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Lithuania takes a step forward with women on traffic symbols

Lithuania's capital Vilnius installed traffic lights featuring female symbols to celebrate the 100th anniversary of women getting the vote in the Baltic state.

The right for women to vote was written into the Lithuanian Constitution on November 2, 1918, putting it among the first countries to grant women suffrage, ahead of France or the United States.

In Lithuania, women's gross hourly earnings are on average 14.4% below those of men, compared to the EU average of 16.2%, according to official statistics.

Source: The Hindu.

PM launches historic Support and Outreach Initiative for MSME Sector

Hon'ble PM has launched a historic support and outreach programme for the Micro, Small and Medium Enterprises (MSME) sector.

As part of this programme, the Prime Minister unveiled 12 key initiatives which will help the growth, expansion and facilitation of MSMEs across the country.

Five key aspects for facilitating the MSME sector: Access to credit, Access to market, Technology up gradation, Ease of doing business and Security for employees.

Key Initiatives

Access to Credit-

59 minute loan portal*:* Loans up to Rs. 1 crore can be granted in-principle approval through this portal, in just 59 minutes. This portal will be made available through the GST portal. 2 percent interest subvention for all GST registered MSMEs, on fresh or incremental loans.

TReDS compliance: All companies with a turnover more than Rs. 500 crore must now compulsorily be brought on the Trade Receivables e-Discounting System (TReDS). Joining this portal will enable entrepreneurs to access credit from banks, based on their upcoming receivables. This will resolve their problems of cash cycle.

Access to Markets- The public sector companies have now been asked to compulsorily procure 25 percent, instead of 20 percent of their total purchases, from MSMEs. Out of the 25 percent procurement mandated from MSMEs, 3 percent must now be reserved for women entrepreneurs.

He said transactions worth more than Rs. 14,000 crore have been made so far through GeM (Govt. E Market). All public sector undertakings of the Union Government must now compulsorily be a part of GeM.

Technology Up gradation: PM announced establishment of tool rooms across the country as they are a vital part of product design. 20 hubs will be formed across the country, and 100 spokes in the form of tool rooms will be established.

Ease of Doing Business: Clusters will be formed of pharma MSMEs and 70 percent cost of establishing these clusters will be borne by the Union Government. The announcement focused on simplification of government procedures. The return under 8 labour laws and 10 Union regulations must now be filed only once a year. As part of establishing a unit, an entrepreneur needs two clearances namely to establish.

The Environmental clearance and consent under air pollution and water pollution laws have been merged as a single consent and self certifications. For minor violations under the Companies Act, the entrepreneur will no longer have to approach the Courts, but can correct them through simple procedures.

Source: The Hindu.

Promulgation of the Companies Amendment (Ordinance), 2018

The recommendation of the Union Cabinet for promulgation of the Companies Amendment (Ordinance), 2018 has been assented to by the President of India.

The Ordinance is promulgated to review offences under the Companies Act, 2013.

Key Amendments

- Shifting of the jurisdiction of 16 types of corporate offences from the special courts to in-house adjudication, which is expected to reduce the case load of Special Courts by over 60%, thereby enabling them to concentrate on serious corporate offences.
- The penalty has been reduced to half for small companies and one person companies of that applicable to normal companies.
- Instituting a transparent and technology driven in-house adjudication mechanism on an online platform and publication of the orders on the website.
- Strengthening in-house adjudication mechanism by necessitating a concomitant order for making good the default at the time of levying penalty, to achieve the ultimate aim of achieving better compliance.

Declogging the NCLT by: Enlarging the pecuniary jurisdiction of Regional Director by enhancing the limit up to Rs. 25 Lakh as against earlier limit of Rs. 5Lakhunder Section 441 of the Act;

Vesting in the Central Government the power to approve the alteration in the financial year of a company under section 2(41); and Vesting the Central Government the power to approve cases of conversion of public companies into private companies.

Source: The Hindu.

Cabinet clears renaming Jharsuguda aerodrome as Veer SurendraSai airport

The Union Cabinet has approved renaming Jharsuguda aerodrome in Odisha as 'Veer SurendraSai Airport'.

Veer SurendraSai is a well-known freedom fighter of Odisha.

About Veer SurendraSai (1809-1884):

- SurendraSai was an Indian freedom fighter and tribal leader who sacrificed his life fighting against the British East India Company.
- SurendraSai and his associates resisted the British and successfully protected most parts of Western Odisha region for some time from the British rule.
- By virtue of the Doctrine of Lapse, Lord Dalhousie annexed Sambalpur in 1849 and ignored the claim of SurendraSai for succession to throne of Sambalpur.
- The aim of SurendraSai's revolt was to drive the British out of Sambalpur.
- The resistance to British continued in Sambalpur under the leadership of SurendraSai. He was supported by his brothers, sons, relatives and some Zamindars.
- His revolution against the British commenced from 1827 when he was only 18 years of age and continued till 1862 when he surrendered and even after that, until he was finally arrested in 1864

Source: The Hindu.

Seychelles issues world's 1st 'Blue Bond'

Seychelles has raised 15 million dollars by offering the world's first 'Blue Bond,' raised from investors to finance ocean-based projects, to expand its marine protected areas and boost its fisheries sector.

World's First Blue Bond: The blue bond was officially issued on October 9, ahead of the first-ever global conference on the blue economy, which will be held at the end of November in Kenya.

It is partially guaranteed by a USD 5 million guarantee from the World Bank (IBRD) and is further supported by a USD 5 million concessional loan from the Global Environment Facility (GEF) which will partially cover interest payments for the bond.

Proceeds from the bond will be utilised for the expansion of marine protected areas, improved governance of priority fisheries and the development of the Seychelles' blue economy. Grants will be provided through the Blue Grants Fund and will be managed by the Seychelles' Conservation and Climate Adaptation Trust (SeyCCAT).

Benefits of the Bond: The Blue Bond is a part of an initiative that combines public and private investment to mobilise resources for empowering local communities and businesses.

It is aimed to assist Seychelles in achieving a transition to sustainable fisheries and safeguarding oceans.

Source: The Hindu.

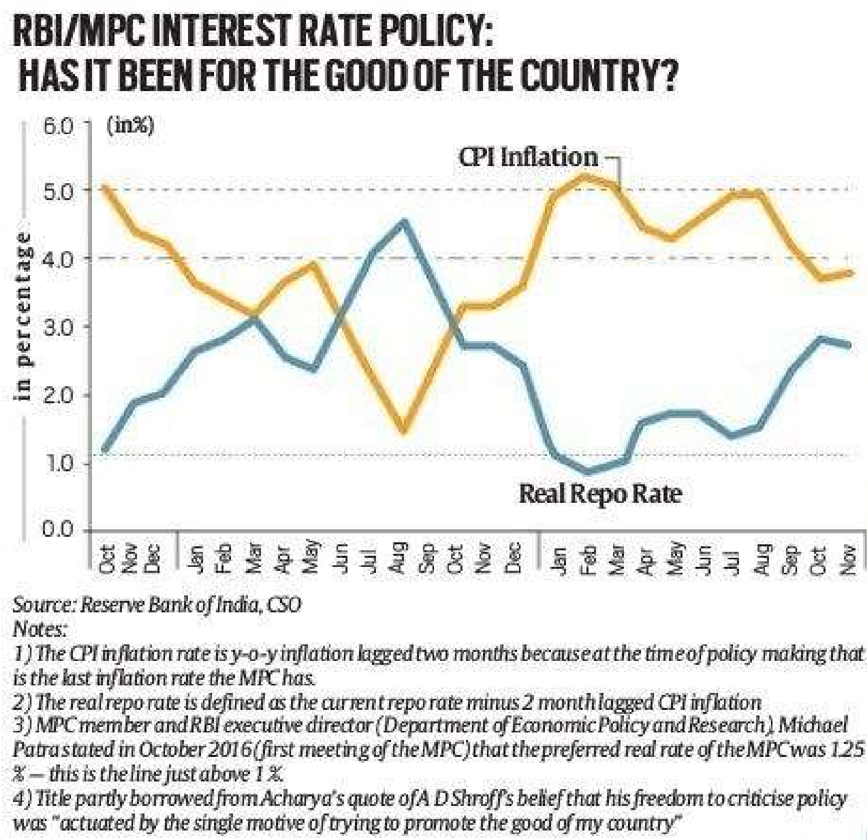
Editorial

Whose RBI is it?

Genuine independence of a central bank has to be earned the old-fashioned way — by performance.

To argue for the central bank's independence is to argue for motherhood — we all should, and do, believe in it. But does that mean that there should be no checks and balances on the regulator? If there are none, then the impossible question arises — who will regulate the regulator? And how can the demand for independence be assessed? Here, an old ad by former stockbroking firm E F Hutton from the US (in the mid-1980s) is helpful. The simple punchline of the ad was as follows: We make money the old-fashioned way — we earn it!
Analogously, a central bank can earn respect through performance. But how does one measure performance? In the present Mexican stand-off between the RBI and Ministry of Finance (MoF), legitimate questions have been raised about the performance of both protagonists. But what underlies this tension, or open disagreement?

In the heated discussion about the RBI's quest for independence, very few analysts have pointed out the role of the RBI in affecting the economy through its policies on interest rates. I understand that technically interest rate decision making is handled by an independent agency within the RBI (the Monetary Policy Committee, MPC) and not by the RBI per se. Thankfully, Viral Acharya does not hide behind this technicality. His speech, absent the polemics, contains an excellent discussion surrounding the concept and practice of bank independence. He discusses the effects of the economy of a responsible central bank — from bank independence, to inflation, to financing of the fiscal deficit, to interest rates.



As an economist, it is my privilege, and independence, to disagree with substantial portions of Acharya's substantive comments on the facts pertaining to the effects of RBI's interest rate policies on the economy. If these policies have had an adverse effect on inclusive growth, without contributing much to the lowering of inflation, then we may want to think about this reality being the real McCoy, the raison d'etre for the differences between the government and the RBI.

If there is one criticism I have against the academic portion in Acharya's speech, it is that he speaks with the force of someone who believes he is 100 per cent right. That is okay, and expected, of a politician. But not of an academic, or an academic policy maker. For example, Acharya forgets to mention that there are reasoned economists and policy-makers — for example, former Chief Economic Adviser Arvind Subramanian — who have a different take (than the RBI) on the rules for the transfer of RBI's surplus to the government. Nor does he mention even one critic of the formation of the MPC. He forgets to note that many of the experts he cites, and does not cite, do not believe that the MPC was a good idea. He forgets to note that New Zealand, which started the MPC movement, is now the first country to abolish it. In addition, Acharya cites the example of Paul Volcker defying President Ronald Reagan by keeping real interest rates high to contain inflation. He forgets to mention that for three years (1979-1981) the US had experienced double-digit inflation and hence it was necessary to keep real interest rates high.

The real question, which I will address in this and a subsequent article, is the RBI's policy on very high real interest rates necessary to achieve the objective of either containment of inflation or in achievement of potential GDP growth. I will present all the evidence to decide whether, in the words of A D Shroff, the RBI interest rate policy has been for the "good of the country".
Most of the problems plaguing the Indian economy — liquidity, NBFCs, bank NPAs to name a few — will not be solved by the RBI's following a constructive interest policy. But the problems would be much less. Monetary policy is about both the price of money, and the quantity of money (liquidity).

The primary concern of the central bank should be inflation. If inflation is high, almost any high interest rate policy (as that of Volcker's in the US) is justified. The question remains: What justifies the high interest rate policy pursued by the RBI, with average inflation at 3.8 per cent for the last 24 months, and 4.3 per cent for the last 36 months?
In the very first MPC meeting chaired by Urjit Patel in early October 2016, the MPC cut the repo rate from 6.25 to 6.0 per cent. The last three inflation numbers available to the MPC, for June, July and August, were 5.8 per cent, 6.1 per cent and 5 per cent, respectively.

The MPC gave the following reason for the rate cut: Based on the August data, the real repo rate was now 25 bp above what the MPC deemed to be the "target" real rate of 1.25 per cent (6.5 per cent repo minus 5 per cent inflation). Hence, the rate cut of 25 bp to bring the real repo rate in line with the target of the MPC. Until this MPC decision, the belief was that the RBI was targeting a real repo rate of 1.75 per cent (mid-point of Governor Raghuram Rajan's range of 1.5-2 per cent).

The chart shows the evolution of the real rate since October 2016 (using the MPC definition). Several facts are worth noting. First, in the 24 months since October 2016, the year-on-year inflation rate has averaged 3.9 per cent, the nominal repo rate 6.2 per cent, and the real repo rate 2.3 per cent. Only in three of these 25 months has the real repo rate averaged below the MPC target of 1.2 per cent — an average of 0.9 per cent for the three months, January-March 2018. For the rest of the time, the real repo rate has averaged 2.5 per cent, and this average is twice the MPC's stated target.

In the last 36 months, the real rate has averaged 2 per cent; the last 24 months, 2.4 per cent. This with drought (in 2015/16), demonetisation in 2016-17 and the introduction of GST, 2017-18.Any justification for pursuing the third highest real rate in the world?
Markets are not a random walk, but feed on perceptions and communication. When the MPC announced, boldly and for the world to know, that it was targeting a real repo rate of 1.25 per cent, market participants (and presumably the MoF) took their policy conclusion at face value (as they should). This belief that the MPC would follow its original statement (sin?) of real rates led to consequences.

Domestic and foreign investors bought government securities in the belief that given its own statements, the RBI would cut policy rates. By doubling real rates, and implementing the third-highest real rate of any modern economy (behind Brazil and Russia), the MPC ensured that NPA assets will worsen over time (the banks now had bond losses on top of operational and corruption losses). Foreign investors fled, unable to rationalise RBI policies on interest rates —

the same investors Acharya, via his speech, wants to cultivate and attract, and the same investors he warned would punish threats to RBI's independence.

When oil prices started to rise, India faced a current account financing crisis — $ 25 billion of debt funds came in last year, and in 2018, close to $10 billion has left our shores. The difference is close to the current $35 billion current account deficit financing problem.

High real rates slow investment, hurt inclusive growth, worsen bank NPAs — if inflation is low, then why should the economy pay a price? What the RBI has to show is that such high rates (again third highest in the world for the last 24 months) were necessary to achieve low inflation — neither the MPC, nor the RBI, has ever communicated this fact, let alone convincingly communicated it.

The point is simple — the interest rate decision is one of the most important decisions made by any central bank; it is their primary responsibility. In a subsequent article, I will discuss the large, and systematic, errors made by the RBI in its inflation forecasts, something that forms the basis of the decision of the MPC. And in making these forecasts, and making wrong policy, there seems to be zero accountability. This real accountability that we should be concerned with.

Mains Question

Q: A national policy for internal migration is needed to improve earnings and enable an exit from poverty. Comment.