1. Insurance Regulatory and Development Authority of India (IRDAI)

Why in News?

- Recently, the Insurance Regulatory and Development Authority of India (IRDAI) has proposed a separate regulator for the healthcare segment or it must be allowed to regulate hospitals.

Highlights:

- It has been noticed that the rate of inflation of hospital charges at present is around 10-15% and tariffs are being changed on a regular basis.
- Hospitals keep changing tariffs on a regular basis. There is no body to regulate them on tariff structure and grading.
- When Covid hit the country last year, patients were charged excessively by some hospitals.
- If insurers continue to pay whatever the hospitals are demanding, the health insurance business will be in poor health in the long run. Already, the industry is experiencing a high number of claims.
- If insurers continue to pay whatever the hospitals are demanding, the health insurance business will be in poor health in the long run. Already, the industry is experiencing a high number of claims
- At present, health care schemes and private insurance have individual hospital empanelment processes, which replicates various activities and contributes to inefficiency and duplication of processes.
- Healthcare has become one of the largest sectors in India in terms of revenue and employment. Booming population, rising income levels, growth in infrastructure, increased awareness, insurance policies and India's emergence as a hub of medical tourism and clinical trials have contributed to the development of the health care sector in India.

2. Centre for Monitoring Indian Economy (CMIE

Why in News?

- Recently, the Centre for Monitoring Indian Economy (CMIE), India's unemployment rate touched a four-month high of 7.9% in December 2021.
- With Covid-19 cases on the rise amid the threat posed by the Omicron variant and many states imposing fresh curbs, economic activity and consumption levels have been affected.
- This could adversely affect economic recovery further going ahead

- Unemployment occurs when a person who is actively searching for employment is unable to Find Work.
- Unemployment is often used as a measure of the health of the economy.
- The most frequent measure of unemployment is the unemployment rate, which is the number of unemployed people divided by the number of people in the labour force.
- National Sample Survey Organisation (NSSO) defines employment and unemployment on the following activity statuses of an individual:
- Working (engaged in an economic activity) i.e. 'Employed'.
- Seeking or available for work i.e. 'Unemployed'.
- Neither seeking nor available for work.
- The first two constitute the labour force and unemployment rate is the percent of the labour force that is without work.
- Unemployment rate = (Unemployed Workers / Total labour force) × 100

3. Open-Source Software

Why in News?

- The Github, an open-source software repository service was recently used to create and share an offensively Named App that sexually harassed a women in India.

Highlights:

- The app used pictures of the women stolen from their social media handles and invited "users" to bid for them.
- GitHub has blocked the user, and the Indian Computer Emergency Response System (Cert-In), has been asked to form "a high-level committee.
- The term open source refers to something people can modify and share because its design is publicly accessible.
- Underlying Principles: Open source projects, products, or initiatives embrace and celebrate principles of
- Open exchange
  - ✓ Collaborative participation
  - ✓ Rapid prototyping
  - ✓ Transparency
  - ✓ Meritocracy, and

- ✓ Community-oriented development.
- Open Source Software: Open source software (OSS) is software that is distributed with its source code, making it available for use, modification, and distribution with its original rights.
- Source code is the part of software that most computer users don't ever see.
- It's the code computer programmers manipulate to control how a program or application behaves.
- OSS typically includes a licence that allows programmers to modify the software to best fit their needs and control how the software can be distributed.
- The idea of making source code freely available originated in 1983 from an ideological movement informally founded by Richard Stallman, a programmer at MIT.

4. A Reality Check on Great CAPEX Expectations

Why in News?

- Economists are predicting a potential virtuous Capital Investments (capex) cycle to kick in Globally as we Emerge from the Pandemic.

Why do Analysts think that Capital Investment Cycle is about to start?

- **Less Leveraged:** Corporates are less leveraged today compared to 2008.
- Indian corporates repaid debts of more than Rs 1.5 trillion.
- **Fiscal and Monetary Support**: Companies are also more confident of durable fiscal and Monetary Support.
- Increased savings: Households have large excess savings built during Covid — $1.7 trillion in the US and roughly $300 billion in India as per a UBS report.
- **Cash:** Lastly, corporates are sitting on a large cash pile – S&P 500 firms' cash has soared from $1 trillion pre-pandemic to $1.5 trillion now.

Why capex wave is Difficult in India?

- Fall in capital formation: India's fixed capital formation rate has steadily fallen from 36 per cent of GDP in 2008 to 26 per cent in 2020.
- For a set of 718 listed companies for which data is consistently available from 2005, the capex growth rate has decreased from 7 per cent in 2008 to around 2 per cent in 2020.
- Low return on invested capital: The return on invested capital in FY21 is still low at 2-3 per cent compared with 16-18 per cent returns in 2005-08.

- Structural issues: Land acquisition is still tough, changes to labour laws have been slow, and reform uncertainty has resurfaced with the rollback of the agriculture reform laws.
- Discouraging current data: As per CMIE data, the quarter ending in June 2021 saw Rs 2.72 lakh crore worth of new projects announced. This fell to Rs 2.22 lakh crore for the September 2021 quarter.
- This is much below the average of Rs 4 lakh crore a quarter of new project announcements during 2018 and 2019.
- Further, new projects are concentrated in fewer industries (power, and technology) with the top three accounting for 44 per cent of the total of new projects announced.
- Low capacity utilisation: At the same time, capacity utilisation for corporate India is at an all-time low.
- From a peak of 83 per cent in 2010, when capex was running hot, utilisation levels declined to 70 per cent just before the pandemic, and further to 60 per cent in June 2021 as per the RBI's latest OBICUS data.
- Capex is funded either from fresh debt or equity issues or from accumulated cash. Large firms are repaying debt.

5. Issues with India's GDP data

Why in News?

- There are three major reasons why the GDP data, and hence any narrative of Economic Recovery based on it, are Questionable.

Background:

- The NSO released the current GDP series in 2015, using 2011-12 as its base year.
- Some have argued that the problem in the new series is the real Growth Rate. This is Debatable.
- Scholars have pointed to measurement problems, both in the nominal and real GDP Growth Rates.
- Three issues with the GDP data, and narrative of economic recovery based on it

Double Deflation Problem:

- The new series entailed a shift from a volume-based measurement system to one based on nominal values, thereby making the deflator problem more critical.

- Simply put, the NSO calculates real GDP by gathering nominal GDP data in rupees and then deflating this data using various price indices.
- The nominal data needs to be deflated twice: Once for outputs and once for inputs.
- But the NSO — almost uniquely amongst G20 countries — deflates the nominal data only once.
- It does not deflate the value of inputs.
- To see why this is a problem, consider what happens when the price of imported oil goes down.
- In that case, input costs will fall and the profits recorded by Indian firms will rise.
- This increase in profits is merely the result of a fall in input prices, so it needs to be deflated away.
- But the NSO doesn't deflate away the increase in profits.
- Since the cost of inputs is measured by the WPI (wholesale price index), a crude measure of the overestimation caused by the absence of "double deflation" is given by the gap between the WPI and the CPI (consumer price index).
- In the 2014-2017 period, oil prices plunged, causing the WPI to fall sharply relative to the CPI.
- This meant that real growth was probably overstated.
- In the last few months, the exact opposite has been happening. WPI inflation is soaring.
- The rapid increase in the WPI relative to the CPI is imparting an upward bias to the deflator.

Sectoral Weight not Updated:

- When it calculates GDP, it takes a sample of activity in each sector, then aggregates the figures by using sectoral weights.
- To make sure that the weights are reasonably accurate, the NSO normally updates them once a decade.
- It has now been more than 10 years since the weights were changed, and there are no signs of a base Year Revision.
- As a result, the sectoral weights are still based on the structure of the economy in 2010-11, when in particular the information technology sector was much smaller.

Measurement of Unorganised Sector:

- Measurement of the unorganised sector has always been difficult in India.

- Once in a while, the NSO undertakes a survey to measure the size of the sector.
- In the meantime, it simply assumes that the sector has been growing at the same rate as the Organised Sector.
- However, starting in 2016 the unorganised sector has been disproportionately impacted by a series of Shocks.
- In 2018, the NBFC sector reported serious problems, which in turn impacted unorganised sector firms since they were heavily dependent on NBFCs for funds.
- From 2020 onwards, the pandemic has impacted the unorganised sector more than the organised Sector Enterprises.
- Despite these shocks, the NSO does not seem to have made any adjustments to its methodology for estimating the growth of the unorganised sector.