented to give firearms to forest officials. The officials presented to the Bench that separate Special Tiger Protection Forces for Amrabad and Kawal reserves were being created. Members of these forces would be provided with firearms.

Special committee

The Bench directed that a special committee be constituted with officials from Forest, Excise, Police and Electricity wings to inspect forest areas and suggest measures for conservation of flora and fauna. It instructed them to file separate affidavits within three weeks on the matter.

A series of successful initiatives taken up in different parts of the country to check tiger poaching, example authorities in Kanha tiger reserve in Madhya Pradesh using drones for keeping an eye on the movements of poachers.

Prelims Prespect:

1. Refer all the Tiger Reserves in India. (Refer previous news for the Map)
2. Frequently, the news about tiger is seen in news because 2018 is the census year.

3. Only 50% of PAN linked to Aadhaar

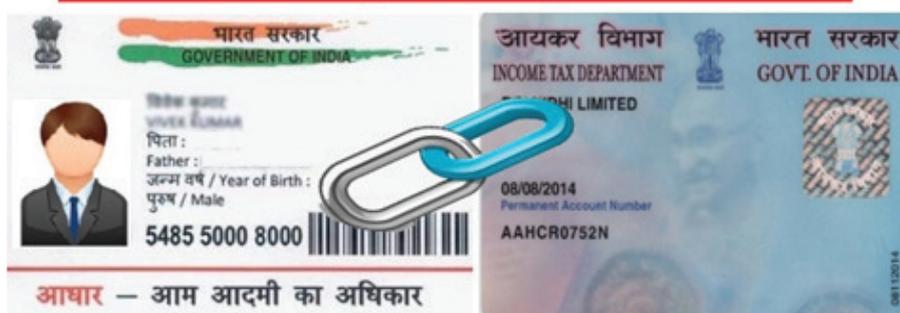
With less than two months to go for the deadline to link Permanent Account Number (PAN) and Aadhaar, only a little more than half of PAN holders have linked them, (Central Board of Direct Taxes)

Only 23 crore of the total 42 crore PAN holders have linked them.

The government could even cancel the PAN cards that were not Aadhaar-linked after the deadline of March 31, 2019.

Note

Aadhar Linking/Seeding To PAN Card



By linking with Aadhaar, we will know whether there are any duplicate PANs or not

Supreme Court ruled that the linking of PAN with Aadhaar would be mandatory to file income tax returns from April 1, 2019 onwards.

According to Section 139AA of the Income Tax Act, inserted in 2017, not only is PAN mandatory for filing income tax returns but it is also mandatory for applying for a PAN card, which means that going ahead, all new PAN cards issued will automatically be linked to Aadhaar. The Section also says that “in case of failure to intimate the Aadhaar number, the permanent account number allotted to the person shall be deemed to be invalid”.

Tax analysts say that the number of PAN card holders far exceeds the number of people filing income tax returns, but add that the linking of the two IDs was mandatory for even those who do not need to file returns since the PAN would be cancelled otherwise.

Prelims Prespect:

- 1.Refer SC Judgment, related to PAN – Aadhar linkage
- 2.139AA of IT Act.

4. Taxpayers, MPs, MLAs can't avail farm income support

Income Tax assessee and sitting or former Members of Parliament or State legislatures are among those who have been excluded from the scope of the Centre's scheme of income support for farmers, which was announced in the Union Budget last week.

In respect of the IT assessee, those who paid the tax in the last assessment year would be ineligible under the scheme, which envisages the payment of Rs. 6,000 per annum to marginal and small farmers (each holding cultivable land up to 2 hectares), according to the scheme's operational guidelines.

The list of exclusions is pretty long.

It includes former and present holders of constitutional posts such as Governors or Election Commissioners; serving and retired officers and employees of the Union government or State governments, including those in public sector enterprises and autonomous institutions, and regular employees of local bodies. Class IV or Group D employees have been exempted from the exclusion. Likewise pensioners who are getting Rs. 10,000 or more every month will not be covered.

As in the case of parliamentarians and legislators, former and present heads of municipal corporations and district panchayats would also not be considered for the income support.

Professionals excluded

Professionals including doctors, engineers, lawyers, chartered accountants and architects have been excluded apart from institutional landholders, the guidelines show.

The Centre has made it clear that the cut-off date for determination of eligibility of beneficiaries under the scheme is February 1, 2019, and no subsequent changes would be considered for the eligibility of benefit

Note



for 5 years. However, the benefit would be allowed in cases where transfer of ownership of cultivable land takes place on account of succession due to death of the landowner. Also, cases where the transfer of ownership happened due to reasons such as purchase, succession, and through will or gift, between December 1, 2018, and January 31, 2019, would be eligible for coverage.

Taking cognisance of the system of community-based land ownership rights in some of the northeastern States, the Centre has stated that an alternative implementation mechanism would be developed and approved by a committee of Union Ministers in charge of Development of North East Region, Land Resources and Agriculture and State Chief Ministers concerned.

5. NGOs call for funds to eliminate TB

Non-governmental organisations (NGO) working to eliminate tuberculosis have urged the government to ensure that the National Strategic Plan for 2017-2025 is fully funded and effectively implemented to eliminate tuberculosis.

‘Invest substantially’

Several NGOs and stakeholders, including TB survivors, have urged the **Global Fund to Fight AIDS, TB and Malaria**, and donor countries to invest substantially in communities to create a person-centred, rights-based and gender-sensitive response to TB.

The signatories to these appeals are Touched by TB, TB Muktvahini-Bihar and REACH (Resource Group for Education and Advocacy on Community Health). These organisations are supported by the Stop TB Partnership, Geneva; Global Coalition of TB Activists; Rainbow TB Forum, Tamil Nadu; and Journalists against TB, Bengaluru.

The NGOs and stakeholders have committed to supporting the government in achieving a people-centred and rights-based response; partnering with service providers to reach the last mile support; serving as an early-warning system by sharing real-time information; and contributing to effective planning and implementation of the **National Tuberculosis Control Programme (NTCB)**, drawing on their lived experiences of TB.

Preparatory meeting

The country will host the preparatory meeting for the 6th Replenishment of the Global Fund and Launch of the Investment Case.

Prelims Prespect:

- 1.About Tuberculosis – Causes, Symptoms, Vaccines, Bacteria
- 2.National Strategic Plan for 2017-2025
- 3.About TB in SDG

6. No proposal to modify February 12 circular

Decision to remove 3 banks from PCA after considering capital infusion by Centre, says RBI Governor

Among the various issues Reserve Bank of India Governor touched about circular of the central bank which mandates banks to classify loans as stressed even if there is a day's default.

Note



Inflationary impact of MPC due to the policies announced in the Budget

The impact of various budget proposals and other developments have been factored into our projections. The possibility of fiscal slippage has been discussed. The government has said 3.4% fiscal deficit this year and 3.4% next year.

That has also been factored into our inflation projections.

MPC are working on the basis of those numbers.

The shift in stance of monetary policy also provides flexibility and the room to address challenges to sustain growth of the Indian economy over the coming months as long as inflation outlook remains benign. The MPC's decision will be data-driven and in consonance with the primary objective of the monetary policy to maintain price stability, keeping in mind the objective of growth.

Growth rather than inflation

In the RBI Act, price stability has been defined as 4%, plus/minus 2. Once that target is on board, and in the next 12-month horizon we see that inflation remains at a maximum of 4% or below, then I think there is room to act. And, the Act also says, 'keeping in mind the objective of growth'. So, the decision of the MPC has not gone beyond the RBI Act. And we are also saying the decision of MPC will be data-driven.

Big concerns about the Indian economy

The monsoon.

Crude oil prices and the overall external situation, for example, Brexit and how the U.S. economy is recovering.

There are trade conflicts which are expected to get resolved but we do not know how much time it will take. So, these are the risk factors which will have an impact on our domestic economy, and which we are regularly monitoring.

The shift in stance of monetary policy also provides flexibility and the room to address challenges.

Prelims Prespect:

- 1.Refer what is Prompt Corrective Action (PCA)
- 2.Tools to contain Inflation
- 3.Non Banking Financial Companies

7. Debt MFs may benefit from relaxed FPI norms

The Reserve Bank of India has relaxed the provision that barred foreign portfolio investors (FPIs) from having more than 20% exposure of their total corporate bond portfolio towards a single corporate entity.

The relaxation comes nearly 10 months after the cap was first put in place in April last year wherein it was mandated that FPI investment in a bond issue could not be more than 50% of the issue, while capping single corporate exposure of overseas investors at 20%.

While the provision was aimed at incentivising FPIs to maintain a portfolio of assets, further market feedback indicates that FPIs have been constrained by this stipulation.

Note



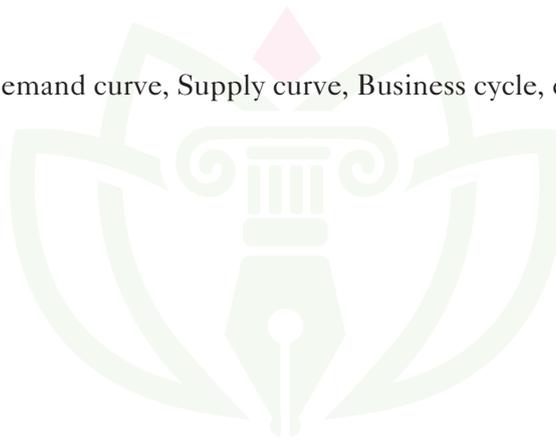
In order to encourage a wider spectrum of investors to access the Indian corporate debt market, it is now proposed to withdraw this provision. A circular to this effect will be issued by mid-February, 2019.

Market participants have welcomed the relaxation and believe that not only FPIs but debt mutual funds would also benefit from the move.

The short end of the curve will see greater participation from FPIs now across both corporate bonds as well as G-secs. This should translate to greater liquidity in the debt market and is overall good news for the debt mutual fund investors who have earned lower than expected returns and have been plagued with downgrades and negative news flow on securities held by some debt mutual fund schemes. With greater scope of participation by FPIs and higher liquidity, mutual funds can better cater to the needs of the retail investor now.

Prelims Prespect:

1. Difference between FDI and FPI
2. RBI norms for FPI
3. Different types of curves –Eg. Demand curve, Supply curve, Business cycle, etc.



Note

