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ASSOCHAM NEWS & VIEWS

WEEKLY

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THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

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MINISTRY OF COMMERCE & INDUSTRY

Index Numbers of Wholesale Price in India for the month of November, 2020

The Office of the Economic Adviser, Department for Promotion of Industry and Internal Trade is releasing index numbers of wholesale price in India for the month of November, 2020 (Provisional) and for the month of September, 2020 (Final) in this press release. Provisional figures of Wholesale Price Index (WPI) are released on 14th of every month (or next working day) with a time lag of two weeks of the reference month and compiled with data received from institutional sources and selected manufacturing units across the country. After 10 weeks, the index is finalized and final figures are released and then frozen thereafter.

INFLATION

The rate of inflation, based on monthly WPI, stood at (1.55%) (provisional) for the month of November, 2020 (over November, 2019) as compared to 0.58% during the corresponding month of the previous year.

All Commodities/Major Groups	Weight (%)	Sep-20 (F)		Oct-20 (P)		Nov-20 (P)	
		Index	Inflation	Index	Inflation	Index	Inflation
ALL COMMODITIES	100.0	122.9	1.32	123.8	1.48	124.2	1.55
I PRIMARY ARTICLES	22.6	148.8	4.06	152.4	4.74	151.2	2.72
II FUEL & POWER	13.2	91.9	-8.65	91.1	-10.95	91.3	-9.87
III MANUFACTURED PRODUCTS	64.2	120.1	1.87	120.3	2.12	121.3	2.97
FOOD INDEX	24.4	158.0	7.19	159.3	5.78	158.9	4.27

Note: P: Provisional, F: Final, * Rate of Inflation calculated over corresponding month of last year.

The movement of the index for the various commodity group is summarized below:-

PRIMARY ARTICLES (Weight 22.62%)

The index for this major group declined by (-0.79%) to 151.2 (provisional) in November, 2020 from 152.4 (provisional) for the month of October, 2020. Prices of Non-food Articles (6.17%) increased in November, 2020 as compared to October, 2020. Prices of Minerals (-13.19%), Crude Petroleum & Natural Gas (-11.11%) and Food Articles (-0.82%) declined in November, 2020 as compared to October, 2020.

FUEL & POWER (Weight 13.15%)

The index for this major group increased by (0.22%) to 91.3 (provisional) in November, 2020 from 91.1 (provisional) for the month of October, 2020. Prices of Mineral Oils (0.39%) and Coal (0.08%) increased in November, 2020 as compared to October, 2020. Prices of electricity remain unchanged.

MANUFACTURED PRODUCTS (Weight 64.23%)

The index for this major group increased by (0.83%) to 121.3 (provisional) in November, 2020 from 120.3 (provisional) for the month of October, 2020. Out of the 22 NIC two-digit groups for Manufactured products, 18 groups that have witnessed increase in prices are manufacture of food products; beverages; tobacco products; textiles; wearing apparel; leather and related products; wood and of products of wood and cork; paper and paper products; chemicals and chemical products; pharmaceuticals, medicinal chemical and botanical products; rubber and plastics products; basic metals; other non-metallic mineral products; fabricated metal products, except machinery and equipment; electrical equipment; motor vehicles, trailers and semi-trailers; other transport equipment; other manufacturing; in November, 2020 as compared to October, 2020. Whereas 3 groups that have witnessed decrease in prices are manufacture of machinery and equipment; computer, electronic and optical products; printing and reproduction of recorded media in November, 2020 as compared to October, 2020. While the Manufacture of furniture remain unchanged in November, 2020 as compared to October, 2020.

WPI FOOD INDEX (Weight 24.38%)

The Food Index consisting of 'Food Articles' from Primary Articles group and 'Food Product' from Manufactured Products group have decreased from 159.3 in October, 2020 to 158.9 in November, 2020. The rate of inflation based on WPI Food Index decreased from 5.78% in October, 2020 to 4.27% in November, 2020.

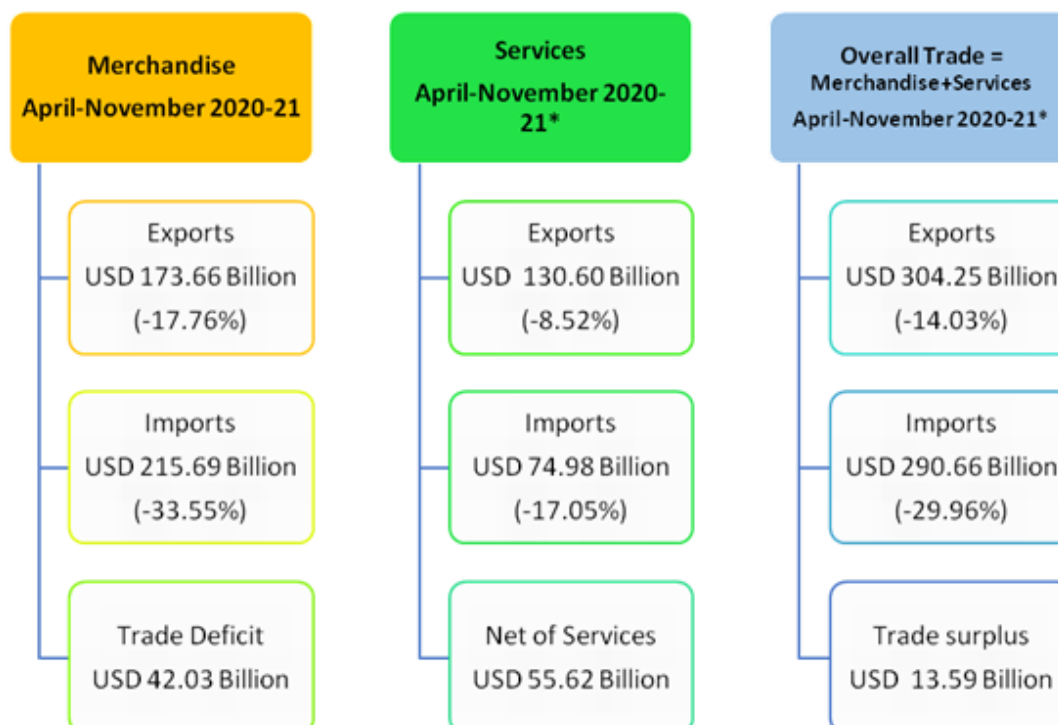
FINAL INDEX FOR THE MONTH OF SEPTEMBER, 2020 (BASE YEAR:2011-12=100)

For the month of September, 2020 the final Wholesale Price Index and inflation rate for 'All Commodities' (Base: 2011-12=100) stood at 122.9 and 1.32% respectively.

MINISTRY OF COMMERCE & INDUSTRY

INDIA'S FOREIGN TRADE: November 2020

India's overall exports (Merchandise and Services combined) in April-November 2020-21* are estimated to be USD 304.25 Billion, exhibiting a negative growth of (-) 14.03 per cent over the same period last year. Overall imports in April-November 2020-21* are estimated to be USD 290.66 Billion, exhibiting a negative growth of (-) 29.96 per cent over the same period last year.



*Note: i) The latest data for services sector released by RBI is for October 2020. The data for November 2020 is an estimation, which will be revised based on RBI's subsequent release ii) the figures in bracket are growth rates vis-à-vis corresponding period of last year.

EXPORTS (including re-exports)

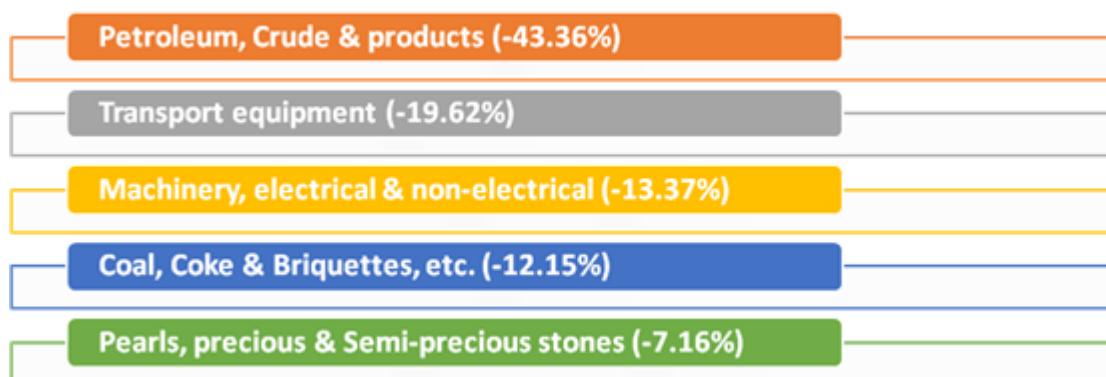
- Exports in November 2020 were USD 23.52 Billion, as compared to USD 25.77 Billion in November 2019, exhibiting a negative growth of (-) 8.74 per cent. In Rupee terms, exports were Rs. 1,74,559.49 Crore in November 2020, as compared to Rs. 1,84,142.27 Crore in November 2019, registering a negative growth of (-) 5.20 per cent.
- The commodities/commodity groups which have recorded positive growth during November 2020 vis-à-vis November 2019 are Other cereals (171.63%), Oil meals (72.09%), Iron ore (68.15%), Rice (25.88%), Ceramic products & glassware (21.38%), Handicrafts excl. handmade carpet (17.99%), Cereal preparations & miscellaneous processed items (17.04%), Carpet (15.59%), Jute mfg. including floor covering (14.3%), Spices (12.37%), Drugs &

pharmaceuticals (11.15%), Tobacco (8.64%), Cotton yarn/fabs./made-ups, handloom products etc. (8.54%), Fruits & vegetables (6.08%), Tea (5.02%), Gems & jewellery (4.1%), Mica, Coal & other ores, minerals including processed minerals (3.69%), Meat, dairy & poultry products (1.35%) and Electronic Goods (0.97%).

- The commodities/commodity groups which have recorded negative growth during November 2020 vis-à-vis November 2019 are Petroleum products (-59.73%), Leather & leather products (-29.8%), Cashew (-24.53%), Plastic & Linoleum (-23.26%), Marine products (-16.1%), Oil seeds (-15.2%), Man-made yarn/fabs./made-ups etc. (-11.06%), Engineering goods (-8.12%), Organic & inorganic chemicals (-8.06%), Coffee (-1.27%) and RMG of all textiles (-1.19%).
- Cumulative value of exports for the period April-November 2020-21 was USD173.66Billion (Rs.12,95,935.38Crore) as against USD211.17Billion (Rs.14,84,386.50Crore) during the period April-November 2019-20, registering a negative growth of (-) 17.76per cent in Dollar terms (negative growth of (-) 12.70per cent in Rupee terms).
- Non-petroleum and Non-Gems and Jewellery exports in November 2020 were USD19.29Billion, as compared to USD19.37Billion in November2019, registering a negative growth of (-) 0.40per cent. Non-petroleum and Non-Gems and Jewellery exports in April-November 2020-21 were USD144.11Billion, as compared to USD157.09Billion for the corresponding period in 2019-20, which is a decrease of (-) 8.26 per cent.

IMPORTS

- Imports in November2020 were USD33.39Billion (Rs.2,47,839.85Crore), which is a decline of(-) 13.32per cent in Dollar terms and (-) 9.96per cent in Rupee terms over imports of USD38.52Billion (Rs2,75,255.20Crore) in November2019. Cumulative value of imports for the period April-November 2020-21 was USD215.69Billion (Rs.16,09,382.96Crore), as against USD324.59Billion (Rs.22,80,659.04Crore) during the period April-November 2019-20, registering a negative growth of (-) 33.55per cent in Dollar terms and a negative growth of (-) 29.43per cent in Rupee terms.
- Major commodity groups of import showing negative growth in November2020 over the corresponding month of last year are:



CRUDE OIL AND NON-OIL IMPORTS:

- Oil imports in November 2020 were USD 6.27 Billion (Rs. 46,529.71 Crore), which was 43.36 per cent lower in Dollar terms (41.17 per cent lower in Rupee terms), compared to USD 11.07 Billion (Rs. 79,090.66 Crore) in November 2019. Oil imports in April-November 2020-21 were USD 44.11 Billion (Rs. 3,29,460.58 Crore) which was 48.71 per cent lower in Dollar terms (45.48 per cent lower in Rupee terms) compared to USD 85.99 Billion (Rs. 6,04,310.34 Crore), over the same period last year.
- In this connection it is mentioned that the global Brent price (\$/bbl) has decreased by 31.10% in November 2020 vis-à-vis November 2019 as per data available from World Bank.
- Non-oil imports in November 2020 were estimated at USD 27.12 Billion (Rs. 2,01,310.14 Crore) which was 1.20 per cent lower in Dollar terms (2.62 per cent higher in Rupee terms), compared to USD 27.45 Billion (Rs. 1,96,164.54 Crore) in November 2019. Non-oil imports in April-November 2020-21 were USD 171.58 Billion (Rs. 12,79,922.38 Crore) which was 28.09 per cent lower in Dollar terms (23.65 per cent lower in Rupee terms), compared to USD 238.60 Billion (Rs. 16,76,348.70 Crore) in April-November 2019-20.
- Non-Oil and Non-Gold imports were USD 24.10 Billion in November 2020, recording a negative growth of (-) 1.67 per cent, as compared to Non-Oil and Non-Gold imports of USD 24.51 Billion in November 2019. Non-Oil and Non-Gold imports were USD 159.28 Billion in April-November 2020-21, recording a negative growth of (-) 26.94 per cent, as compared to Non-Oil and Non-Gold imports of USD 218.01 Billion in April-November 2019-20.

MINISTRY OF FINANCE

India and UN-Based Better Than Cash Alliance organized a joint Peer learning exchange on fintech solutions for responsible digital payments at the last mile

Department of Economic Affairs (DEA), Ministry of Finance hosted a learning session “**Accelerating Responsible Digital Payments: Unlocking the Role of Fintech in Last Mile Service Delivery**” with leaders from States and Union Territories across India. This Peer Exchange is a result of the tremendous success and opportunities highlighted during COVID-19 and is co-organized with the UN-based Better Than Cash Alliance. United Nations, the Better Than Cash Alliance is a partnership of over 75 governments, companies and international organizations committed to accelerate the transition from cash to digital payments to advance the Sustainable Development Goals.

Various Ministries and agencies made presentations on Open APIs, Smart City Cards, Blockchain use cases, Account Aggregator Eco system etc. State Government presented case studies on use cases.

During the COVID-19 relief efforts, nearly Rs 68,000 crore of cash was provided as direct benefits transfers directly into the bank accounts of the most vulnerable. The Digital Payment Infrastructure established by Government of India including Jandhan accounts, Aadhaar and Mobile phone (JAM) was put to excellent use during the pandemic. The Government of India has taken several initiatives to foster innovation and adoption of technology to bring in greater inclusive growth. Globally, India is being viewed as a model in implementing initiatives where the barrier to technology is at its lowest ever.

DEA is keen to ensure that by leveraging the tremendous digital public infrastructure led by various Ministries under the leadership of the Honorable Prime Minister’s Digital India vision, States and Union Territories can play a pivotal role to unlock the network effect of digitization that ultimately benefits citizens and brings economic and social progress to all.

“Fintech has significantly permeated the payments landscape and these firms can be game-changing partners for Central Ministries, State Governments and even large Local Governments for service delivery at the last mile, especially for women and micro-enterprises. Government of India is keen to promote public service use cases of technologies like Blockchain, Machine Learning and Open APIs by all three levels of Government to enable delivery of Financial and other Services,” said Shri. K.

Rajaraman, Additional Secretary in the Ministry of Finance and a lead member of India's Steering Committee on Fintech. An Inter-Ministerial Steering Committee on FinTech has been set up by Department of Economic Affairs under the Chairmanship of Secretary, Economic Affairs.

Based on the report of the Steering Committee, DEA has been driving fintech related interventions while also promoting usage of new age technologies by both public sector and private sector entities. The webinar brought together leaders of Central and State Governments to deliberate on the opportunities and the role of fintech in enabling digitization in sectors of national importance – land, agriculture, financial inclusion among others. State governments of Maharashtra, Karnataka, Odisha, and Himachal Pradesh presented learning from successful fintech partnerships. Some States have announced FinTech Policies, while some have announced Blockchain and AI Policies.

“Low connectivity, low access to devices, and low literacy and financial capabilities are the lived realities of many Indians at the peripheries of Digital India. We applaud this important push by the Government to form new alliances and partnerships to deliver on the promises of Digital India to all,” said Keyzom, Asia-Pacific lead, Better Than Cash Alliance.

India became a member of the Better Than Cash Alliance in 2015 to digitize payments to achieve financial inclusion and to share success stories from Pradhan Mantri Jan Dhan Yojana, the world's largest financial inclusion program. Alliance is working with several state governments towards the goal of building knowledge and programs where people, governments, and businesses can make and receive digital payments.

MINISTRY OF FINANCE

IFSCA notified International Financial Services Centres Authority (Bullion Exchange) Regulations, 2020

In the Union Budget 2020, Union Minister of Finance Corporate Affairs Smt. Nirmala Sitharaman had made an announcement for setting up an International Bullion Exchange at the International Financial Services Centre in GIFT City, Gandhinagar, Gujarat.

Subsequently, the Government of India had notified the bullion spot delivery contract and bullion depository receipt (with bullion as underlying) as Financial Products and related services as Financial Services under the International Financial Services Centres Authority (IFSCA) Act, 2019.

IFSCA has been entrusted with the responsibility of operationalization of this Exchange. In this regard, International Financial Services Centres Authority (Bullion Exchange) Regulations 2020 were approved by the Authority in its meeting held on October 27, 2020. The said regulations have been notified and published in the Gazette of India on December 11, 2020.

The regulations inter alia cover the Bullion Exchange, Clearing Corporation, Depository and Vaults. The regulations are divided into the 16 chapters. First half of the regulation deals with the Exchange and Clearing Corporations while the second half pertains to the Vaults and Depositories and related provisions.

The complete text of the notified regulations is available on the IFSCA website at <https://ifsc.gov.in/Regulation>

MINISTRY OF FINANCE

Finance Minister Smt. Nirmala Sitharaman chairs 23rd Meeting of the Financial Stability and Development Council

Union Minister for Finance & Corporate Affairs Smt. Nirmala Sitharaman chaired the 23rd Meeting of the Financial Stability and Development Council (FSDC) through video conference.

The meeting was also virtually attended by Shri Anurag Singh Thakur, Union Minister of State for Finance & Corporate Affairs; Dr Ajay Bhushan Pandey, Finance Secretary; Shri Ajay Prakash Sawhney, Secretary, Ministry of Electronics and Information Technology; Shri Debasish Panda, Secretary, Department of Financial Services; Shri Tuhin Kanta Pandey, Secretary (In charge), Ministry of Corporate Affairs; Shri Tarun Bajaj, Secretary, Department of Economic Affairs; Shri Shaktikanta Das, Governor, Reserve Bank of India; Dr. Krishnamurthy V. Subramanian, Chief Economic Adviser; Shri Ajay Tyagi, Chairperson, Securities and Exchange Board of India; Shri Subhash Chandra Khuntia, Chairperson, Insurance Regulatory and Development Authority of India; Shri Supratim Bandyopadhyay, Chairperson, Pension Fund Regulatory and Development Authority; Dr. M.S. Sahoo, Chairperson, Insolvency and Bankruptcy Board of India and Shri Injeti Srinivas, Chairman International Financial Services Centres Authority and other senior officers of the Government of India and Financial Sector Regulators.

The meeting reviewed the major macroeconomic developments and Financial Stability issues (global and domestic) with special reference to vulnerability related issues and noted that the policy measures taken by the Government of India and the financial sector regulatory authorities have ensured faster economic recovery in India as reflected in the reduced contraction of GDP in Q2 of 2020-21. The economy has gained momentum and the path to recovery will be faster than what was predicted earlier. The discussions were held on further measures which may be required to be taken to ensure consistent support of the financial sector for achieving faster real economic growth and achieving the overall macroeconomic targets, while continuing to maintain financial stability. The Council also discussed the budget proposals submitted by RBI and other Regulators.

It was noted that there is a need to keep a continuous vigil by the Government and all regulators on the financial conditions that could expose financial vulnerabilities in the medium and long-term.

The Council discussed the challenges involved in smooth transition of London Interbank Offer Rate (LIBOR) based contracts and noted that a multipronged strategy involving relevant stakeholder institutions and departments is required in this regard.

The Council also took note of the activities undertaken by the FSDC Sub-Committee chaired by the Governor of RBI and the action taken by members on FSDC decisions earlier.

MINISTRY OF FINANCE

IFSCA issued consultation paper on proposed Aircraft Leasing Regulations

India is poised to become the 3rd largest aviation market in the world by 2022. In January 2019, India's Ministry of Civil Aviation published a report, 'Project Rupee Raftar', that provided roadmap to developing an aircraft financing and leasing industry in India. The report identified International Financial Services Centre (GIFT city) for developing aircraft leasing and financing eco-system in the country.

Union Minister for Finance & Corporate Affairs Smt. Nirmala Sitharaman, in her Budget speech in July 2019, stated, "The time is ripe for India to enter into aircraft financing and leasing activities from India shores", this is critical for "development of self-reliant aviation industry" and creating, "aspirational jobs in aviation finance, besides leveraging the business opportunities available in India's Financial Special Economic Zone namely, International Financial Services Centre (IFSC)."

On 16th October, 2020, Government of India, on the recommendation of IFSCA, had notified 'Aircraft lease which shall include operating and financial lease and any hybrid of operating and financial lease of aircraft or helicopter and engines of aircraft or helicopter or any part thereof' as a financial product under International Financial Services Centres Authority Act, 2019.

Considering, Aircraft leasing is a relatively new industry in India and Aircraft Leasing related regulations are different across various financial centres, IFSCA has prepared draft regulations for Aircraft Leasing and in order to get inputs from stakeholders as well as public comments.

Many global leasing entities have shown interest to set up leasing entity in IFSC in India as it provides them direct reach to one of the fastest growing aviation markets in the world. Domestic Airlines have also shown interest to undertake these transactions from IFSC in India as it provides them easy access to global lessors.

Draft regulations have been uploaded on the IFSCA website at the:

URL: <https://www.ifsc.gov.in/PublicConsultation>

Based on the comments from public, authority would finalize the regulations and provide framework for Aircraft leasing entities to set up operations in IFSC.

RESERVE BANK OF INDIA

RBI Working Paper No. 13/2020: Price Discrimination in Over-the-Counter Currency Derivatives

The Reserve Bank of India placed on its website a Working Paper titled “[Price Discrimination in Over-the-Counter Currency Derivatives](#)” under the Reserve Bank of India Working Paper Series.* The Paper is authored by Abhishek Kumar and Vidya Kamate.

This paper provides empirical evidence on the presence of considerable price discrimination in the Indian over-the-counter (OTC) currency derivatives market. Clients transacting with a single dealer counterparty paid an average markup of 18 paise, which falls to 9 paise for clients transacting with two dealers, and close to zero for clients transacting with ten or more dealers. This alludes to the role of bargaining power in pricing, possibly on account of dealer access. Retail clients (individuals, proprietorship firms and small firms) and unlisted firms were charged a higher markup of 19 paise and 11 paise, respectively, *vis-à-vis* listed firms and foreign investors, who paid a much lower markup of 3 to 4 paise. A majority (83 per cent) of clients transacted with a single dealer counterparty hinting at difficulties related to dealer access. The findings of the study make a case for improving market access to enhance competition which may result in better pricing for clients.

(Yogesh Dayal)
Chief General Manager

Press Release: 2020-2021/780

* The Reserve Bank of India introduced the RBI Working Papers series in March 2011. These papers present research in progress of the staff members of the Reserve Bank and are disseminated to elicit comments and further debate. The views expressed in these papers are those of authors and not of the Reserve Bank of India. Comments and observations may kindly be forwarded to authors. Citation and use of such papers should take into account its provisional character.

RESERVE BANK OF INDIA

RBI Working Paper No. 14/2020: Asset Quality and Credit Channel of Monetary Policy Transmission in India: Some Evidence from Bank-level Data

The Reserve Bank of India placed on its website a Working Paper titled “[Asset Quality and Credit Channel of Monetary Policy Transmission in India: Some Evidence from Bank-level Data](#)” under the Reserve Bank of India Working Paper Series*. The Paper is authored by Janak Raj, Deba Prasad Rath, Pratik Mitra and Joice John.

This paper assesses the impact of asset quality of scheduled commercial banks in India on the credit channel of monetary transmission by analysing the determinants of bank credit growth. It finds that a robust credit channel of monetary transmission exists in India. Its efficacy, however, is impaired by poor asset quality of banks, while better capital position helps strengthen the transmission. For monetary policy actions to have their full impact on the credit channel of monetary policy, therefore, it is imperative to address the asset quality stress and strengthen the capital position of banks. The paper also finds that the credit deceleration in India since 2013 could be substantially explained by asset quality stress in the banking system, slowdown in economic activity and moderation in deposit growth. The accommodative stance of monetary policy, however, helped cushion this credit growth slowdown.

(Yogesh Dayal)
Chief General Manager

Press Release: 2020-2021/781

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RESERVE BANK OF INDIA

Monthly Data on India's International Trade in Services for the Month of October 2020

The Reserve Bank releases monthly data on India's international trade in services with a lag of around 45 days.

The value of exports and imports of services during October 2020 is given in the following Table.

Table: International Trade in Services		
(US\$ Million)		
Month	Receipts (Exports)	Payments (Imports)
July - 2020	17,031	10,047
August - 2020	16,441	9,597
September - 2020	17,285	10,135
October - 2020	16,583	9,525
Note: Data are provisional.		

Monthly data on services are provisional and may undergo revision when the Balance of Payments (BoP) data are released on a quarterly basis.

Ajit Prasad
Director