

DAILY FINANCIAL NEWS ANALYSIS

**UPSC
SBI
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**FOR ALL
COMPETITIVE EXAMS**

25 July 2020





UPSC/IAS

(Pre + Mains)



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- There is “a **growing disconnect** between the movements in certain segments of financial markets and real sector activity”, RBI governor Shaktikanta Das wrote in the **Financial Stability Report** issued Friday.
- The nationwide lockdown imposed in March was lifted in stages starting May but various states have put in place localised closures this month to stem Covid-19 outbreaks, blunting a revival that had begun in June.

- **Rating agencies and economists** have forecast a **contraction** in gross domestic product by as much as **9.5%** accompanied by a surge in defaults.
- But the **benchmark Sensex** **has climbed** more than **45%** since its March lows.
- RBI declared a **moratorium on loan payments for six months until August** end to help borrowers hit by closures in the wake of the coronavirus outbreak.

- While the **Financial Stability Report** does not provide an assessment of the impact of the moratorium on banks, **it warned about a rise in defaults.**
- The **bad loan** situation that had been easing for the past few quarters could worsen again.
- **GNPA (gross non-performing assets)** ratio of all banks may increase from **8.5% in March 2020** to **12.5% by March 2021** under the baseline scenario.

- Since March, the central bank has announced several measures, including **interest rate cuts**, and **flooded the market with liquidity**.
- But government finances could get out of shape, it said.

- **Mr Rajiv Kumar:** The economy will start **recovering** in the **fourth quarter** of the current fiscal and rebound to **6% growth in FY22** as green shoots are already visible in **15-16 sectors** where business is back to pre-Covid levels.
- The government may **unveil another stimulus programme to support demand.**
- More **structural reforms** are in pipeline for **strong and sustainable recovery.**

- The timing of the pandemic was **unfortunate** for India.
- Reforms in **farm sector** will be a good **driver of our economy**.
- Problem is going to be on the **demand side**.
- Chief economic advisor KV Subramanian: **demand push** was on the cards and only the timing needed to be decided.

- Kumar said **asset monetisation of public sector holdings** is the best way of **funding infrastructure**, as many projects are either **underutilised or unutilised**.
- Government **holding in land** can be brought in as **equity and private players** can be roped in to do projects on a **PPP** (public private participation) mode.

- **May 2020:** Improvement in formal job creation
- Net addition of about **318,000** subscribers to the **Employees' Provident Fund Organisation**
 - 133,000 added in the previous month
- The **net addition**, however, continued to be **less than the average monthly addition** in the past two years.

- Net addition under the **Employees State Insurance Corporation (ESIC)** increased to about **460,000** from 241,000 in **April**.
- **National Pension Scheme (NPS)** stood at **43,888** in **May**, a dip from **64,647** subscribers added under the scheme in **April**.
- New enrolments under the **EPFO** had almost halved to **572,000** in **March** from more than **1.02 million** in the previous month.

- During **2019-20**, the number of **net new subscribers** under the EPFO rose to about **7.86 million**, compared with **6.11 million** in **2018-19**.
- Net additions from September 2017 to April 2020 totalled 15.5 million under the EPFO and 38.6 million under the ESIC.
- In that period, the NPS added a net of 2.026 million subscribers.

- The ministry has been releasing the payroll data of new subscribers under the EPFO, ESIC and NPS **since April 2018**, covering the period starting from September 2017.

Kharif sowing

- Higher than **normal monsoon rainfall** across the country has boosted sowing of **kharif crops by 19% on year.**
- This will be another year of **bumper harvest**
- So far there are **no reports** of any serious **pest attacks** on the standing crop
- As of now, most rabi crops are being sold **profitably by farmers**

- Most of the farmers in West Bengal, Uttar Pradesh, Punjab, Haryana, Chhattisgarh, Odisha, Andhra Pradesh and Telangana are dependent on **rice** for their income.
- While **kharif oilseeds, pulses, coarse cereals** are mostly grown in Madhya Pradesh, Maharashtra, Karnataka, Gujarat and Rajasthan.
- As sowing areas under all categories of crops are higher y-o-y, there may not be a fall in kharif production, rather it can be higher from last year's record **144 million tonne**.

- This has helped avert a **rural distress during the pandemic period**, along with the works available under the rural employment guarantee scheme.
- Farmer have used **climate resilient varieties of paddy** and adopted good agricultural practices
- Rice production has been increasing in recent years, even as **area has remained unchanged**, indicating rising productivity.

- However, a bumper production may not be able to bring in **good news** for farmers if **prices** are subdued due to lack of demand.
- Normal functioning of **restaurants** and **hotels** are not expected in near future, unless Covid vaccine is developed.
- Unless demand increases, the prices may be depressed.

- State-run **NTPC** is going green.
- **NTPC** currently has **928 MW** of operational **renewable energy generation units**, out of which **870 MW are solar plants**.
- It is going to acquire **some RE assets** than greenfield projects.
- The PSU has issued tenders to acquire **1,000 MW** of operational solar plants, running for at least a year, and supplies power to their buyers at not more than Rs 5 per unit.



- The move is seen by industry experts as the **power major's initial step**, while it traverses a route over the **next 10 years** to have **massive RE assets of 45,000 MW**.
- Even as its thermal capacities are also being increased, it will have RE capacity of 30% of total generation portfolio of 1,30,000 MW by then, from nominal level now.
- Of course, **domestic solar modules and panel manufacturers** are facing the heat of Chinese imports and the government is trying to safeguard their interests by assorted import duties.

- But the long-term business prospects of solar developers in the country are still bright.
- Under the latest round of reverse auction for solar projects by state-run **Solar Energy Corporation**, a tariff of **Rs 2.36 a unit** was discovered, an all-time low.
- Average tariff of **thermal power** by NTPC under power purchase agreements (PPAs) is **Rs 3.90 per unit**.

- Currently, the total installed capacity of the power behemoth stands at **62,910 MW**.
- In line with the diversification strategy, NTPC is also planning to enhance its presence in **consultancy, power trading** and **foray** into newer sectors such as **electric mobility** and **battery storage**.
- **2,298 MW** of the company's **solar projects** are under **various stages** of implementation.

- Apart from its own projects, NTPC acts as an **aggregator of renewable energy** through which it **supplies power to a number of states** from solar and wind plants owned by other developers.
- The ministry of new and renewable energy has identified **NTPC** as the nodal agency for setting up **20,000 MW solar and wind power capacity**, and **nearly 4,000 MW of such projects** has been commissioned under this mode so far.

- NTPC, in February, had also signed an **‘implementation support agreement’** with Rajasthan to develop a **925 MW Nokh solar park** in Jaisalmer.
- The company is expected to invest more than **Rs 3,500 crore** in building the project and the state will invest about Rs 450 crore in developing the ancillary infrastructure.

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