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1. RBI TO INTRODUCE CENTRAL BANK DIGITAL CURRENCY IN PHASES: DEPUTY GOVERNOR

The Reserve Bank of India (RBI) will introduce its own version of Central Bank Digital Currency (CBDC) in a phased manner and after carefully weighing its impact on various issues, including how it could hamper the deposit mobilisation abilities of banks, and its potential effect on the conduct of the monetary policy, deputy governor T Rabi Sankar said in a speech. “However, conducting pilots in wholesale and retail segments may be a possibility in near future,” the RBI deputy governor said. The RBI is currently working towards a phased implementation strategy and examining use cases "which could be implemented with little or no disruption,” Rabi Sankar said in an online discussion on the issue, organised by Vidhi Centre for Legal Policy. The RBI has been exploring the pros and cons of the introduction of CBDCs “since quite some time,” he said. The Indian central bank will also draw upon the lessons from other countries that are in various stages of introducing such a digital fiat currency. In particular, the Indian central bank would evaluate the scope of CBDCs whether they should be used in retail payments or also in wholesale payments. The underlying technology, whether it should be a distributed ledger or a centralised ledger, is also being evaluated. Whether the underlying technology should vary based on use cases is being debated at the central bank. Besides, other modalities such as token-based or account-based validation mechanism, distribution architecture (direct issuance by the RBI or through banks), and what would be the degree of anonymity granted for such CBDCs are also being determined at the RBI. While the issue of CBDC has been touched upon by the RBI Governor himself, this is the first detailed discussion on the issue from a central bank official. The issue of CBDC has crept up in the last few years with the advent of private virtual currencies, such as bitcoins. While these private currencies have their own benefits, they are not backed by any government and therefore do not follow any proper jurisdiction. The wide adoption of these currencies threatens to upend the established model of fiat currencies issued by countries within a border. Besides, if the virtual currencies gain recognition, “national currencies with limited convertibility are likely to come under threat,” Rabi Sankar said, adding such private currencies can therefore have potentially damaging social and economic consequences. Rabi Sankar noted that India is the leader in the world today in terms of digital payments systems, growing at 55 per cent compounded annual growth rate for the past five years. But Indians also prefer to use cash for small-value transactions up to Rs 500. This puts the nation in a unique position where both digital and cash transactions are practiced equally. The introduction of CBDC would unlikely hamper the usage of cash, but if anonymity is ensured, then

transactions can switch over from cash to digital means. “India’s high currency to GDP ratio holds out another benefit of CBDCs. To the extent large cash usage can be replaced by CBDCs, the cost of printing, transporting, storing, and distributing currency can be reduced,” he said. Nevertheless, it will take time for a wider adoption especially as most of the population are not tech-savvy enough, and the risk of cyber crime will continue to pose challenges in the case of CBDCs as well. The adoption of CBDCs can also have important implications for the banking system. CBDCs can cause a reduction in the transaction demand for bank deposits and will reduce the intra-day liquidity for settlement of transactions. They could also cause a shift away from bank deposits. “At the same time, reduced disintermediation of banks carries its own risks. If banks begin to lose deposits over time, their ability for credit creation gets constrained. Since central banks cannot provide credit to the private sector, the impact on the role of bank credit needs to be well understood,” he said, adding losing deposits would mean the cost of credit would increase for banks. The wider adoption of CBDC may also mean that the monetary policies have to be formed in a way to inject more liquidity in the system than needed to plug currency leakage from the banking system. Therefore, the RBI will introduce the CBDC after careful consideration, and in any case, keeping India's leadership position in the global payment system in mind, the deputy governor said.
(Source: Business Standard)

2. E-COMMERCE PORTAL OF MSME TO ENABLE ALL BUSINESSES TO ENHANCE GLOBAL REACH

National Small Industries Corporation, a PSU under the Ministry of MSME has a B2B MSME Global Mart Portal and efforts have been made to further strengthen activities under it. The salient features of the portal include online registration, web store management, multiple payment options, customer support through Call Centre and enhanced security features. Khadi and Village Industries Commission (KVIC), a statutory body under the Ministry of Micro, Small and Medium Enterprises has ekhadiindia.com for B2C outreach, which enables all businesses to have a global reach with Interactivity, Immediacy and Ease of Adaptation. The revenue generation from the portal depends on membership of the portal. This information was given by Minister for Micro. Small and Medium Enterprises Shri Narayan Rane in a written reply in the Lok Sabha.
(Source: BloomBerg Quint)

3. PAR PANEL ASKS TEXTILES MINISTRY TO EXPEDITE INCUBATOR PROJECT UNDER NIFT

To encourage entrepreneurship and generate employment, a Parliamentary panel recommended to the textiles ministry to expedite the Design Innovation Incubator Project under NIFT and operationalise it within the timelines. Member of Parliament Bhola Singh presented the report of the Standing Committee of Labour on the functioning of the National Institute of Fashion Technology (NIFT), under the Ministry of Textiles, in the Lok Sabha. The committee is chaired by MP Bhartruhari Mahtab. Developing cutting-edge technologies and gaining expertise as well as gaining super specialisation in intricate areas and aspects of the fashion would "undoubtedly" put the Indian fashion industry on a level playing field, said the report. It said NIFT as a pioneering fashion institute has an even greater role to play. NIFT should leverage and expand the courses and programmes which are in line with global standard so as to cater to high expectations of the nation and rise further on the global fashion map, it said. Product development under the NIFT Design Innovation Incubation (DII) Project through innovative technology in an enabling environment has been envisaged with an expected deliverable of 50-60 entrepreneurial set ups having capacity to generate employment of over 1,500 people, it said. "The committee have recommended the Ministry to expedite the Design Innovation Incubator Project so as to make it operational within projected timelines for achieving the expected outcome deliverables," the report said. It will encourage more entrepreneurs and enhance employment generation in the fashion sector, the committee said. However, it expressed concern that NIFT degrees are not recognised by the University Grants Commission (UGC), despite several communications from the ministry to UGC. The "same has not been done" on the plea that any degree which is not specified under Section 22 of the UGC Act, 1956, shall render it "invalid", said the report. "The committee have desired the ministry to take up the pending issue of due recognition to NIFT degrees by UGC alongwith other constraints faced by the institute at appropriate levels," it added.

(Source: Business Standard)

4. FINMIN DECLINES TO ROLL BACK 10PC IMPORT DUTY ON RAW COTTON; GARMENT EXPORTERS SAY THEIR PRODUCT GETTING UNCOMPETITIVE

Finance Ministry has declined the industry demand to remove 10pc import duty on cotton saying the move was aimed at benefitting domestic producers but garment manufacturers have argued that the decision has made export of high-quality clothing uncompetitive in the international market. A Gurgaon-based top garment exporter said that high-quality cotton is not grown much in India and hence they have to import them from Australia and America. The additional import duty on cotton has made such high-quality cotton expensive in the country. “India is among the top manufacturers, largest or second largest, of cotton in the world. But the challenge we are facing is that certain high quality cotton is not grown in India. So, from a high-end stand point, you need Australian cotton and American cotton mixed with our regular cotton. So, that is the niche (segment) we are missing,”Amit Sethi, Joint Managing Director at NCR-based Orient Fashions told UNI. “Otherwise, there is no problem with regular cotton. But when we go for a very high mixture of cotton we don’t get that quality of cotton in India. As a result, high-quality cotton is expensive and hence India getting uncompetitive in high-end clothing in the international market,” he added. Responding to a question on additional import duty imposed on cotton in Union Budget 2021-22, Finance Minister Nirmala Sitharaman said that the decision to impose duty on imports of cotton has been taken to benefit domestic cotton farmers which in turn would help in higher domestic value addition and reduce import dependence. “The decision to impose 5% Basic Customs Duty, and 5% Agriculture Infrastructure and Development Cess on imports of Raw Cotton in Union Budget 2021-22 has been taken to benefit domestic cotton farmers,” she said in a written reply in the Rajya Sabha. “Imports of cotton has surged significantly in last few years, even though India is the largest producer of cotton in the world. All varieties of cotton, including those which were produced in India were being imported in large quantities. This has impacted the Indian farmer adversely,” she further said. Making a strong case for scrapping the additional duty, Cotton Association of India had earlier urged the Government to withdraw the duty. The textile industry representatives stated that imposition of import duty cotton had become costly and it was not in the

interest of domestic textile industry. The government has, however, refused to accept their demand and said that many incentives are being provided to garment industry under various schemes. "Garment exporters would not be affected as exporters may avail benefit of schemes like advance authorization, duty drawback, EoU, SEZ etc. Further, RoSCTL scheme for garment and made-ups has also been extended till March 2024. Further incentives under various schemes are also being provided to the garment sector," the Finance Minister has said.
(Source: Textile Value Chain)

5. CENTRE PLANS BIG BOOST FOR MSMES WITH AN INTER-MINISTRY DATA BANK

The Central Government is working towards building a robust data bank for Micro, Small and Medium Enterprises (MSMEs) by integrating information across various ministries and government data. The Ministry of MSME is in talks with government departments so that more businesses are registered as MSME. For this, it has requested ministries to accept Udyam registration as the formal identity for their schemes. This will allow Udyam registration number to act as a common business number. This number can be used across ministries. For instance, there are schemes that aim to support enterprises in rural areas that fall under the ambit of the ministry of rural development. Linking an enterprise's Udyam registration number can help the government analyse the kind of business and its need. As of now, the ministries of rural development and tourism have accepted the Ministry of MSME proposal. MSMEs are considered to be the backbone of the economy, accounting for 30% of the country's gross domestic product (GDP). However, the lack of adequate statistics on MSMEs has been one of the key challenges for the government. Experts believe it is important to identify who the real MSMEs are, as there is no reliable data available for small businesses. Hence, integrating data with other ministries will help the government frame stronger schemes to come up with a better methodology. They will be able to reach out and support businesses and bring more MSMEs under the formal sector. Udyam registration portal was launched in 2020. It is an online self-declaration process for MSMEs. It simplifies the process of registering for any enterprise under the MSME category for them to avail benefits under various government schemes. Also, it is already integrated with the Central Board of Direct Taxes (CBDT), Goods and Services Tax Network(GSTN) as well as the government e-marketplace(GeM). As of July 2021, over 3.8 million MSMEs have registered on the Udyam portal.
(Source: Forumias)