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Source : www.thehindu.com Date : 2020-05-01

GI TAG TO MANIPUR BLACK RICE, GORAKHPUR TERRACOTTA

Relevant for: Indian Economy | Topic: Issues relating to Intellectual Property Rights (IPRs)

Expertly crafted:Gorakhpur has a centuries-old traditionof terracotta art.T. SingaravelouT. Singaravelou

Chak-Hao, which is a black rice variety of Manipur, and Gorakhpur terracotta have bagged the Geogrphical Indication (GI) tag.

Chinnaraja G. Naidu, Deputy Registrar, Geographical Indications, confirmed that the GI tag had been given for the two products on Thursday.

The application for Chak-Hao was filed by the Consortium of Producers of Chak-Hao (Black Rice), Manipur and was facilitated by the Department of Agriculture, Government of Manipur and the North Eastern Regional Agricultural Marketing Corporation Limited (NERAMAC).

In the case of Gorakhpur terracotta, the application was filed by Laxmi Terracotta Murtikala Kendra in Uttar Pradesh.

Chak-Hao, a scented glutinous rice which has been in cultivation in Manipur over centuries, is characterised by its special aroma. It is normally eaten during community feasts and is served as Chak-Hao kheer.

Chak-Hao has also been used by traditional medical practitioners as part of traditional medicine. According to the GI application filed, this rice takes the longest cooking time of 40-45 minutes due to the presence of a fibrous bran layer and higher crude fibre content.

At present, the traditional system of Chak-Hao cultivation is practised in some pockets of Manipur. Direct sowing of pre-soaked seeds and also transplantation of rice seedlings raised in nurseries in puddled fields are widely practised in the State’s wetlands.

The terracotta work of Gorakhpur is a centuries-old traditional art form, where the potters make various animal figures like, horses, elephants, camel, goat and ox with hand-applied ornamentation.

Some of the major products of craftsmanship include the Hauda elephants, Mahawatdar horse, deer, camel, five-faced Ganesha, singled-faced Ganesha, elephant table, chandeliers and hanging bells.

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Source : www.thehindu.com Date : 2020-05-01

CORONAVIRUS IS PULLING MILLIONS BACK INTO POVERTY

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

Pushed into penury:A file photo of workers sewing garments at a factory in Bangladesh.NYTFABEHA MONIR

Like thousands of women across South Asia, Shahida Khatun dropped out of school to work in the garment factories that were springing up in Bangladesh's cities, hoping to pull her family out of poverty.

At 12 years old, she clocked in for long shifts in an overcrowded factory. But the $30 she made each month ensured that for the first time, her family had regular meals and could buy previously unheard-of luxuries like chicken and milk.

A decade later, Ms. Khatun more than tripled her wage.

But when Ms. Khatun and her husband were laid off in March as Bangladesh, like much of the world, went under lockdown because of the coronavirus pandemic, she dropped back to dark places she hoped she had left behind.

"The garment factory helped me and my family to get out of poverty. But the coronavirus has pushed me back in," Ms. Khatun, now 22, said in a recent interview.

The gains the world was making in fighting poverty are now at grave risk.

The World Bank says that for the first time since 1998, global poverty rates will rise. By the end of the year, 8% of the world's population — half a billion people — could be pushed into destitution, largely because of the wave of unemployment brought by virus lockdowns.

While everyone will suffer, the developing world will be hardest hit. The World Bank estimates that sub-Saharan Africa will see its first recession in 25 years, with nearly half of all jobs lost across the continent. South Asia will likely experience its worst economic performance in 40 years.

Informal sector

Most at risk are people working in the informal sector, which employs 2 billion people who have no access to benefits like unemployment assistance or health care. In Bangladesh, 1 million garment workers like Ms. Khatun — 7% of the country's workforce — lost their jobs because of the lockdown.

The financial shock waves could linger even after the virus is gone, experts warn. Countries like Bangladesh, which spent heavily on programmes to improve education and provide health care, which help lift families out of destitution, may now be too cash-strapped to fund them.

"These stories, of women entering the workplace and bringing their families out of poverty, of programmes lifting the trajectories of families, those stories will be easy to destroy," said Abhijit Banerjee, a winner of the 2019 Nobel Prize for economics.

“There will be groups of people who climbed up the ladder and will now fall back,” he added. “There were so many fragile existences, families barely stitching together an existence. They will fall into poverty, and they may not come out of it.” The gains now at risk are a stark reminder of global inequality and how much more there is to be done. In 1990, 36% of the world’s population, or 1.9 billion people, lived on less than $1.90 a day. By 2016, that number had dropped to 734 million people, or 10% of the world’s population, largely because of progress in South Asia and China.

Some of the biggest gains were made in India, where 210 million people were lifted out of poverty from 2006 to 2016, according to the UN. Since 2000, Bangladesh lifted 33 million people — 10% of its population — out of poverty.

Famines that once plagued South Asia are now vanishingly rare, the population less susceptible to disease and starvation. But that progress may be reversed, experts worry, and funding for anti-poverty programmes may be cut as governments struggle with stagnant growth rates or economic contractions as the world heads for a recession.NY Times

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Source : www.thehindu.com Date : 2020-05-01

NEEDED: A PANDEMIC PATENT POOL

Relevant for: Indian Economy | Topic: Issues relating to Intellectual Property Rights (IPRs)

Every April 26, we celebrate World Intellectual Property Day. This year, it was not a day for celebration, but one for reflection and dedication. It provided us an opportunity to reflect upon the role of intellectual property (IP) in the ongoing health crisis and dedicate IP to finding a solution.

The purpose of creating and recognising patent rights is for the common public good, i.e., innovation should be made public in exchange for a limited monopoly. Thus, patents need to be disclosed to the public in order to enable further research. Should pandemics such as COVID-19 be an exception to this?

Intellectual Property rights | India remains on U.S. Priority Watch List

For human life to become normal again, vaccines or medicines are the only permanent solutions. However, even by conservative estimates, it will take at least 6-10 months for any vaccine/drug to be available. Even when approval for marketing of a vaccine/drug is granted, it will be impossible for it to be made instantly available across the world. This is because even after approval for commercial production is granted, say, in one country, in order for the product to be available to the rest of the world, approvals will be required in each and every country. Then countries will have to gear up for instant manufacturing and marketing of the drug. For this to happen, continuous dialogue has to take place among innovators, manufacturers and supply chains. This requires massive efforts by private players, governments and international organisations.

With the outbreak of COVID-19, there are several innovations. All these innovations may be the subject matter of patent applications around the world. It will be a few years before patents are even granted. However, friction already exists among various stakeholders. For instance, one country made attempts to obtain exclusive rights to a vaccine being developed. On the other hand, there are also collaborations taking place. However, the spirit of collaborative solutions is only on the anvil. The question that arises is whether the exclusivity that is recognised by patent rights will be detrimental to society. Will patents create roadblocks or is there a solution?

Pandemics need disruptive solutions. Governments and international organisations need to arrive at a consensus in advance to ensure that the system is ready. Procrastination would be disastrous. Creating hindrances through exclusivity claims, in the wake of a pandemic, will result in dividing countries, corporations and international organisations. This will not benefit patients and the world as a whole. If patent owners create impediments on the strength of patent rights, the world will start despising patents and that is not a situation IP owners ought to be in. Under the TRIPS (Trade-Related Aspects of Intellectual Property Rights) regime, there are several tools such as compulsory licensing that are available to ensure access to medicines. However, beyond the laws, society needs to respect innovation. To protect the sanctity and integrity of patent systems, and in order to ensure that an anti-IP sentiment is not generated globally, answers need to be found within the existing regime. In exceptional circumstances such as these, there is a likelihood that societies may resort to extreme steps to protect themselves. Before such ideas are floated, solutions should be created.

Coronavirus | Government urged to revoke patent on cancer drug

One method by which aggregation and dissemination of innovative products can be ensured is by creating a patent pool. Patent pools are usually effective in aggregating, administering and licensing patents related to specific areas of technology. Such pools are usually managed by a central agency and the patents which become part of the pool are readily made available for licensing. Some pools even publish the royalty rates payable for such licences. Anyone who wishes to obtain a licence will be able to approach the pool, agree to the terms, and begin to manufacture and sell the products. Such pools are prevalent in, for instance, standard essential patents related to telecom and digital innovations.

At the moment, individual efforts are being made by research organisations to create their own pools. A more fruitful endeavour would be to create a global pool of COVID-19-related innovations, or innovations related to rare pandemics, in respect of vaccines and medicines. This could be managed by a trustworthy international organisation. All countries ought to have the right to implement these innovations without further permission from the patent-holders and without resorting to provisions such as compulsory licensing, state acquisition, etc. Even if royalties are at a minimal level, the revenues would still be in billions of dollars owing to the large swathes of the population affected by the pandemic, who will need to be administered these products.

Also read | Germany tries to stop U.S. from luring away firm preparing coronavirus vaccine

Creation of a pool and immediate licensing will ensure that there are hundreds of manufacturers across the world. As a result, vaccines and medicines will be quickly available. Some part of the royalties could then be disbursed to patent owners on a periodic basis and some part could be retained to fund further research to deal with such pandemics in future.

Such a pool needs the cooperation of not just countries and international organisations but also the hundreds of researchers, innovators, companies and universities involved. Concerns relating to patents and profits to be earned therefrom should be put aside. The world has to come out of this crisis quickly and patents ought to accelerate rather than impede the path. Combating the crisis and earning collectively is the need of the hour.

Pooling of patent resources is also in line with the Doha Declaration on Public Health which is a part of the TRIPS agreement. This declaration recognises the need for taking measures to ‘protect public health’ and ‘promote access to medicines’.

Public-private partnerships (PPP) need to be scaled up. Creation of the ‘PPP-pandemic patent pool’ at a global level, to pool all innovations, is the way forward. Let us not wait any longer.

Justice Prathiba M. Singh is Judge of the Delhi High Court and was a member of the IP think tank that drafted India’s Intellectual Property Rights policy

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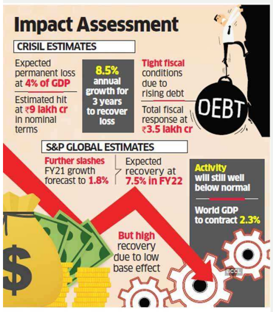
INDIA NEEDS TO GROW AT 8.5 PER CENT IN SUCCESSION TO GET BACK ON TRACK: REPORT

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

MUMBAI: The lockdown throughout the country due to COVID-19 concerns may cause a permanent erosion of 4 per cent of India's GDP. India may need to grow 8.5 per cent for three years in succession to be back on track according to ratings firm Crisil.

"We estimate 4% permanent loss to real GDP (from the decadal trend levels) in the base case" Crisil said. "Catch-up requires a never-before seen GDP growth of 8.5% on average for three years up to fiscal 2024" Crisil has forecast FY'21 growth rate at 1.8 per cent in its latest revision



Rating firms and many brokerages have already revised their GDP forecast twice since the COVI-19 pandemic resulted in lock-downs throughout the country halting the economic activity through-out the country and many parts of the globe.

"Protecting India's workforce will be a major challenge (for which) fiscal policy has to be more aggressive" said Crisil chief economist D K Joshi. Crisil anticipated a fiscal stimulus of about Rs 3.5 lakh crore. "Fiscal support needs to go up in scale and scope beyond vulnerable households to cover firms as well"

The most affected are daily-wage earners and those with no job security. In India, casual labourers form almost 25% of the workforce and would take the first hit due to shutdowns and layoffs.

So far policy support has been largely through monetary policy through liquidity support to impact sector and also regulatory relaxations on loan repayment. But fiscal space to spend is somewhat constrained by tight fiscal position of Centre and states.

MSMEs are more vulnerable than larger players, especially on the liquidity front. Crisil's research suggests that even in a relatively milder slowdown than we expect this fiscal, MSME working capital can stretch by over a month.

Crisil expect the banking sector to also bear a big brunt of the lockdown. It expects banking sector NPAs to rise to 11-11.5% by March 2021 from an estimated at 9.6% as of March 2020, with sharply lower recoveries and rising slippages. NPAs are expected to swell for non-banking finance companies, too,with microfinance, MSME loans and wholesale/developer funding witnessing the sharpest spike.

Indian companies' EBITDA- earnings before interest, taxes, depreciation and ammortisation, is set fall by 15 per cent assuming a real GDP growth of 1.8 per cent.

we expect consumer discretionary services and products such as airlines, hotels, automobiles and consumer durables to be the worst-hit. Non-pharma exporters, real estate and construction companies also face one of their worst years. Even resilient sectors such as IT services will see muted growth as global budgets on IT spending fall.

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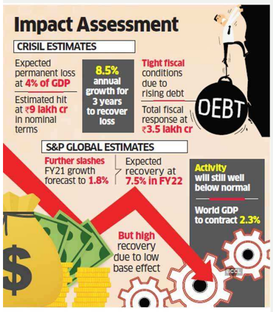

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Source : www.pib.nic.in Date : 2020-05-01

SHRI GADKARI LAUNCHES BANK OF SCHEMES, IDEAS, INNOVATION & RESEARCH PORTAL ON MSMES

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

Ministry of Micro,Small & Medium Enterprises

Shri Gadkari launches Bank of Schemes, Ideas, Innovation & Research Portal on MSMEs

Portal on MSME Bank of Ideas, Innovation and Research to prove of great transformational importance for existing and aspiring Micro, Small and Medium enterprises : Gadkari

Posted On: 30 APR 2020 3:56PM by PIB Delhi

Union Minister of Road transport & Highways and MSME Shri Nitin Gadkari today launched Bank of Schemes, Ideas, Innovation and Research portal (http://ideas.msme.gov.in/) on MSMEs through Video Conference from Nagpur in the presence of Shri Pratap Chandra Sarangi, MoS for MSME along with Secretary MSME Dr Arun Kumar Panda and DC, MSME Shri Ram Mohan Mishra and others senior officers. The Portal gives access to all Schemes of Union, State and UT Governments. It has the provision for uploading Ideas, Innovations & Researches in the sector. The portal has unique features of not only crowd sourcing of Ideas, but also evaluation and rating the ideas by crowd sourcing. It can also facilitate inflow of venture capital, foreign collaboration etc.

Speaking about the importance of the portal, Shri Gadkari said that this portal will prove to be of great transformational significance to the MSMEs in particular and the economy in general. This is a very good beginning, Shri Gadkari added. He also suggested that category-wise classification and analysis of information and the achievements which may be published so that others learn/take lessons from successful experiences. Shri Gadkari advised that the portal should be handled by quality professionals to keep it updated on sustained basis. He stressed upin the need for conversion of knowledge into wealth. Shri Gadkari also said that there is a need for greater work on Research, Technology, Innovation which can bring down cost and improve quality.

Shri Pratap Chandra Sarangi, MoS for MSME said, this portal will help the MSMEs in a big way through information sharing. He also said that this will help in the research activities like those in rural tribal knowledge, skills will get a chance for spreading their knowledge. Similarly it can assist the farmers in planning, production, storage and marketing of their produce.

Users who have idea, innovation or Research with him/her can share it on this platform which will be reviewed by the concerned Officer and publish them for public view. Registered users can rate these ideas (Crowd sourcing) and venture capitalist can connect with user having idea, innovation and research.

The online forms for Idea, innovation and research can be easily filled in 5-6 Minutes. Person can choose Areas (Credit/Finance, Human Capital Development, Technology, Infrastructure, Marketing, Policy, etc)

Person can indicate his Sector (Rural Technology Innovation, Waste-to-Wealth, Agro-Processing, Manufacturing, Services, Khadi, Coir, etc)

The portal has the facility to indicate the stage of Idea (Concept, Prototype or Commercialized) to make more user friendly. Papers and photo related to Idea and Video and Social Media links can also be uploaded.

The portal will benefit the potential entrepreneurs as One stop compendium of Ideas, innovation and research ready for commercialization. The Rating of Ideas can be seen publicly which will help in decision making. Venture capitalists can interact with Person and MSME having Idea or innovation. Similarly options are available for adding Banks, Government Labs, Incubators, Accelerators, Foreign collaboration in future.

RCJ/MS/Irshad

(Release ID: 1619559) Visitor Counter : 1197

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END

Source : www.indianexpress.com Date : 2020-05-02

MANISH SABHARWAL WRITES, 'RBI’S JOB INVOLVES TRADE-OFFS, NOT CONFLICTS'

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

Amartya Sen once wrote in the Economic and Political Weekly that Alfred Tennyson’s poem “The Charge Of The Light Brigade”, which glorified charging ahead in nobility, “Theirs not to reason why/ Theirs but to do and die”, was inappropriate inspiration for policy because “Good reform is the charge of the heavy brigade. The reason why is central to the task”. A central bank like the RBI must replace intellectual certainty with continuous debate about Why because their job involves complex trade-offs — next quarter vs quarter century, growth vs stability, and mandates vs expectations. A global anthropological shock like COVID makes these trade-offs — they are not conflicts — even harder. The RBI must remember three things — acting prudently to balance the next quarter and quarter century, acting flexibly to blunt this economic cataclysm, and acting within their mandate to ensure institutional legitimacy and immunity.

First, acting prudently. If everybody believed that in the long run we are all dead, we would never sit under trees planted by people who had no chance of sitting under them. The coronavirus is a human tragedy but a central bank must not act like a commercial bank because that would compromise the balance between today and tomorrow. A narcissism — bordering on solipsism — already reflects in global debt levels that steal from our grandchildren. More importantly, India doesn’t have the economic strength to copy the US Federal Reserve’s $2.3 trillion offer to lend to businesses of all sizes and sorts, run anything close to this year’s expected US fiscal deficit of 15 per cent of GDP, or sustain Japan’s public debt levels at 240 per cent of GDP. We are all in the same storm but we are all not in the same boat.

Opinion | In Pakistan, religious leaders, not doctors, are setting Covid policy

Second, acting flexibly within mandate. Renaissance physician Paracelsus had important advice for central banks; the dose makes the poison. Anything powerful enough to help has the power to hurt; handling the inevitable tensions between the RBI’s dual mandate of growth and stability requires continuous work. Our inflation targeting regime is a macroeconomic gift to India. But recognising that is hardly inconsistent with acknowledging that inflation’s secular decline has many parents, some economic models are useful but all are incomplete, and the fog of war involves making second best choices as long as they are reversible, proportional, and accountable.

Central banks often undertake liquidity management while leaving policy rates unchanged; current actions are not a conspiracy to undermine the MPC or its interest rate corridor (between reverse repo rate and MSF rate with repo rate midpoint targeting and call rate operating target). They are a pragmatic encouragement for banks to lend to clients rather than lend Rs 7 lakh crore to the RBI. Other virus flexibility includes repayment moratoriums (with 10 per cent provisions), bad loan accounting forbearance (despite past experience of breaking the thermometer doing little for the fever) and bank windows for NBFC/Mutual Fund liquidity. Listening is hardly compromise. Especially if accompanied by a will to unwind liquidity, asymmetry and forbearance when the planet’s gap year ends.

Third, acting within mandate. Central bank governance is a fine balance; they function best when they don’t declare poorna swaraj from the government and they aren’t considered a part of the finance ministry. The difficulty of balance isn’t uniquely Indian; Wharton Professor Peter Conti-Brown asks: “Is the independence of the US Federal Reserve a precious public good to be protected or a nefarious dodge of public accountability?" History suggests technocratic central banks run by unelected officials amplify institutional vulnerability by wading into democratic politics; the messy, slow and clunky process involving conciliation, compromise, and squeezing collective decisions out of conflicting demands described in Bernard Crick's wonderful 1963 book, In Defence of Politics. The RBI must build on its track record of wisely balancing the trade-offs between depositors vs borrowers, companies vs banks, and stability vs growth. And it must continue to stay out of the government's domain.

Opinion | It should inspire countries to recommit to principle of universal bio-deterrence

The central bank crisis role debate is skewed by the great book, Lords of Finance, by Liaquat Ahamed that shows how central bankers of the 1920s failed to fight the Great Depression. Historian Heraclitus suggested you can never step in the same river twice; the river is different, you are different, and the world is different. History matters but nobody knows if this is the beginning or ending of the virus. Yet the global central bank COVID toolbox has been substantial; buying corporate bonds, making corporate loans, cutting interest rates, conducting open market operations, and reducing reserve ratios. Additionally, banks have been permitted to grant loan moratoriums, hold less capital, restructure loans, pay lower deposit insurance premiums and delay bad loan recognition. The emergency authority under Section 13 of the US Federal Reserve Act being used — in my opinion, prematurely — also exists in Section 18 of the RBI Act. But emergency powers are a last resort. We are not there yet. The recovery being V-shaped, U-shaped, or Bathtub-shaped is only modellable after the lockdown.

Just like COVID is particularly painful for patients with pre-existing conditions, the RBI's COVID balm is constrained by pre-existing conditions in Indian banking; bad loans (peaked at Rs 14 lakh crore but still large), inadequate competition (scheduled commercial bank numbers have hovered between 90 and 100 since 1947), private bank governance (CEO so powerful that boards and shareholders are weak), public sector bank governance (shareholder so powerful that boards and CEOs are weak), and the RBI's own game (process, technology and human capital in regulation and supervision). All these must be tackled with urgency when normalcy returns.

The true antidote to fear is hope. Another fiscal package may come soon. But supplementing India's fiscal and monetary policy interventions by announcing two bold reform plans — 90-day flick-of-pen and one-year structural — that tackle overdue reforms in labour, education, cities, finance, compliance, and civil services, will catalyse hope among employers, employees, banks, and overseas investors. Creating a prosperous India needs many things. One of them is an independent, accountable, and boundaried central bank that listens.

This article appeared in the print edition of May 2, 2020, under the name 'Fear, hope and central bank'. The writer is co-founder, Teamlease Services

Opinion | Though stringent, lockdown was timely

END

Source : www.thehindu.com Date : 2020-05-02

IT'S ABOUT FOOD, NUTRITION AND LIVELIHOOD SECURITY

Relevant for: Indian Economy | Topic: Issues of Buffer stocks and Food Security

The current national lockdown to tackle the COVID-19 pandemic has highlighted the problems of food, nutrition and livelihood security confronting a large number of rural people, in particular, migrants to cities. While some measures have been announced, such as provision of additional rice or wheat, some pulses and oil free of cost, as well as 1,000 cash for the purchase of other essential commodities through the Public Distribution System (PDS), we need to understand the different dimensions of food security in a holistic manner in order to address this problem in its totality.

Coronavirus | Lockdown extended till May 17; curbs stay on public transport

The first is the availability of food in the market, and this is seen as a function of production. Fortunately, thanks to the Green Revolution, today we have enough food in the market and in government godowns. This is a great accomplishment by Indian farmers who converted a "ship to mouth" situation to a "right to food" commitment. Yet we cannot take farmers' contributions in terms of sustaining production for granted. While some special exemptions have been given to the agricultural sector, farmers are confronted at the moment with labour shortages, many of the inputs, including seeds, are expensive or unavailable, marketing arrangements including supply chains are not fully functional, pricing is not remunerative, and public procurement is also not adequate. There is no room for complacency, as in the absence of demand, the lack of storage or value addition facilities, especially for perishable commodities, we do not yet know exactly what the impact of the current pandemic will be on the kharif sowing and food availability in the future.

The second dimension is the access to food, which is a function of purchasing power, as unless you are a farmer and grow your own food, others have to buy it. Fortunately, the government, through the National Food Security Act (NFSA) and the PDS, has assured some additional food to every individual during this crisis. This should be further strengthened and the food basket widened by including millets, pulses and oil. Steps should also be taken to avoid hidden hunger caused by the deficiency of micronutrients in the diet. In light of the closure of schools and anganwadi centres, and the consequent disruptions in the provision of midday meals or other nutritional inputs, it is important to pay attention to the life cycle approach advocated in the NFSA, particularly the first thousand days in a child's life, when the cognitive abilities of the child are shaped. We may otherwise see negative effects on nutritional security in the medium to longer term.

Food security and access to nutritious, good quality food is also contingent on job security. Today, a lot of people employed both on farms and in the non-farm sector are without jobs. If job security is threatened, then so is food and nutrition security. We have to ensure people do not lose their jobs, and one way of doing this will be to ensure value addition to primary products. One example of such value addition is the Rice Biopark in Myanmar, wherein the straw, bran, and the entire biomass are utilised. This would of course mean some attention to and investment in new technologies that can contribute to biomass utilisation. The Amul model provides a good example from the dairy sector of improved incomes to milk producers through value addition. Similar attention needs to be given to the horticulture sector on a priority basis. Women farmers are at the forefront of horticulture and special attention needs to be given to both their technological and economic empowerment during this crisis.

Full coverage | Lockdown displaces lakhs of migrants

A second pathway to livelihood security for small and marginal farmers and landless households, and women within them, is strengthening the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). The definition of a worker in MGNREGA has so far been applied only to unskilled, manual work, and not to skilled jobs in agriculture and allied activities. Given the lack of jobs and incomes during the COVID-19 crisis, it is imperative to expand the definition of work in MGNREGA to cover skilled work related to farmers and their farming activities. This is particularly important for women farmers and workers, who should not just be given tasks of carrying stones or digging mud. Apart from farming, they engage in a range of essential care tasks, including caring for children, the elderly and sick people. These tasks, often invisible, need to be recognised as work and supported with appropriate education, including on nutrition.

Coronavirus | MGNREGA jobs crash to 1% of normal

The third dimension of food security is absorption of food in the body or its utilisation, which is dependent importantly on sanitation, drinking water and other non-food factors, including public health services. Ensuring that these services are functional depends on the capacities of the local panchayats and their coordination with other local bodies. The lack of adequate clean water in particular has come to the fore in both rural areas and urban slums in the context of COVID-19, where one of the key measures for stopping transmission relates to frequent hand-washing.

If we can ensure food availability, food access and food absorption, then we have a fairly robust system of food and nutrition security. All the above dimensions are, however, now threatened by the novel coronavirus, as discussed earlier. It is very critical to highlight the linkages between agriculture, nutrition and health. While the PDS may be able to meet calorie needs, the inability to harvest, transport and market perishable fruits and vegetables at remunerative prices during the current crisis, has not just deprived farmers of incomes and livelihoods, but consumers too are deprived of micronutrients in their diets. Farmers making losses, and agriculture moving from being job-led to jobless, raise questions about the sustainability of the production cycle. At the same time, this can have long-term consequences on nutrition and health security.

Coronavirus | Economists call for urban jobs scheme

India avoided what could have been a big famine in the 1960s through the help of technology and public policy, which actively worked with and supported farmers to achieve significant increases in yield. Today's problems are not as daunting. Through a combination of farmers' cooperation, technological upgrading and favourable public policies in procurement, pricing and distribution, we can deal with the fallouts of the pandemic. We hope that this pandemic will help recognise the contribution of our farmers.

M.S. Swaminathan, eminent agricultural scientist, is Founder of the M.S. Swaminathan Research Foundation, Chennai. Nitya Rao is Professor, Gender and Development at the University of East Anglia, Norwich, U.K.

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END

Source : www.pib.nic.in Date : 2020-05-02

FIVE MORE STATES/UTS BOARD ‘ONE NATION ONE RATION CARD’ NATIONAL PORTABILITY PLATFORM, TAKING THE TOTAL TO 17

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

Ministry of Consumer Affairs, Food & Public Distribution

Five more States/UTs board ‘One Nation One Ration Card’ national portability platform, taking the total to 17

60 crore NFSA beneficiaries can now draw ration anywhere in these 17 states/UTs by using their existing ration card

Posted On: 01 MAY 2020 4:41PM by PIB Delhi

The Minister of Consumer Affairs, Food and Public Distribution Shri RamVilas Paswanapproved the integration of 5 States and Union Territories, - Uttar Pradesh, Bihar, Punjab, Himachal Pradesh and Dadra & Nagar Haveli and Daman & Diu - with the National Cluster under the “One Nation One Ration Card” plan. Twelve States are already onboard the National Cluster, namely - Andhra Pradesh, Goa, Gujarat, Haryana, Jharkhand, Kerala, Karnataka Madhya Pradesh, Maharashtra, Rajasthan, Telangana and Tripura.Reviewing the progress of the implementation of National Portability of ration card holders under the “One Nation One Ration Card” plan, Shri Paswan took note of the requisite technicalreadiness of these 5 new States/UT with the National Cluster.

With this, the facility of national/inter-State portability will be available for nearly 60 Crore NFSA beneficiaries of 17 States/UT and they may lift their entitled quota of foodgrains from any Fair Price Shop (FPS) of their choice, anywhere in these 17 States/UT by using their same/existing ration card under ‘One Nation One Ration Card’ plan.

The Department has shared the necessary guidelines/instructions for the implementation of national portability as also imparted the requisite orientation trainings to the officers/technical teams of these 5 States/UTs.Further,while informing the 5 new States that required web-services for inter-Statetransactions and their monitoring through central dashboards have been activated with immediate effect, all 17 States/UTs concerned have been requestedto formally commence seamless inter-State/national portability operations in a single cluster w.e.f. today, or at the earliest, depending upon their on-field readiness.

Further, constant efforts are also being made to expand the reach of national portability under One Nation One Ration Card plan, to the beneficiaries of other States/UTs as per the readiness of respective State/UT Governments.

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APS/PK/MS

(Release ID: 1620019) Visitor Counter : 609

Read this release in: Punjabi , Malayalam , Tamil , Bengali , Gujarati , Telugu , Hindi

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Source : www.pib.nic.in Date : 2020-05-02

200 NEW MANDIS FROM 7 STATES INTEGRATED WITH THE E-NAM PLATFORM FOR MARKETING OF AGRICULTURAL PRODUCE

Relevant for: Indian Economy | Topic: E-technology in the aid of farmers

Ministry of Agriculture & Farmers Welfare

200 new mandis from 7 States integrated with the e-NAM platform for marketing of Agricultural produce

The e-NAM platform is moving towards One Nation One Market – Shri Narendra Singh Tomar

Posted On: 01 MAY 2020 5:28PM by PIB Delhi

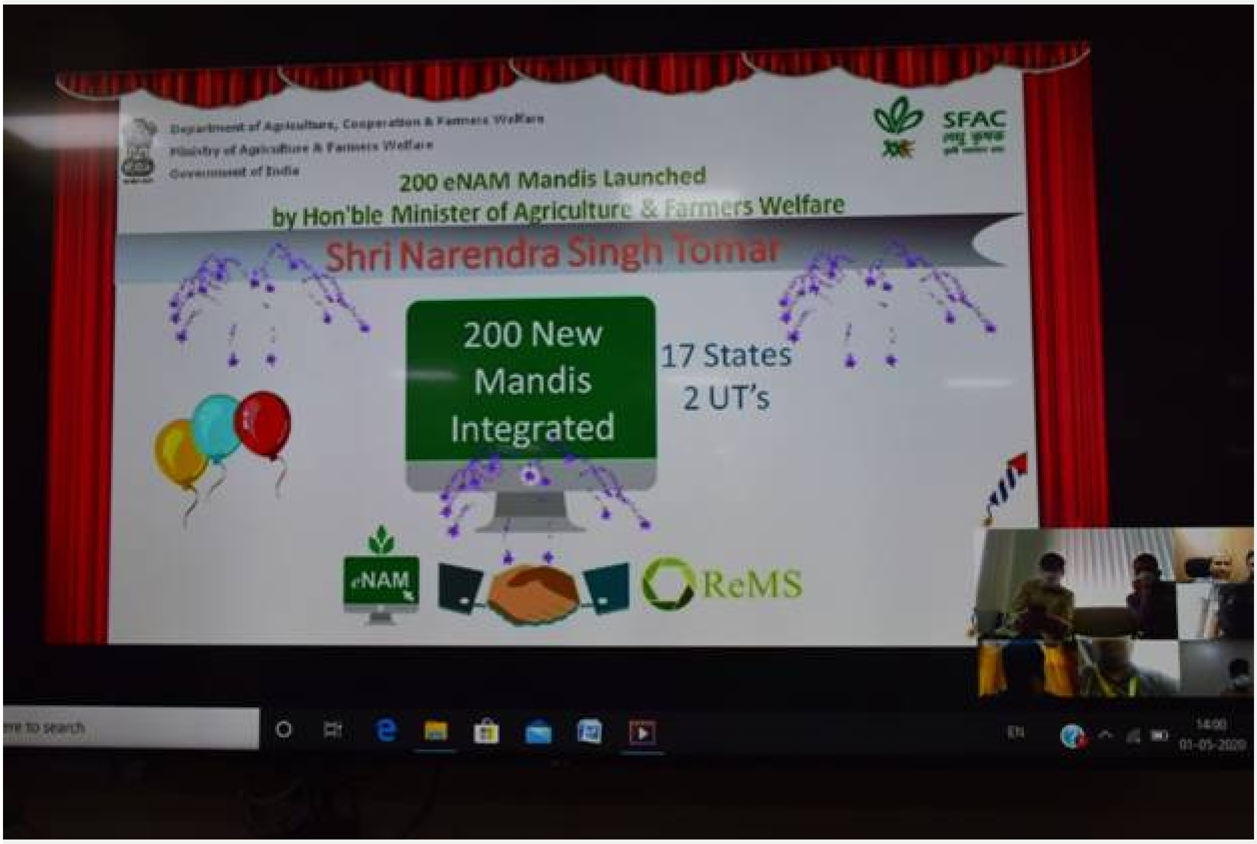
The Union Minister of Agriculture and Farmers Welfare, Shri Narendra Singh Tomar has stated that by May 2020 there will be around one thousand Mandis joining the e-NAM platform for marketing of Agricultural produce. He was speaking at a function in Krishi Bhawan today where 200 new mandis were added to the e-NAM platform from 7 States. The Minister also witnessed via video conference live trading between mandis from Kurnool and Hubli in groundnuts and maize. He said the Prime minister's vision of using technology for the benefit of farmers will soon be realised.

The 200 markets integrated with the e-NAM platform today are as follows: Andhra Pradesh (11 mandis), Gujarat (25 mandis), Odisha (16 mandis), Rajasthan (94 mandis), Tamil Nadu (27 mandis), Uttar Pradesh (25 mandis) & Karnataka (02 mandis). This will bring the total e-NAM mandis in the country to 785. This is the first milestone achieved in the path of integrating 415 new markets across the country. It is for the first time that Karnataka State has been added to the list of e-NAM States.

With the aim to reach the last mile farmer & transform the way they sell their agri produce, e-NAM has gained more strength today by reaching out to more farmers & traders of these new mandis. Already 585 mandis in 16 States and 02 Union Territories have been integrated and are working.

e-NAM is also integrated from today with the Unified Market Platform (UMP) of Karnataka's Rashtriya e-Market Services (ReMS), an e-trading platform promoted by the Karnataka State Agriculture Marketing Board. This will facilitate traders across both the platforms to execute seamless trading in both the platforms by using Single Sign On framework.

This is for the first time in India that two different e-trading platforms for Agri commodities of this scale will be made interoperable. This will help farmers of Karnataka to sell their produce to large number of traders registered with e-NAM and even farmers from e-NAM mandis in other States will be able to sell their produce to Karnataka traders who are enrolled with ReMS platform of Karnataka. This will also promote inter-State trade between the States on-boarded on e-NAM platform & Karnataka.



e-NAM has come a long way with 1.66 Crore Farmers & 1.28 lakh traders having been registered on e-NAM platform. As of 30th April 2020, total trade volume of 3.41 Crore MT & 37 Lakh numbers (Bamboo & Coconut) collectively worth approximately Rs. 1.0 lakh crore have been recorded on e-NAM platform. A path-breaking and revolutionary concept in Agri-sector, the e-NAM online platform has proven to be a giant leap in reforming the agriculture market in India.

e-NAM facilitates trade beyond mandi/ state borders. A total of 233 mandis have participated in inter- mandi trade within 12 States, whereas 13 States/UTs have participated in the inter-state trading on e-NAM platform allowing farmers to interact directly with distantly located traders. At present, more than 1,000 FPOs have been on-boarded on e-NAM platform.

In addition, Ministry launched two major modules in e-NAM last month to deal with the COVID-19 situation so that famers can sell their produce without bringing them to mandi. These modules are: FPO module helping farmer members of FPO to trade from their collection center and other being warehouse module whereby farmers can sell their stored produce in WDRA registered warehouses, declared as deemed mandi by States. In addition, Ministry has launched recently the “Kisan Rath” mobile App which is helping farmers in finding a suitable transport vehicles/tractor to carry their produce to nearby mandi and warehouse etc.

The Ministers of State for Agriculture and Farmers Welfare, Shri Parshottan Rupala and Shri Kailash Choudhary, Secretary (AC&FW), Shri Sanjay Agarwal, and senior officers of the Ministry participated in today’s programme held through VC.

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APS/PK/MS/BA

END

Source : www.economictimes.indiatimes.com Date : 2020-05-02

INDIAN ECONOMY: HOW PRINTING MONEY CAN SAVE THE ECONOMY OF A NATION

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

Major global economies are responding to the Covid-induced recession by adopting unorthodox stimulus measures, including printing money.

The US, the European Central Bank, Japan, and even emerging economies such as Turkey and Indonesia are printing money to bring economies back to life. So must India. Here's what this stimulus means, and what India can do.

What is Printing Money?
1] CENTRAL BANK DIRECTLY BUYS GOVT DEBT/BONDS
This injects cash into economy Akin to printing new money, though done electronically

2] CENTRAL BANK BUYS BONDS FROM CORPORATES, LENDERS
Seller is able to get rid of illiquid assets and deploy funds elsewhere

What are Major Economies Doing?
1] US Fed Reserve Used it extensively to counter 2008 crisis Same template in use for Covid crisis

2] European Central Bank Has removed the limit on bonds it can buy from any single Eurozone country

3] Bank of England Ready to temporarily lend money to govt, if needed

4] Bank of Japan will buy unlimited amount of govt bonds

What Did India Do Earlier?
Debt monetisation by RBI was the norm in 1980s, and up to late 1990s Govt deficits were monetised through ad hoc treasury bills

In 1994, curbs were imposed under a pact between RBI and govt Arrangement phased out after 1997 But this continued in another form — with RBI picking up unsubscribed public debt auction

FRBM Act, 2003, barred RBI from buying primary issuances of govt debt

What India Can Do?
1] Economy needs massive fiscal stimulus ET estimates 9-10% of GDP must be spent This translates into Rs 18-20 lakh crore Budgeted borrowing in FY21 is Rs 8 lakh crore

2] Market cannot support this borrowing

3] Interest rates will rise sharply

4] Pvt sector/other borrowers will be denied credit

5] High interest rates/lack of credit will kill economic activity

6] So, only RBI can provide such funds by printing money

Returns Much Higher Than Risk

Some economists say injection of fresh demand can distort macro-balance. They point to possibility of:
1] High inflation
2] High current account deficit
3] Currency depreciation
4] Reckless spending could fuel NPAs

But massive economic contraction makes these unlikely
1] Deflation, not inflation, is real risk with demand crashing
2] Current account not a concern as there's barely any trade
3] Crude prices are low, and are likely to remain so
4] Risk of credit binge low in current environment of caution

ET VIEW: GoI and RBI Must Be Bold
This is the time for wartime financing, and normal rules can't apply. Printing money will generate demand, kickstart projects, help businesses and employees and workers. And given the steep economic dip, risks of overheating are trivial. GoI and RBI must opt for printing money. Procedural caution may kill the India story.

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END

Source : www.thehindu.com Date : 2020-05-03

‘NOW IS THE TIME FOR CENTRE TO USE ITS MINTS’

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

Printing currency notes, abolishing the Foreign Exchange Management Act (FEMA) and allowing Indian firms to borrow abroad at low interest rates are among the steps that former Solicitor General of India and Supreme Court lawyer Harish Salve said India needed to take right away to help resuscitate the economy.

Addressing the ICAI Leadership Summit last week, Mr. Salve said the economy needed a ventilator immediately. “The first thing you would do [to such a patient] is give a blood transfusion ie cash in the system. The second is the electrolytes; that would be smooth-enough-doing-business in India. Statutory compliances? Tax disputes? Intrusive investigations into small violations? Put them on the back burner; let people spend time in factories rather than run to government offices answering show-causes.”

“Every government is cash strapped. The U.S. has had several million claims for unemployment; they are looking at a huge outflow. The U.K. is paying £2,500 to every person without a job, so at least the groceries can be bought. Where is the money coming from? This is the time to use your mints.

“Don’t worry about inflation. Print money, put it back in the system, fill in the hole created by the NBFC crash; demand will pick up, small-medium enterprises and real estate will pick up. In six months you’ll start seeing the change.”

“Inflation rates the world over are at an all-time low; LIBOR was between less than 1% to 1%; in India, interest rates are still 6%. Why not allow Indian industry to freely borrow from anywhere in the world? Repeal FEMA. Do we really need it?”

Mr. Salve batted for the removal of bank officers from the purview of the Prevention of Corruption Act. “Which bank officer today would risk sanctioning a loan? He would be hounded if the loan is not repaid.”

“Global firms want to move out of China. But India has to stop fantasising that we are the only alternative destination.” He cited Ireland convincing Apple to set up base there by offering low tax rates. “The PM sat with the CEO of Apple and negotiated a deal. This is how people do it. Prime Ministers talk to business folks saying. ‘Invest $20 billion in my country and we will charge one third the tax.’”

At a time when credit has to go up, bank officers are averse to risk, not wishing to invite scrutiny

END

Source : www.indianexpress.com Date : 2020-05-04

KRISHI PRADHAN

Relevant for: Indian Economy | Topic: Agriculture Issues and related constraints

The year 2019-20 saw India's agriculture sector grow by 11.3 per cent at current prices, more than the overall annual GDP increase of 7.9 per cent. According to NITI Aayog member Ramesh Chand, this is the first time since 1980-81 when farm sector growth has exceeded that of non-farm by such a wide margin. But that's not all. The current fiscal — the April-June quarter, definitely — could see agricultural growth surpassing that of non-agriculture even at constant prices. Simply put, agriculture is back to being the economy's mainstay and, indeed, the only sector growing amid a nationwide lockdown. One indicator is wheat procurement. As on May 1, government agencies had bought 14.3 million tonnes (mt) of the new crop, equivalent to a minimum support price value of over Rs 27,500 crore, with another 20 mt likely to be procured by month-end. Farming activity being relatively unaffected is also captured by retail fertiliser sales rising 45 per cent year-on-year in April. And if the monsoon turns out normal as forecasted, things aren't looking that bleak for agriculture; contrast this with the zero domestic car sales last month.

Agriculture doing well is important both from the standpoint of inflation control (adequate supply of food, feed and fibre, along with low oil prices, makes it easier for the Reserve Bank of India to pursue an accommodative monetary policy) and reviving spending (farmers and rural labourers have higher marginal propensity to consume). But it is also a fact that the farm sector cannot support economic growth beyond a point. A NABARD survey for 2016-17 showed that only 43 per cent of the average monthly income of even the country's estimated 10 crore-plus agricultural households came from cultivation and livestock rearing. The growth of non-agriculture is, in other words, important for farming families themselves, many of which have members deriving incomes from manufacturing and service sector jobs. Many of the migrant labourers either stranded or returning from industrial centres and cities post-lockdown belong to rural farming communities. Given that not everyone can be gainfully employed in farms, it is a matter of time before they head back to work away from their homes.

That said, the need of the hour is to maximise the possibilities in a sector which has demonstrated its utility and resilience in trying circumstances. The focus should be on the coming kharif cropping season, especially ensuring timely availability of seeds, fertilisers, pesticides, credit and other inputs. The latter includes labour and machines, whose movement was rightly exempted from lockdown restrictions. The government should seriously consider starting at the earliest special trains for labourers engaged in paddy transplantation and other agriculture-related operations. This is also the time to free farm produce trade by lifting all restrictions on stocking, domestic movement and exports. Let Indian farmers feed the world, not just India.

END

Source : www.thehindu.com Date : 2020-05-04

NO RELIEF FOR THE NOWHERE PEOPLE

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

“The lockdown imposed by the government has exposed the deep fault lines in India’s labour market.” Migrant workers wait to board a special train to return to Agra from Ahmedabad. AP

Jamalo Makdam, 12, died on April 18 walking back from the chilli fields of Telangana to her home in Chhattisgarh. She and a group of other workers decided to return home on foot, as many migrant workers did, after losing their jobs, incomes and even accommodation following the announcement of a nationwide lockdown. Her journey ended in death, possibly due to electrolyte imbalance and exhaustion, said health officials.

In the past month, migrant workers have died, been lathi-charged, herded into shelters with minimum facilities, sprayed with dangerous chemicals, and denied entry into their home villages by the dominant elite. These reports and images have seared our conscience.

Full coverage | Lockdown displaces lakhs of migrants

The labourers — men, women and children — are the classic nowhere citizens of India. They have no rights and entitlements in the areas in which they work and to whose prosperity they contribute. Being from the poorest and the socially discriminated groups, they are also denied entitlements in the villages to which they belong. Not surprisingly, they have been invisible in policy discourse. There are no firm estimates of their numbers. Estimates prepared by this author and updated from time to time suggest that short-term and circular migrants in the informal wage economy could number 60-65 million. About 40% of these migrants work in the construction sector and 15% in agriculture. The rest are engaged in manufacturing, transport, and other services. With accompanying family members, their numbers would not be less than 100 million. About half these labourers are inter-State workers. We exclude in this estimate longer-term circular migrants who also work in the informal wage economy and as self-employed workers in the urban economy.

Data from the National Sample Survey and the India Human Development Survey (IHDS) show that these migrant labourers are mainly from rural areas in poor regions and States, and belong to the poorest socio-economic classes. Scheduled Castes and Scheduled Tribes and Other Backward Classes are over-represented among them. They form the largest section of child, bonded and trafficked labour. They predominate in activities that are characterised by three Ds — dirty, dangerous, and difficult — and consistently face a fourth D — discrimination. Nearly 70% of migrants work in urban and peri-urban areas in and around growth centres in States in the north, west, and south of the country. Industry and employers are bemoaning, for the first time, the fact that activities in a number of crucial sectors and industries will not see revival without these workers.

The lockdown imposed by the government has exposed the deep fault lines in India’s labour market which operates in a sea of growing informal employment relations. We know that nearly 81% of wage workers even in non-agricultural sectors do not have any contract with their employers and enjoy no security of tenure. Many do not even know their final employer. The IHDS tells us that half the migrant labourers are hired through contractors. Their condition shows the dismal state of implementation of labour regulations, particularly with respect to inter-State migrants.

Also read | Migrant workers, other stranded people to pay 50 more to get home | Railway Ministry will donate 151 crore to PM-CARES fund

With the government's sudden lockdown decision, wages for jobs already carried out remained unpaid. A large percentage of migrants remained saddled with debt taken as advances from their employers, contractors, or landlords. The government's announcement of a tepid relief package on March 26 did not address any of the concerns of this section as the frail social security net largely does not cover them. Crucially, the government side-stepped its major responsibility of paying compensatory wages to the informal workers for the lockdown, putting this onus on employers who are already hit hard by the lockdown.

As the migrant workers tried to move to their homes, the government responded with a strict State and inter-district lockdown and ordered placing migrant workers in quarantines-cum-shelters, and the detention of workers who remained on the move. In a status report submitted to the Supreme Court on March 31, the government argued that the movement of these workers to rural areas constituted a serious risk of spread of COVID-19, a fact that has remained unsubstantiated.

By the end of the first week of April, the government submitted that about 6.3 lakh workers were in shelters run by governments in different parts of the country, while another 4.5 lakh were in shelters run by NGOs and others. Nearly 10 million workers were receiving food assistance through governmental and non-governmental sources. About 5 lakh to 6 lakh workers had reached their source States. As a matter of fact, reports from the ground suggest that a large proportion of intra-State migrants had trudged back home so the total returnees was probably closer to 25 million. At present, with about a million migrant workers in shelters or quarantines, at least 20 million such workers are still stranded at worksites or living in hovels. Most of these, as successive surveys attest, have not been able to avail of any food or cash assistance, and are on the brink of starvation.

Coronavirus lockdown | Despair packs migrant workers from U.P. into a concrete mixer truck

On April 19, the Indian government issued a standard operating protocol on movement of stranded labour, permitting the movement and employment of stranded migrant workers in worksites only within the States in which they were involuntarily detained in shelters. On April 29, the Central government issued another notification finally permitting stranded labourers and populations to travel inter-State to their homes only by buses. On May 1, the Railways were permitted to run special trains for migrants with coordination and costs being borne by the States and, in some cases, fares being paid by the hapless migrants. The receiving States, it must be pointed out, are precisely those which have the weakest fiscal capacity. The ensuing confusion and delay has also increased the plight of the migrants. It goes without saying that it must be the responsibility of the Centre to coordinate the movement of the stranded populations by trains, air and buses, and to provide adequate resources, not only for transportation, but also for wages and food requirements of all such workers whose loss of jobs and incomes followed the national lockdown.

Comment | It's about food, nutrition and livelihood security

The fight against the pandemic can only be built on a vision of a society that is inclusive, equitable, and non-discriminatory. India needs a unified labour market and universal social security system which can ensure security, safety, and dignity to all workers. Pandemics do not recognise artificial walls between living spaces and work spaces, and both have to be able to provide basic amenities and access to health security to all. However, it seems that current policy responses to the crisis and towards the migrants are still embedded in a short-sighted framework that recognises and reinforces the idea of two Indias.

Ravi Srivastava, former Professor of Economics at JNU, is now honorary Director of the Centre for Employment Studies, Institute for Human Development, Delhi

To reassure Indian Muslims, the PM needs to state that the govt. will not conduct an exercise like NRC

END

Source : www.thehindu.com Date : 2020-05-05

COVID-19 AND INDIA'S FISCAL CONUNDRUM

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

As the COVID-19 pandemic continues to **ravage economies** across the world, policymakers are desperately seeking effective ways to mitigate its economic effects. The immediate future appears dire for large emerging markets including India, which recently saw its growth forecast for 2020 slashed by the **International Monetary Fund (IMF) to 1.9%** from the previously estimated 5.8%. In April, the World Bank estimated that India would grow 1.5% to 2.8% in 2020-2021, the lowest since the start of the 1991 economic reforms. Dim as these projections are, what is of concern is that these are already starting to look overly optimistic considering that India has extended the lockdown.

Given the severity of the crisis, the Reserve Bank of India (RBI) has responded proactively and aggressively to ease liquidity concerns although the credit easing policy does not seem to have been transmitted yet to many firms. It has also granted regulatory forbearance relating to asset classification to support economic activity, though some socialisation of losses might be inevitable over time.

Also read: COVID-19 | State-wise tracker for coronavirus cases, deaths and testing rates

In contrast, the Indian government's fiscal stimulus efforts have paled in comparison to the rest of the world's initiatives. India's fiscal stimulus to date, estimated at 1.7 trillion, is less than 1% of the country's GDP, which is paltry compared to the magnitude of stimulus injections undertaken by many East Asian countries such as Japan (20%), Malaysia (16.2%) and Singapore (12.2%).

With the Indian economy in the ICU, there has understandably been a lot of criticism regarding the gross inadequacy of the government's fiscal response to date. Several observers have emphasised the need for India to roll out a revival package of at least 5% of the GDP (10 trillion) to support the health and economic well-being of the most vulnerable (slum dwellers and migrant workers) as well as micro, small and medium-sized enterprises (MSMEs).

Some other lower-income countries have been reluctant to impose nationwide lockdowns as they recognise that this policy works best in countries that are sufficiently well endowed to offer appropriate compensatory resources to the most vulnerable.

Also read: Full coverage of COVID-19

While the case for an aggressive fiscal stimulus is clear in these exceptional circumstances, the options to finance it do not appear to be straightforward. On the one end, most advanced economies can manage such financing by issuing bonds given their global demand. On the other, over 50 struggling low-income countries with limited resources to tackle the crisis have turned to the IMF for help. The G7 countries have in principle agreed to offer debt relief to low-income countries by suspending their debt service payments.

The ones caught in between are mostly the middle-income emerging markets in Asia and elsewhere, like India. To date, the Asian Development Bank and the World Bank have committed to offering relief packages worth $1.5 billion and $1 billion, respectively, to India, while there are reports that the country has sought further multilateral assistance from the Asian Infrastructure Investment Bank. While certainly helpful, these would be a drop in the bucket as such assistance can at best only be supplementary to the larger underlying stimulus package that India may need to roll out. However, with a government debt of around 72% of GDP, which is comparatively higher than all other emerging markets in the region, India's fiscal room to opt for a massive stimulus appears much more limited. Any aggressive stimulus spending will not only result in a surge in India's gross public debt but will also negatively impact its credit ratings, highlighting the country's fiscal conundrum.

Also read: COVID-19 | Interactive map of confirmed coronavirus cases in India

Even if the Fiscal Responsibility and Budget Management constraints are relaxed, given India's limited demand for domestic bonds, there is a need to seek capital flows to finance its additional stimulus by encouraging foreign investment in government securities. However, it is unclear how much the recently liberalised norms in this area will be of help, given the heightened risk aversion and short-term capital outflows from India and other emerging markets. In fairness to the government though, other large middle-income Asian emerging markets like Indonesia have also lagged in their fiscal response, despite being hard-hit by COVID-19.

Some richer countries in the Asian region like Singapore have managed to tap into their deep reserve kitty benefiting from the significant role played by their sovereign wealth funds. While India does not have that luxury, it has been suggested that some of the country's $476 billion of foreign exchange (FX) reserves be used towards this purpose. However, this is an extremely risky option in light of India's sizeable current account deficits and heavy dependence on short-term capital inflows. Given the likely pressure on its balance of payments moving forward, utilising FX reserves does not seem to be viable at the moment.

A radical financing option would be to monetise the deficits by allowing the RBI to print money to buy the government bonds as long as inflation remains under check, though this might set a dangerous precedent (something the RBI stopped doing in 1997) moving forward. India has worked hard to move away from such money-financed fiscal stimulus polices that led to weak budget constraints and macroeconomic instability.

Although it is important to do whatever it takes to moderate the meltdown, offer disaster relief and eventually kick-start the economy, there are valid concerns that unless there is proper governance of any massive fiscal spending, even a very well-intentioned policy may end up doing more harm than good. Even countries like China have been guarded in their fiscal responses so far. In China, this was partly to avoid a rise in its shadow banking activities, which turned out to be one of the perverse side-effects of its massive stimulus post the global financial crisis.

Countries with higher initial public debt levels like India need to be particularly concerned as they also happen to possess the least state capacity to make tough decisions to return to a trajectory of fiscal credibility. This crisis has made clear the critical importance for countries to build adequate fiscal space to manage future economic distresses. Given the acute constraints on fiscal policy in India, there is clearly a need to start re-prioritising expenditures away from low-priority, unproductive areas towards greater spending on health and social safety nets for low-income households.

Ramkishen S. Rajan is Yong Pung How Professor at Lee Kuan Yew School of Public Policy, National University of Singapore, and Sasidaran Gopalan is Senior Research Fellow at the Nanyang Business School, Nanyang Technological University. Views are personal

To reassure Indian Muslims, the PM needs to state that the govt. will not conduct an exercise like NRC

END

Source : www.thehindu.com Date : 2020-05-05

A GRAIN STOCKIST WITH A ROLE STILL RELEVANT

Relevant for: Indian Economy | Topic: Public Distribution System: Objectives, Functioning, Limitations & Revamping

For several years now, the **Food Corporation of India (FCI)** has drawn attention for all the wrong reasons. Set up under the Food Corporations Act 1964, in its first decade, the FCI was at the forefront of India's quest of self-sufficiency in rice and wheat following the Green Revolution, managing procurement and stocking grain that supported a vast **Public Distribution System (PDS)**.

Also read: Foodgrain stock will last till next March, says FCI chief

Over time, however, many began to see it as a behemoth that had long outlived its purpose. Its operations were regarded as expensive and inefficient, a perception that has come to be accepted as fact. Even in the 1970s and 1980s, poor storage conditions meant a lot of grain was lost to pests, mainly rats; diversion of grain was widespread, prompting a former chairman to declare that there was a problem with "human rats" as well. By the late 1990s, the FCI was often referred to as the "Food Corruption of India", not entirely facetiously.

Notwithstanding its dubious reputation, the **FCI has consistently maintained the PDS**, a lifeline for vulnerable millions across the country. Today, in the middle of the COVID-19 pandemic, it holds the key to warding off a looming crisis of hunger and starvation, especially in regions where lakhs of migrant workers have returned with little in hand by way of money or food. Before the lockdown, many experts had observed that with 77 million tonnes of grains in its godowns and on the eve of a new round of procurement — of a bumper harvest of wheat — the FCI was facing a serious storage problem. This was worrying not just because of a shortage of modern storage facilities but also because the FCI lacked a "pro-active liquidation policy" for excess stocks. Today, this concern has all but disappeared, even if only temporarily, and many have called for opening up the godowns to release food stocks to those affected by the lockdown.

As of April 13, 2020, the FCI had already moved 3 million tonnes (post-lockdown), to States, including Uttar Pradesh, Bihar, West Bengal and Karnataka and those in the Northeast, where demand outstrips within State procurement and/or stocks. The FCI has also enabled purchases by States and non-governmental organisations directly from FCI depots, doing away with e-auctions typically conducted for the Open Market Sale Scheme (OMSS). With *rabi* procurement under way in many States, it seems that the country will secure ample food supplies to cope with the current crisis. Given the extended lockdown, the FCI is uniquely positioned to move grain across State borders where private sector players continue to face formidable challenges. With passenger rail and road traffic suspended, grain can move quickly without bottlenecks. Yet, there is a widespread sense that the FCI is simply not moving fast enough and could do much more.

Also read: A flawed approach to food security

First, the FCI is overwhelmingly reliant on rail, which has several advantages over road transport. In 2019-2020 (until February) only 24% of the grain moved was by road. The FCI has, however, long recognised that road movement is often better suited for emergencies and for remote areas. Containerised movement too, which is not the dominant way of transporting grain, is more cost-effective and efficient. Now, more than ever, it is imperative to move grain quickly and with the least cost and effort, to areas where the need is greatest.

Second, given that the coming months will see predictable demand of staples from food insecure hotspots where migrant workers have just returned or where work is scarce, one strategy that has been adopted widely in international food aid by the United States, for example, is “pre-positioning” shipments, where grain is stored closer to demand hotspots. The FCI already has a decentralised network of godowns. In the current context, it would be useful for the State government and the FCI to maintain stocks at block headquarters or panchayats in food insecure or remote areas, in small hermetic silos or containers; this would allow State governments to respond rapidly, not to mention the sense of assurance and psychological comfort that it will offer vulnerable communities. This is especially relevant for regions that are chronically underserved by markets or where markets have been severely disrupted.

Also read: Outdated census data deprives over 10 crore of PDS: economists

Third, there is a strong case for the central government to look beyond the PDS and the Pradhan Mantri Garib Kalyan Yojana and release stocks over and above existing allocations, but at its own expenses rather than by transferring the fiscal burden to States. Along with a prepositioning strategy, this would provide flexibility to local governments to access grains for contextually appropriate interventions at short notice, including feeding programmes, free distribution to vulnerable and marginalised sections, those who are excluded from the PDS, etc.; it also allows freedom to panchayats, for example, to sell grain locally at pre-specified prices until supply is restored. In many States, there is a vibrant network of self-help groups formed under the National Rural Livelihoods Mission (NRLM) which can be tasked with last mile distribution of food aid other than the PDS. Consultative committees presumably exist already in each State to coordinate with the FCI on such arrangements.

Fourth, typically, the FCI’s guidelines follow a first in, first out principle (FIFO) that mandates that grain that has been procured earlier needs to be distributed first to ensure that older stocks are liquidated, both across years and even within a particular year. It is time for the FCI to suspend this strategy, if it has not already, that enables movement that costs least time, money and effort.

Fifth, today farmers across the country growing for markets are seeking to reach out to consumers directly, many out of sheer despair. In many places, farmer producer organisations (FPOs) have been at forefront of rebuilding these broken supply chains. The FCI along with the National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED), is well placed to rope in expertise to manage the logistics to support these efforts. NAFED has already taken the initiative to procure and transport horticultural crops. Several State governments too have put in systems to procure horticultural crops. The FCI should similarly consider expanding its role to support FPOs and farmer groups, to move a wider range of commodities including agricultural inputs such as seeds and fertilizers, packing materials and so on.

There are two major concerns that many articulate regarding the FCI’s role. The first is a long-term concern regarding the costs of food subsidy. An analysis of FCI costs spanning 2001-16 suggests, however, that on average about 60% of the costs of acquisition, procurement, distribution and carrying stocks are in fact transfers to farmers. Not all of what is counted as subsidy therefore represents a waste of resources, even if the distributional consequences and inefficiencies leave a lot to be desired. At the same time, the government needs to address the FCI’s mounting debts — an estimated 2.55 lakh crore in March 2020 in the form of National Small Saving Funds Loan alone — and revisit its current preference for not liquidating these in order to contain the Union government’s fiscal deficit. Some clarity on this aspect would enable the government to be bolder with deploying the FCI in the best possible way. A second concern is that extended food distribution of subsidised grain is akin to dumping and depresses food prices locally, in turn affecting farmers. These are legitimate concerns but perhaps only beyond the looming emergency this summer.

When the pandemic is past, questions will once again surface on the relevance of the FCI. Even in 2015, the Shanta Kumar report recommended repurposing the organisation as an “agency for innovations in Food Management System” and advocated shedding its dominant role in the procurement and distribution of grain. There is no doubt that the FCI needs to overhaul its operations and modernise its storage. At the same time, the relevance of an organisation such as the FCI or of public stockholding, common to most Asian countries, has never been more strongly established than now, even as we contemplate its new role in a post-pandemic world.

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UNION MINISTER FOR RURAL DEVELOPMENT AND PANCHAYATI RAJ SHRI NARENDRA SINGH TOMAR LAUNCHES "THE SARAS COLLECTION" ON THE GOVERNMENT E-MARKETPLACE (GEM) PORTAL

Relevant for: Indian Economy | Topic: E-technology in the aid of farmers

Ministry of Rural Development

Union Minister for Rural Development and Panchayati Raj Shri Narendra Singh Tomar launches "The Saras Collection" on the Government e-Marketplace (GeM) portal

The Saras Collection showcases daily utility products made by rural self-help groups (SHGs) and aims to provide SHGs in rural areas with market access to Government buyers

In the first phase, 913 SHGs from 11 States have already registered as sellers and 442 products have been on-boarded

Posted On: 04 MAY 2020 2:57PM by PIB Delhi

The Union Minister for Rural Development and Panchayati Raj and Agriculture and Farmers' Welfare, Shri Narendra Singh Tomar, launched "The Saras Collection" on the Government e Marketplace (GeM) portalat Krishi Bhavan in New Delhitoday. A unique initiative of GeM and the DeenDayalAntyodaya Yojana-National Rural Livelihoods Mission (DAY-NRLM), Ministry of Rural Development, the Saras Collection showcases daily utility products made by rural self-help groups (SHGs) and aims to provide SHGs in rural areas with market access to Central and State Government buyers.

Under this initiative, the SHG sellers will be able to list their products in 5 product categories, namely (i) handicrafts, (ii) handloom and textiles, (iii) office accessories, (iv) grocery and pantry, and (v) personal care and hygiene. In the first phase, 913 SHGs from 11 States have already registered as sellers and 442 products have been on-boarded. In order to develop a scalable model capable of onboarding a large number of SHGs across the country in a short time frame, GeM has developed an API based integration mechanism with the NRLM database.

GeM will provide dashboards for functionaries at the national, state, district and block level to provide them real time information about the number of products uploaded by SHGs, and value and volume of orders received and fulfilled.In addition, Government buyers shall be sensitized through system generated messages/ alerts in the Marketplace about availability of SHG products on the portal. Potential buyers shall be able to search, view, cart and procure such products through the stipulated modes of procurement.

The on-boarding of the SHGs under the initiative has been initially piloted in the States of Bihar, Chhattisgarh, Jharkhand, Karnataka, Kerala, Himachal Pradesh, Maharashtra, Odisha, Rajasthan, Uttar Pradesh and West Bengal. The coverage shall be rapidly extended to enable a large number of SHGs from all the states/ Union Territories to sell their products to Government buyers.

In order to handhold and facilitate the SHGs in uploading their products, GeM, along with the State and National Rural Livelihoods Missions,are assisting the sellers with product catalogue management, order fulfilment and bid participation. GeM shall also collaborate with State functionaries to address the capacity building and training needs of SHGs, and build up their competencies required for order packaging, catalogue management and logistics.

With inputs and assistance from NRLM and SRLMs, GeM will develop online learning resources in vernacular content for SHGs and SRLM staff to meet user specific needs. Further, GeM will conduct online webinars for SHGs and functionaries at State Livelihoods Missions and develop videos, eBooks, Manual and repository of FAQs fora seamless learning experience.

By providing SHGs with direct access to Government buyers, the Saras Collection will do away with intermediaries in the supply chain, thus ensuring better prices for SHGs andspurring employment opportunities at the local level.This is just the beginning and GeM is delighted at this opportunity to partner the SHGs in their growth story.

The SHGs deserve to be specially commended for the manner in which they, like the entire country, are fighting the COVID-19 pandemic valiantly at this time of national health emergency of unprecedented and historic scale.

About DAY-NRLM: DAY-NLRM aims to reduce poverty through promotion of diversified and gainful self-employment while creating skilled wage employment opportunities. The scheme supports building social capital and ensuring financial linkages to alleviate poverty and enhance the quality of the life of rural poor women. It has ambitious plans on innovations for alternate channels of financial inclusion like digital finance, creating value chains around rural products and improving market access, rural enterprise and strengthening community institutions.

About GeM:

Government e Marketplace (GeM) is a 100 percent Government owned Section 8 Company set up as the National Public Procurement Portal for procurement of goods and services required by Central and State Government organizations. GeM provides an online, end to end solution for procurement of goods and services for all Central Government and State Government Ministries, Departments, Public Sector Enterprises (PSEs), local bodies and autonomous organisations. The platform reduces human interventions in procurement and enables transparency, cost savings, inclusiveness and efficiency of faceless standardized public procurement.

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COVID & MSME

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

On Monday, the Nikkei India Purchasing Managers Index survey revealed that the manufacturing PMI fell to a record low of 27.4 in April, down from 51.8 in March. Of particular concern during this period of economic distress is the condition of the micro, small and medium enterprises. As a series of reports in this paper has highlighted, for many of these small businesses, the difficulty of staying afloat is rising with each passing day. MSMEs are likely to be the most affected by this economic downturn, both sparked and accelerated by the coronavirus pandemic, as they don't have the buffers of the bigger firms or access to cheap capital to help them tide over this period. With demand collapsing, and unlikely to rebound strongly in the near term, it will be increasingly difficult for these businesses to meet their obligations such as repayment of loans or wages to their employees. According to TransUnion Cibil, MSME loans worth Rs 2.3 lakh crore are at a higher risk of becoming non-performing. Further, the working capital requirements of these firms will rise as payment cycles are likely to be stretched, creating additional cash flow problems. This situation is unlikely to revert to normal in the near term even as restrictions on large parts of the country are lifted.

To ease the firms' financial distress during this period, the Reserve bank of India has announced several measures such as a moratorium on term loans, and easier working capital financing. Some public sector banks have also opened up emergency credit lines for businesses. However, the government response so far has been muted. Some measures have been announced, but they were mostly regulatory and administrative in nature. Reportedly, the government is working on a package to address the needs of the MSMEs. There are concerns over an across-the-board provision of relief measures and the open-endedness of such a package. There will also be issues of targeting.

And providing support to MSMEs operating in the informal economy will pose challenges. Yet the delay in announcing a relief package is surprising. Governments across the world have announced various measures ranging from wage support to direct subsidies to help these businesses tide over these difficult times. But, in India, more than a month after the national lockdown was announced, there is still no blueprint of how the government intends to support these businesses during this period.

There are several possible options for the government to consider. To begin with, all dues owned by governments and public sector undertakings to MSMEs can be immediately cleared. This will help ease their immediate cash flow woes. Second, with banks turning risk averse, credit flow to MSMEs is likely to be depressed as solvency concerns will dominate. In such a situation, the government could step in. It could set up a credit guarantee fund that backstops loans to MSMEs. There is a strong case for urgent government intervention — the costs of intervening early on will be much less than the price of delayed action.

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PATHWAYS TO A MORE RESILIENT ECONOMY

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

When complex systems come to catastrophes, i.e. critical points of instability, they re-emerge in distinctly new forms, according to the science of complex systems. The COVID-19 global pandemic is a catastrophe, both for human lives and for economies. Economists cannot predict in what form the economy will emerge from it.

Also read: Viral economies: On coronavirus impact

Machines do not have the capacity for emergence. Once built, their capabilities inevitably reduce with increasing entropy. On the other hand, living systems evolve and acquire new capabilities over time. Fritjof Capra and Pier Luigi Luisi point out in *The Systems View of Life: A Unifying Vision* that among all living species, humans have a special ability. Only humans consciously develop new concepts, new scientific ideas, and new language in their search for new visions. Institutions of governance are human inventions for directing human endeavours and for providing stability. Thomas S. Kuhn explained in *The Structure of Scientific Revolutions* why new ideas are invariably resisted by prevalent power structures in societies. The scientific establishment determines which ideas are worthy of admission. The King's advisers do not want outsiders to dilute their influence in the court. The Establishment resists change. Therefore, fundamental reforms of ideas and institutions in human societies are always difficult, until a crisis.

The COVID-19 catastrophe has challenged the tenets of economics that have dominated public policy for the past 50 years. Here are seven radical ideas emerging as pathways to build a more resilient economy and a more just society.

i) "De-Growth". The obsession with GDP as the supreme goal of progress has been challenged often, but its challengers were dismissed as a loony fringe. Now, Nobel laureates in economics (Joseph Stiglitz, Amartya Sen, Abhijit Banerjee, Esther Duflo and others) are calling upon their profession to rethink the fundamentals of economics, especially the purpose of GDP. A five-point 'de-growth' manifesto by 170 Dutch academics has gone viral amidst the heightened Internet buzz during the lockdown. Goals for human progress must be reset. What should we aspire for? And how will we measure if we are getting there?

Also read: Coronavirus | PM holds meeting to discuss strategies to attract more foreign investments, boost economy

ii) Boundaries between countries are good. Boundary-lessness is a mantra for hyper-globalisers. Boundaries, they say, impede flows of trade, finance, and people. Therefore, removing boundaries is good for global growth. However, since countries are at different stages of economic development, and have different compositions of resources, they must follow different paths to progress. According to systems' theory, sub-systems within complex systems must have boundaries around them, albeit appropriately permeable ones, so that the sub-systems can maintain their own integrity and evolve. This is the explanation from systems science for the breakdown of the World Trade Organization, in which all countries were expected to open their borders, which caused harm to countries at different stages of development. Now COVID-19 has given another reason to maintain sufficient boundaries.

iii) Government is good. Ronald Reagan's dictum, "Government is not the solution... Government is the problem", has been up-ended by COVID-19. Even capitalist corporations who wanted governments out of the way to make it easy for them to do business are lining up for government bailouts.

Also read: Coronavirus | IMF projects 1.9% growth for India in 2020

iv) The “market” is not the best solution. Money is a convenient currency for managing markets and for conducting transactions. Whenever goods and services are left to markets, the dice is loaded against those who do not have money to obtain what they need. Moreover, by a process of “cumulative causation”, those who have money and power can acquire even more in markets. The “marketization” of economies has contributed to the increasing inequalities in wealth over the last 50 years, which Thomas Piketty and others have documented.

v) “Citizen” welfare, not “consumer” welfare, must be the objective of progress. In economies, human beings are consumers and producers. In societies, they are citizens. Citizens have a broader set of needs than consumers. Citizens’ needs cannot be fulfilled merely by enabling them to consume more goods and services. They value justice, dignity, and societal harmony too. Economists’ evaluations of the benefits of free trade, and competition policy too, which are based on consumer welfare alone, fail to account for negative impacts on what citizens value.

vi) Competition must be restrained: Collaboration is essential for progress. Faith in “Darwinian competition”, with the survival of only the fittest, underlies many pathologies of modern societies and economies. From school onwards, children are taught to compete. Companies must improve their competitive abilities. Nations too. Blind faith in competition misses the reality that human capabilities have advanced more than other species’ have, by evolving institutions for collective action. Further progress, to achieve the Sustainable Development Goals for example, will require collaboration among scientists in different disciplines, and among diverse stakeholders, and collaboration among sovereign countries. Improvement in abilities to share and govern common resources have become essential for human survival in the 21st century.

vii) Intellectual property belongs to the public. The earth’s resources must be conserved. We are living in an era of knowledge. Just as those who owned more land used to have more power before, now those who own knowledge have more power and wealth than the rest. Intellectual property monopolies are producing enormous wealth for their owners, though many were developed on the back of huge public investments. Moreover, powerful technologies can be used for benign or malign purposes. It is imperative to evolve new institutions for public ownership of technologies and for the regulation of their use.

The paradigm shift necessary after the crisis will not be easy. There will be resistance to shifts in social, economic, and political power towards those who have less from those who have more within the present paradigm.

The financial crisis of 2008 was a crisis of liquidity in the system. Recovery was achieved by putting more fuel into the system. The system then moved on; in basically the same shape it was before. COVID-19 has revealed structural weaknesses in the global economy. Putting fuel in the tank will not be sufficient. The vehicle must be redesigned too. While global attention understandably is focused on relief and recovery, this is the time to design for resilience.

The economic system cannot be redesigned by domain experts devising solutions within their silos. Such as, trade experts recommending new trade policies, intellectual property experts recommending reforms of intellectual property rights, and industry experts recommending industry policies. All the pieces must fit together. Most of all, they must fit into the new paradigm, which will be very different to the one in which the experts had developed their domain knowledge.

Innovations are required at many levels to create a more resilient and just world. Innovation is essential in the overall design of the economy. Innovations will be required in business models too, not just for business survival but also to move businesses out of the 20th century paradigm that “the business of business must be only business”. Changes will also be necessary in our life patterns, our work and consumption habits, and in our personal priorities.

The redesign of economies, of businesses, and our lives, must begin with questions about purpose. What is the purpose of economic growth? What is the purpose of businesses and other institutions? What is the purpose of our lives? What needs, and whose needs, do institutions, and each of us, fulfil by our existence?

Arun Maira is Former Member, Planning Commission and the author of ‘Redesigning the Aeroplane While Flying: Reforming Institutions’

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BOOST WAGES TO STIMULATE INDIA'S GROWTH

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

"Battered by an oppressive economic system and now by an unpredictable virus, India's working classes deserve long-lasting relief and comfort." People arriving from M.P. receive bananas in Prayagraj, U.P. AP

Impoverishment among English workers during the early years of the Industrial Revolution had prompted Leicester framework knitters to frame this resolution in 1817: "… if liberal Wages were given to the Mechanics in general throughout the Country, the Home Consumption of our Manufactures would be immediately more than doubled, and consequently every hand would soon find full employment" (cited in E. P. Thompson's *The Making of the English Working Class,* 1963).

One of the moving images from today's India is of **migrant workers** suddenly feeling desolate in their places of work and desperate to return to their villages, in the aftermath of the COVID-19 outbreak. The helplessness felt by the workers as seen from those images calls for nothing short of a radical rethink. We need to plan for an economic growth driven by rising — and not stagnant — wages, and a development model that is dispersed far and wide across the country, and not centred in a few big cities.

Also read: Return of thousands of migrant workers to Ganjam increases fears of contagion

Out of India's total workforce of 471.5 million, only 12.3% are regular workers receiving some form of social security, while the rest are mostly casual workers or petty producers surviving under various degrees of informality (figures for 2018). A **vast majority of migrant workers** belong to the category of informal casual workers. Available data on the size of the migrant workforce in India are rather patchy. According to the 2011 Census, there were 54.3 million persons (workers as well as non-workers) in the country who migrated from one State to the other. The 'heartland' States of Uttar Pradesh, Bihar, Rajasthan and Madhya Pradesh accounted for 48.9% of these inter-State migrants, much higher than their combined share in India's population (of 36.8%).

Workers migrate from villages to urban centres as the growth of rural incomes has not kept pace with the rising numbers and aspirations of the young in the countryside. Those engaged in agriculture and allied activities as a share of the combined workforce in U.P., Bihar, Rajasthan and Madhya Pradesh fell to 49.1% in 2018 from 64.1% in 2005. This meant that, between 2005 and 2018, 19.3 million persons left agricultural work in these four States alone and sought job opportunities elsewhere.

Also read: Data | 96% migrant workers did not get rations from the government, 90% did not receive wages during lockdown: survey

Workers' shift out of agricultural occupations as well as out of their rural bases is set to accelerate, unless new economic opportunities are created in the countryside.

A majority of the workers who leave villages find themselves in the bottom rung of the urban economy, earning a precarious living as drivers, factory workers, security guards and domestic helpers. Their livelihoods are directly or indirectly linked to economic activities that cater to the demand from the relatively affluent in India and abroad (such as from industries producing sophisticated IT products).

Even as they work long hours often under exploitative conditions, informal workers manage to earn and consume only very little. According to the official consumption-expenditure surveys (for 2011-12), the richest 5% accounted for as much as 64.4% of the value of overall consumption of durable goods (such as of furniture or refrigerators) in urban India. The share of the poorest 50% was only 13.4%.

The COVID-19 pandemic is set to cause long-term disruptions to the existing structure of demand dominated by the consumption of a privileged few. Economic activities have now been halted for weeks on end, and no end seems to be in sight for the downward slide in export demand, which began with the U.S.-China trade tensions. Businesses in India and elsewhere are concerned that even after the lifting of the lockdown, they will have to operate at a fraction of their installed capacities due to the sagging demand conditions.

Lockdown displaces lakhs of migrants

The crisis in the economy can be overcome only by widening the sources of demand, by raising the consumption of and investment for the poor. Consider, for instance, the setting up of industries linked to food processing or affordable housing in rural areas. The multiplier effects of such investment will be huge. Food processing can help boost farmer incomes, reduce food spoilage, create rural employment and, above all, improve the availability of nutritious food to the needy.

Broadening the demand base requires policies that differ fundamentally from conventional economic ideas. The mainstream argument has been that firms should try to reduce costs by squeezing wages. But cutting wages will shrink markets further and deepen the crisis during a depression. Instead, firms should assist in raising workers' wages and incomes, and thereby, in enlarging the size of the markets. Even with higher wages, profit rates will not dip because the larger demand allows firms to utilise their capacities better.

For rejuvenation of demand, it is critical that governments increase spending on the economy, in areas such as infrastructure and innovation. Government spending can boost the "animal spirits" of the private investors, as had been suggested by John Maynard Keynes amidst the great depression of the 1930s.

The ideas of Keynes and his followers had helped to fuel an unprecedented economic boom in the U.S. and European countries for almost three decades after the end of the Second World War in 1945. A striking feature of this 'golden age of capitalism' was that the real wages kept rising, providing the much-needed succour to the working classes, who had long suffered due the war and the inequalities of the depression years.

Battered by an oppressive economic system and now by an unpredictable virus, India's working classes deserve long-lasting relief and comfort. What is needed is a massive expansion in government spending, which will uplift workers' skills as well as their incomes and purchasing power. This will include investments in healthcare, education, roads, rural infrastructure, agricultural research, public transport, and so on — perhaps similar in scale and ambition to the post-war reconstruction efforts in western nations following the Second World War.

A grave challenge to future growth are the ageing demographic structures in most parts of the globe. In such a context, the rising numbers of the young in India, especially in its northern and eastern States, offer a potentially new source of demand that could sustain the economy over the next few decades. Lifting the wages and the spirits of the wearied Indian worker could just be the dose required to bring cheer to the Indian and the global economies.

Jayan Jose Thomas teaches Economics at the Indian Institute of Technology Delhi. Views are personal

To reassure Indian Muslims, the PM needs to state that the govt. will not conduct an exercise like NRC

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A WAR-LIKE STATE AND A BOND TO THE RESCUE

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

As India's ominous COVID-19 curve stretches further, urgent attention needs to be paid to an economy that is teetering on the edge. Several economists, former Finance Ministers and central bank Governors have made the clarion call for a large stimulus to pull the economy back from the brink. There are a few who seem to believe that there are ways and means to provide this stimulus without breaking the bank as it were. As we spend more time in a national lockdown or quasi-lockdown situation, I believe that austerity measures and reallocations notwithstanding, we will definitely need to go beyond current revenue receipts to fund the complete stimulus.

Coronavirus | Centre is taking arbitrary decisions, say Congress Chief Ministers

In the Budget before the pandemic, India projected a deficit of 7.96-lakh crore. However, even then there were concerns around off balance sheet borrowings of 1% of GDP and an overly excessive target of 2.1 lakh crore through disinvestments. The financial deficit number is set to grow by a wide margin due to revenue shrinkage from the coming depression that will most certainly be accompanied by a lack of appetite for disinvestment.

Also read | India can't conquer COVID-19 without aggressive testing, says Manmohan Singh

In addition to the expenditure that was planned, the government has to spend anywhere between 5-lakh crore and 6-lakh crore as stimulus. The Finance Ministry is sanguine about this fact as was clear in a press conference held by the Economic Affairs Secretary on March 31, 2020, where he said that the government will not exceed the borrowing limits indicated in the Budget. The insipid stimulus provided by the government so far and recent announcements by the Reserve Bank of India (RBI) only serve to highlight how out of touch with reality they are. All the RBI's schemes are contingent on the availability of risk capital, the market for which has completely collapsed. The two have tried several times over the last year to nudge banks into lending to below investment grade micro, small and medium enterprises, but have come up short each time. Furthermore, while the 60% increase in ways and means limits for States is a welcome move, many States have already asked for double the limits due to the shortages in indirect taxation collections from Goods and Services Tax, fuel and liquor. The government and the central bank need to understand that half measures will do more harm than good. It will only lull us into a false sense of security, much like a lockdown without adequate testing.

Politicians and epidemiologists across the world have used the word "war" to describe the situation the world is currently in. As we wage a united war against this virus, it would be interesting for us to look at war-time methods of raising financing. One such method that has been used as early as the First World War is the Consol Bond. In 2014, the British government, a century after the start of the First World War, paid out 10% of the total outstanding Consol bond debt. The bonds, which paid out an interest of 5%, were issued in 1917 as the government sought to raise more money to finance the ongoing cost of the First World War. Citizens were asked to invest with the advertising messaging: "If you cannot fight, you can help your country by investing all you can in 5 per cent Exchequer Bonds. Unlike the soldier, the investor runs no risk."

Also read | Spend 65,000 crore for the poor: Raghuram Rajan | India must decide on a large stimulus package, says Professor Abhijit Banerjee

One cannot help but wonder how successful a Consol Bond issue would be for the Indian government if the Prime Minister had made a similar call to every citizen of our country to invest in them instead of making donations to PM-CARES, or the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund. After all, most of the Consol bonds in the United Kingdom are owned by small investors, with over 70% holding less than £1,000. Furthermore, unlike PM-CARES, the proceeds of the bonds could be used for everything — from Personal Protective Equipment for doctors to a stimulus for small and medium-sized enterprises.

There is no denying the fact that the traditional option of monetising the deficit by having the central bank buy government bonds is one worth pursuing. However, given an as yet hesitant (to raise debt) Prime Minister's penchant for making citizens active participants to his missions, he might view a Consol Bond as a more compelling alternative. Furthermore, with the fall of real estate and given the lack of safe havens outside of gold, the bond would offer a dual benefit as a risk free investment for retail investors. When instrumented, it would be issued by the central government on a perpetual basis with a right to call it back when it seems fit. An attractive coupon rate for the bond or tax rebates could also be an incentive for investors. The government can consider a phased redemption of these bonds after the economy is put back on a path of high growth — a process that might take that much longer for every day we extend this lockdown.

Rangarajan Mohan Kumaramangalam is an angel investor and a working president of the Tamil Nadu Congress Committee

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UNION AGRICULTURE MINISTER CALLS FOR FARMERS' MOVEMENT ON INTEGRATED SOIL NUTRIENT MANAGEMENT BASED ON SOIL HEALTH CARD

Relevant for: Indian Economy | Topic: Agriculture Issues and related constraints

Ministry of Agriculture & Farmers Welfare

Union Agriculture Minister calls for farmers' movement on integrated soil nutrient management based on Soil Health Card

Launch mission mode awareness campaigns on increasing use of bio and organic fertilisers and reducing chemical fertilisers: Shri Narendra Singh Tomar

Posted On: 06 MAY 2020 7:09PM by PIB Delhi

The Union Minister for Agriculture & Farmers' Welfare, Shri Narendra Singh Tomar has called for making integrated soil nutrient management a farmers' movement. Reviewing the progress of the Soil Health Programme here today, he directed running mission mode awareness campaigns on increasing use of bio and organic fertilisers and reducing chemical fertilisers strictly based on recommendations of Soil Health Card.

During 2020-21, the major focus of the programme would be on mass awareness programme for farmers in over 1 lakh villages covering all districts of the country. Shri Tomar advocated the setting up of village level Soil Testing Labs by youth having education in agriculture, Women Self Help Groups, FPOs etc. He said the SHC scheme will focus on enabling employment generation after appropriate skill development.

The Department of Agriculture, Cooperation and Farmers' Welfare will launch a comprehensive campaign on soil test based rational application of fertilisers and promotion of organic farming including Bhartiya Prakritik Krishi Padhati (BPKP) for safe nutritious food in association with the Departments of Panchayat Raj, Rural Development and Drinking Water and Sanitation.

Under the SHC scheme Soil Health Cards are provided to all farmers at an interval of 2 years. Launched by the Prime Minister Shri Narendra Modi on February 19, 2015 at Suratgarh, Rajasthan, these cards provide information to farmers on nutrient status of their soil along with recommendation on appropriate dosage of nutrients to be applied for improving soil health and its fertility.

Deterioration of soil chemical, physical and biological health is considered as one of the reasons for stagnation of agricultural productivity in India.

Soil Health Card provides two sets of fertilizer recommendations for six crops including recommendations of organic manures. Farmers can also get recommendations for additional crops on demand. They can also print the card as their own from SHC portal. SHC portal has farmers database of both the cycles and is available in 21 languages for the benefit of the farmers.

A 2017 study by the National Productivity Council (NPC) found that the SHC scheme has promoted sustainable farming and led to a decrease of use of chemical fertilizer application in the range of 8-10%. Besides, overall increase in the yield of crops to the tune of 5-6% was reported due to application of fertilizer and micro nutrients as per recommendations available in the Soil Health Cards.

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APS/PK/MS/BA

(Release ID: 1621542) Visitor Counter : 432

Read this release in: Hindi , Marathi , Bengali , Telugu

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Source : www.thehindu.com Date : 2020-05-09

CONTEMPT FOR LABOUR: THE HINDU EDITORIAL ON DILUTION OF LABOUR LAWS

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

At a time when everyone is awaiting an early end to the health and economic crisis caused by the global pandemic, the interests of labourers and workers are once again set to be sacrificed. The revival of business and economic activity after weeks of forced closure is indeed a key objective to be achieved. However, it is amoral and perverse on the part of some States to address this need by granting sweeping exemptions from legal provisions aimed at protecting labourers and employees in factories, industries and other establishments. Madhya Pradesh has embarked on a plan to give a boost to business and industry by allowing units to be operated without many of the requirements of the Factories Act — working hours may extend to 12 hours, instead of eight, and weekly duty up to 72 hours. Going by Chief Minister Shivraj Singh Chouhan’s remarks, it appears the State has used Section 5 of the Act, which permits exemption from its provisions for three months, in the hope that the Centre would approve such suspension for at least a thousand days. However, this exemption can be given only during a ‘public emergency’, defined in a limited way as a threat to security due to war or external aggression. Uttar Pradesh has approved an ordinance suspending for three years all labour laws, save a few ones relating to the abolition of child and bonded labour, women employees, construction workers and payment of wages, besides compensation to workmen for accidents while on duty. Reports suggest that several States are following their example in the name of boosting economic activity.

Changes in the manner in which labour laws operate in a State may require the Centre’s assent. One hopes the Centre, which is pursuing a labour reform agenda through consolidated codes for wages, industrial relations and occupational safety, health and working conditions, would not readily agree to wholesale exemptions from legal safeguards and protections the law now affords to workers. The most egregious aspect of the country’s response to the pandemic was its inability to protect the most vulnerable sections and its vast underclass of labourers from its impact. The emphasis in the initial phase was on dealing with the health crisis, even when the consequence was the creation of an economic crisis. While the country watches with horror the continuance of the collective misery of migrant workers well into the third spell of the national lockdown, the attitude of the ruling class towards labour remains one of utter apathy, bordering on contempt. Why else would a government relieve factories of even elementary duties such as providing drinking water, first aid boxes and protective equipment? Or suspend requirements such as cleanliness, ventilation, lighting, canteens, restrooms and crèches?

From the abrogation of the special status of Jammu and Kashmir, to the landmark Ayodhya verdict, 2019 proved to be an eventful year.

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Source : www.indianexpress.com Date : 2020-05-09

K P KRISHNAN WRITES, 'MIGRANT WORKMEN ACT, 1979, MUST BE RATIONALISED TO REMOVE REQUIREMENTS THAT DISINCENTIVISE FORMALISATION'

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

The fallout of the lockdown in order to reduce the spread of COVID-19 highlights the urgent need to rationalise the legislative framework for labour in India. Migrant labour has been among the worst affected due to the lockdown. Their efforts to leave the cities before the lockdown, and the extraordinary efforts some put in to get back home, suggest that they have very low resilience to stay in cities without employment. They fall through the cracks of India's social security net, and the government response has shown a significant gap between high-minded intentions reflected in existing laws and their implementation.

A key piece of legislation governing inter-state migrants in India is the Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979. The Act was enacted to prevent the exploitation of inter-state migrant workmen by contractors, and to ensure fair and decent conditions of employment. The law requires all establishments hiring inter-state migrants to be registered, and contractors who recruit such workmen be licensed. Contractors are obligated to provide details of all workmen to the relevant authority. Migrant workmen are entitled to wages similar to other workmen, displacement allowance, journey allowance, and payment of wages during the period of journey. Contractors are also required to ensure regular payment, non-discrimination, provisioning of suitable accommodation, free medical facilities and protective clothing for the workmen.

Opinion | Pandemic could act as catalyst for reworking world order, giving India leading role

In the immediate aftermath of the lockdown, state governments were taken unawares by inter-state migrants who were desperate to return home. Many had lost jobs, would not be able to afford rent and were afraid of falling seriously ill away from their families. The full and proper implementation of this law would have meant that state governments had complete details of inter-state migrant workmen coming through contractors within their states. While this would still leave out migrants who move across states on their own, a large segment would be automatically registered due to the requirements of the Act. States would consequently have been better prepared to take steps to protect such workmen during this lockdown. However, almost no state seems to have implemented this law in letter and spirit.

The primary reason for this seems to be the onerous compliance requirements set out in the law. It not only requires equal pay for inter-state workmen, but also requires other social protection that would make their employment significantly more expensive than intra-state workmen. This includes the payments of different allowances, and requirements that contractors provide accommodation and healthcare for such workmen. Compliance with these requirements is not only onerous, it makes the cost of hiring inter-state workmen higher than hiring similar labour from within the state.

Since the Act is barely implemented, it exists as another law that potentially provides rent-seeking opportunities to enterprising government inspectors while failing in its main objective.

Another consequence of weak implementation is the absence of government preparedness and the consequent failure in preventing genuine hardships for vulnerable groups.

Opinion | With Covid crisis dealing sharp blow to financial sector, revival calls for new approach

Not only does this raise questions about the utility of such well-meaning but impractical laws, it also highlights the lack of state capacity to enforce such provisions. To implement this law alone, government inspectors would not only have to maintain records of inter-state workmen, but also verify whether all the other requirements regarding wages, allowances, accommodation and health care are complied with.

The issues with the law and its non-enforcement are symptomatic of the socialist era, when the mere enactment of a law with aspirational requirements backed by legal coercion was considered adequate for creating good outcomes. This law, and many other labour-welfare legislation never considered issues like compliance costs, government capacity for enforcement, and importantly, counter-productive consequences. For example, the onerous requirements set out in this law incentivise contractors and employers to under-report inter-state workmen rather than to register them.

The consequences of the lockdown are already proving to be disastrous for migrant labour. One of the lessons from this episode is to not let aspirational requirements become a hindrance to the effective protection of the very groups these requirements are designed for. This will require a principled distinction between formalisation and ostensible social-welfare. While the former seeks to make people or activities visible or “legible”, the latter goes a step further. Social-welfare protections are predicated upon formalisation, but non-compliance with onerous social welfare requirements can instead inhibit formalisation. This is not merely because of high compliance costs, but also because the state can barely keep up with the task of ensuring compliance with such requirements, made worse given the disincentives to comply.

Read | Educational reform under Imran Khan is a way of embracing isolationism

This has created a two-tier system – formal and informal. Those in the formal tier — fewer than 10 percent of the workforce — enjoy considerable protections, while those in the informal tier get almost no protections. Since welfare schemes are also predicated on the visibility of those getting the benefits, informal workers, especially in urban areas, fall through cracks in the system. The lack of any welfare net for informal workers in urban areas reflects the consequences of formalisation on paper — while farmers get cash transfers, and labourers in rural areas have MGNREGA, there are hardly any schemes for informal workers in urban areas.

Laws such as the Inter-State Migrant Workmen Act, 1979 must therefore be rationalised to remove requirements that disincentivise formalisation. We must be pragmatic and ensure that employers and contractors have incentives to come forward and register labourers without being worried about punitive action or impractical social safety requirements.

This article appeared in the print edition of May 9, 2020, under the title ‘Let down by law’. Krishnan is a retired civil servant. Rai and Burman are with the political economy program in Carnegie India. Views are personal

Opinion | How short-term political vision and public policy have conspired to create a migrant problem

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Source : www.economictimes.indiatimes.com Date : 2020-05-09

COVID ALTERS INDIA'S BORROWING PLAN, TARGET NOW RAISED TO RS 12L CR

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

New Delhi: The government has raised its gross market borrowing target for the current financial year to Rs 12 lakh crore from Rs 7.8 lakh crore estimated in the budget, attributing the increase of more than 50% to the coronavirus outbreak that’s stalled the economy.

Experts said the higher borrowing is possibly due to a combination of lower tax collections and the fiscal stimulus needed to support the economy, though it could raise interest rates and crowd out the private sector. One of them said this would peg the much-awaited fiscal stimulus at Rs 5 lakh crore, or 2.5% of GDP, which pales in comparison with those announced by other countries. Another expects the fiscal deficit to widen to as much as 6% of GDP.

“The above revision in borrowings has been necessitated on account of the Covid-19 pandemic,” the finance ministry said in a statement on Friday, announcing the new borrowing schedule.

Rs 7 Lakh Crore in First Half

The government has already announced a fiscal support package of Rs 1.7 lakh crore and there is expectation of a bigger stimulus programme in the days ahead, with tax revenue expected to take a big hit from the lockdown.

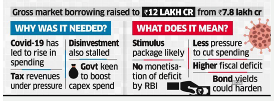
Moody’s said India’s economy will not grow in FY21, paring its forecast for the year to 0% from 2.5% estimated in March.

“There is definitely revenue shortfall as most industries were shut down in April... We are watching the expenditure side,” a senior government official told ET. “This is an evolving situation and we could scale down the borrowing estimate if situation improves in the second half... Review would be carried out in the second half.”

No call has yet been taken on monetisation of the deficit by the Reserve Bank of India (RBI), the official said. The government is also working on a stimulus package that will be announced soon, he said.

According to the new calendar, the government will borrow a total Rs 7 lakh crore in the first half of the year against the earlier plan of Rs 4.88 lakh. That means it can borrow up to Rs 6 lakh crore more in the period until September end. The government could borrow an average Rs 30,000 crore per week until then against the Rs 19,000-21,000 crore weekly borrowing planned earlier.

That leaves up to Rs 5 lakh crore to be borrowed in the second half against Rs 2.92 lakh crore estimated in the budget based on this latest programme.



MARKET IMPACT

Market interest rates are set to appreciate due to the move.

“Higher borrowings are likely to push up yields, unless OMOs (open market operations) or other instruments are deployed by the RBI (Reserve Bank of India) to absorb a part of the higher issuance, and crowd out borrowings by state governments and corporates,” said Aditi Nayar, principal economist, ICRA.

The benchmark 10-year bond closed at 5.97% on Friday, the lowest in over a decade.

“A takeaway is that this also means that presently there is no intention of RBI lending directly to the government,” CARE Ratings said in a note, adding that surplus liquidity in the system would help. “Also, the surplus money going into reverse repo could not be diverted to G-Secs (government securities), which make a safe avenue for parking surplus funds.”

Stimulus, Fiscal Deficit The increased borrowing is indicative of a stimulus package in the offing, according to EY chief policy advisor DK Srivastava.

“It definitely means the government has decided to introduce a stimulus. As borrowing has been increased from 3.5% of GDP to 6%, the size of the stimulus is about Rs 5 lakh crore,” he said.

The fiscal deficit will widen more than targeted as the government borrows heavily.

CARE Ratings pegged the fiscal deficit at 5.5% of GDP given other conditions remain unchanged, as the fiscal deficit will likely rise byRs 4.2 lakh crore from an estimated Rs 8 lakh crore.

“Since the Covid-19 outbreak has impacted economic activities, which in turn will have an impact on growth, revenue and expenditure, fiscal deficit-to-GDP ratio is likely to be close to 6% of GDP,” said DK Pant, chief economist at India Ratings. The government targeted a fiscal deficit of 3.5% in the budget.

The move is likely to increase the cost of borrowing for states, which are in a similarly constrained situation, Srivastava said. However, the ample liquidity in the system may provide some relief to bond yields, according to Pant. Net surplus liquidity in the banking system stood at Rs 6.07 lakh crore, according to a finance ministry report on May 5.

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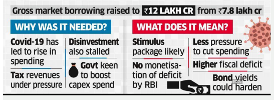

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FROM PLATE TO PLOUGH: RECOVERY THAT INCLUDES REFORM

Relevant for: Indian Economy | Topic: Transport & Marketing of agricultural produce

In these gloomy times, looking for any good news is difficult. But, we can take some satisfaction in the fact that India seems to have contained the mortality rate from COVID-19 infections at around 3.3 per cent. This is much lower than the global average of about 7 per cent, and lower than that of countries like the US (5.8 per cent), Spain (11.6 per cent), Italy (13.7 per cent), the UK (15.4 per cent), France (14.7 per cent) and even Germany (4.1 per cent). But, India is certainly not out of the woods yet. The real test will come when the lockdown is lifted.

Next to saving lives is the necessity of having food to survive. On the food front too, India has done reasonably well. Despite initial disruptions in supply lines, India has somehow managed to feed its large population of 1.37 billion. There have been no large-scale food riots and no major flaring up of food prices for consumers. In fact, if there is any complaint, it is from the producer's side that the prices of perishables have collapsed in some parts of the country. But, from the consumer's point of view, even for perishables like milk and vegetables, supply lines were quickly restored and food is easily available in the markets at reasonable prices. On keeping supply lines for essential food alive and running, those in the government managing the food logistics surely deserve to be complimented.

States must also be lauded for having done a remarkable job of procuring the main rabi crop, wheat. A seamless procedure of issuing tokens to farmers, opening several thousand additional procurement centres for wheat, even in rice mill compounds, and putting in place the logistics to procure and move it to states that face a deficit is commendable. Within the first three weeks of the wheat procurement season (by May 7), 21.6 million metric tonnes (MMT) of wheat had been procured with Punjab leading the way at 10.4 MMT, followed by Haryana at 5.1 MMT, and Madhya Pradesh at 4.8 MMT. These three states have done a great job to ensure farmers get the minimum support price (MSP) of Rs 1,925/quintal. But Uttar Pradesh, the largest producer of wheat, and Bihar have languished. Their wheat farmers, especially from eastern UP onwards to Bihar, are getting prices that are as low as Rs 1,700/quintal to Rs 1,850/quintal. Nevertheless, since the farmers of the largest rabi crop have got reasonable money in their pockets, they are doing brisk buying of inputs for the kharif crop, from seeds to fertilisers. And since the India Meteorological Department has forecasted a normal monsoon, we hope India's food situation will remain quite comfortable in FY2020-21.

Interestingly, agriculture still engages India's largest workforce. And it may be the only sector that registers a respectable growth this year as almost all other major sectors may plummet into negative territory. This will help absorb the shock of the coronavirus on extreme poverty and malnutrition (more on this in my next piece). Suffice it to say that we need to build on the success and resilience of agriculture. It cries out for reforms that can help farmers get a better price for their produce with consumers still paying a reasonable price for their food. This calls for large scale reforms in agri-marketing as well as in the public distribution system (PDS). While the APMC markets can keep doing their business as usual, it is time to open channels for direct buying from farmers/farmer producer organisations (FPOs). Any registered large buyer, be it processors or retail groups or exporters must be encouraged by providing them with a license, that is valid all over India. They should be exempted from any market fee and other cesses as they will not be using the services of the APMC market yards. E-NAM can flourish if grading and dispute settlement mechanisms are put in place. Private mandis with modern infrastructure need to be promoted in competition with APMCs. On the PDS front, we need to move towards cash transfers that can be withdrawn from anywhere in the country.

Here is an opportunity knocking at the prime minister's door. He can get these reforms expedited, at least in the BJP-run states. Some initiative has already been taken by the Madhya Pradesh Chief Minister and even Uttar Pradesh is now moving along these lines. But much more can be done to put India's agri-marketing and PDS system on a more efficient path.

There is one area where India has failed miserably while handling the lockdown — addressing the problems of migrant labourers. The first mistake was imposing a lockdown from the midnight of March 24th, without any advance warning. Next day, hundreds of thousands migrant labourers thronged the railway stations and the inter-state bus terminus only to be disappointed as all means of transportation had come to a grinding halt. Thank God that it did not result in large-scale riots. The poor workers started walking on foot for thousands of kilometres. They did not receive the attention and care either from our political class or from the administration of the concerned state government and the Centre. This is a blot not only on the government's mishandling of the corona crisis, but also on every citizen of India who cares for the well-being of its people. It was so painful and shameful to watch even pregnant women walking for days together to reach their villages. They surely deserved much better treatment.

Finally, the time for immediate relief has almost run out. The recovery of the economy, whether it will be V-shape or J-shape, depends upon the package that the government announces. The mega reforms need to be built in this recovery package. This is a test of the government's wisdom and boldness. Timidity will not help.

Gulati is Infosys Chair Professor for Agriculture at ICRIER

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Source : www.indianexpress.com Date : 2020-05-11

FOOD BEFORE CASH

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

The vast majority of India's poor rely on daily wage labour for sustenance. With the current lockdown and its likely extension, millions of daily labourers and their families can no longer earn the money they need to survive. In this unprecedented situation, the Indian state must respond swiftly to prevent widespread acute hunger.

The state is taking this challenge seriously: India has launched its largest-ever cash transfer programme targeting women with Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts and increased food subsidies, among other efforts. Given the scale of economic distress, many have called for increases in cash transfers.

Cash is easy to carry and widely accepted. But, our analysis of nationally representative survey data, described below, suggests that these transfers will exclude many of India's poorest and, for others, come too late. The immediate need is to focus on distributing adequate food support to all the poor who need it.

The cash transfer programme will send Rs 500 per month (roughly $7) to women with a PMJDY account for the next three months. According to official statistics, roughly 200 million Indian women (47 per cent of adult females) have a PMJDY account. Women's own reports of PMJDY account ownership, however, paint a different picture. A nationally representative survey from 2018, the Financial Inclusion Insights Survey, asked respondents whether they have a bank account and, if yes, whether it is a PMJDY account. Roughly 80 per cent of female respondents stated they have a bank account, but only 21 per cent said they have a PMJDY account. What drives the gap between government and survey numbers? Likely some combination of dormancy, account duplication in the system and the lack of knowledge among women about the type of account they hold.

To improve this, the government has planned information drives about cash transfers. Let's say these emergency programmes mean that uninformed women learn that they have PMJDY accounts, and that duplication and dormancy issues are minimal. Will targeting the 200 million PMJDY accounts provide cash transfers to poor households that need it most — those that are running out of money and food due to the COVID lockdown?

Official statistics do not tell us how many of the 200 million female PMJDY account holders belong to poor households. Survey data takes us a bit further. The 2018 survey cited above uses a Grameen Foundation methodology where answers to 10 questions about a household's characteristics and asset ownership are scored to compute the likelihood that the household lives below the poverty line. The result? The survey tells us that roughly two-thirds of adult women — just over 325 million in total — are living on less than the UN-recognised poverty criterion of $2.50 per day. In normal times, nearly nine out of 10 of these women say it would be difficult to pull together Rs 6,000 within a month to deal with an emergency.

So, even if we go by government statistics and assume that PMJDY accounts were opened only by these poor women — a generous estimate — then over one-third of poor women or 125 million women, do not have a PMJDY account. However, we know that some better-off households also have accounts. The 2018 survey numbers suggest that 75 per cent of PMJDY account holders are poor. If we instead allocate the government's count of PMJDY accounts to poor women based on these 2018 survey numbers, then roughly 175 million poor women lack

PMJDY accounts. This means at least 125-175 million poor women and their households will not receive these emergency cash transfers.

A final constraint is accessing the cash: The 2018 data suggests that one in four poor women live more than five kilometres away from their nearest banking point. This, combined with current social distancing practices at banks that prolong cash distribution, suggests that some women will find it difficult to access their cash transfers as soon as they need them. In short, the current coverage of the network used for cash transfers is insufficient to stop millions of the poorest households slipping through India's social safety net. To give relief to these households, state and central governments will have to rely on more than PMJDY cash transfers.

Access to food is the most pressing challenge during the lockdown when many individuals have suddenly found themselves unemployed and facing significant price inflation. The government's established social protection architecture has also responded by expanding access to the public distribution system (PDS). But eligibility still largely relies on the household having a ration card, and the 2018 survey data suggests that nearly 70 million poor women live in households that lack ration cards.

Given the implications of the lockdown for those living hand-to-mouth, there is simply no time to screen and document poor, uncovered households. Nor is there time to be concerned about plugging holes in the food distribution architecture — policy-makers must make do with what they have. While there is a risk that some of these resources will make it to unintended beneficiaries, this is not the time to starve the poor to fight corruption.

India has ample reserves of grain and a well-developed system for disseminating stocks to PDS shops, which are generally accessible to poor households. Some states, such as Tamil Nadu, already offer universal access to rations. Releasing additional grain would give states latitude to expand the PDS and support additional feeding efforts such as community kitchens. At the same time, states should do all they can to make sure lockdown measures do not prevent people from accessing subsidised food, while ensuring social distancing practices are in place.

The health and economic threats posed by the pandemic are unprecedented: India must capitalise upon its preparedness to address food insecurity and prioritise food distribution to protect the health and welfare of its most vulnerable citizens.

Pande is the Henry J Heinz II professor of economics and director of the Economic Growth Centre at Yale University, Schaner is assistant professor (Research) of economics at University of Southern California and Moore is director for South Asia Economics Research at Yale University's MacMillan Centre

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Source : www.livemint.com Date : 2020-05-11

GOLD BONDS OPEN TODAY FOR SUBSCRIPTION WHEN INVESTMENT DEMAND IS RISING

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

The second tranche of gold bonds of this fiscal year (2020-21) will open for subscription today at a time when the investment demand for the precious metal is rising. Series II of sovereign gold bond scheme 2020-21 will close for subscription on May 15. The issue price of the latest gold bond scheme has been fixed at 4,590 per gram while the issue date is May 19. Those applying online and making payment through digital mode will get a discount of 50 per gram. For such investors, the issue price of bond will be 4,540 per gram of gold.

Sovereign gold bonds are issued by the Reserve Bank of India (RBI) on behalf of the government.

Here are 10 things to know about the latest Sovereign Gold Bond Scheme 2020-21 Series II:

1) In April the government had also issued the Series 1 tranche of gold bonds and the latest one comes at a time when gold is attracting strong investment demand.

2) Gold holdings with SPDR ETF, the world's biggest gold exchange traded fund, have risen to multi-year highs of 1075.8 tonnes.

3) In April, gold futures prices on MCX had surged to record high above 47,000 per 10 gram. In the past one year, gold prices are up about 40%. Fears of a deeper global recession due to coronavirus-related lockdowns and widespread stimulus from central banks has helped lift prices of gold, which is seen as a hedge against inflation and currency debasement.

4) Gold ETFs, offered by mutual funds in India, saw an inflow of 731 crore last month, after withdrawals of 195 crore in March.

5) The issue price of sovereign gold bonds is fixed based on recent closing price of gold as published by the India Bullion and Jewellers Association Ltd for gold of 999 purity.

6) The minimum permissible investment in gold bonds is one gram of gold and they have a maturity period of eight years.

7) Investors will have the option to exit after the fifth year. Bonds are also traded on stock exchanges, offering buy or sell option to investors, subject to liquidity.

8) Gold bonds offer an annual interest rate of 2.50% to investors.

9) Capital gains, if any, at maturity is tax-free. This is an exclusive benefit available on gold bonds. Physical gold or other forms of investments like gold ETF or gold mutual funds don't qualify for this benefit.

10) The RBI had earlier released the timeline of issuances of gold bonds for the first six months of the year. Here is the timeline of gold bond that will be issued for next four months:

Tranche | Date of Subscription | Date of Issuance

2020-21 Series III June 08-12, 2020 June 16, 2020

2020-21 Series IV July 06-10, 2020 July 14, 2020

2020-21 Series V August 03-07, 2020 August 11, 2020

2020-21 Series VI Aug.31-Sept.04, 2020 September 08, 2020

The sovereign gold bond scheme was launched in November 2015 with an objective to reduce the demand for physical gold and shift a part of the domestic savings - used for the purchase of gold - into financial savings.

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Source : www.indianexpress.com Date : 2020-05-11

CHINA’S DIGITAL CURRENCY EXPERIMENT, AND ITS LESSONS FOR INDIA

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

Last month the Chinese Central Bank rolled out pilot testing for its home grown digital currency. The tests, slated to take place in the cities of Shenzhen, Suzhou, Chengdu and Xiong’an, will involve transferring salaries to government workers in the form of the new Digital Currency (internally referred to as DC/EP) and tying up with a set of designated merchants to facilitate transactions using the currency. The end goal is to have full-fledged functionality by the time the 2022 Olympics take place.

China’s decision to move towards a digital currency has created waves in the policy community. In August last year, the People’s Bank of China (PBoC) had said that it was close to rolling out what was then called the Digital Yuan: As early as April 20 this year, the first pilot tests were sanctioned for it. Alongside the rollout came a report in April this year in the state media outlet, China Daily, which observed that, “A sovereign digital currency provides a functional alternative to the dollar settlement system and blunts the impact of any sanctions or threats of exclusion both at a country and company level”.

While there has been much furore about the threat to the current financial ecosystem, there are reasons to doubt both the immediacy and the scale of this rather tall claim. First, as observed by Harvard professor of economics, Kenneth Rogoff, the present dollar-dominant regime is backed by “America’s deep and liquid markets, its strong institutions, and the rule of law”. This becomes apparent in the Bank of International Settlements triennial survey of September 2019, where the US dollar retains its dominant currency status, being on one side of 88% of all trades and the SWIFT banking network, and as discussed in the report, continues to dominate global interbank money transfers.

The renminbi continues to remain the eighth most traded currency in the world, primarily because of a secondary observation made by Professor Rogoff: “China’s burdensome capital controls, its limits on foreign holdings of bonds and equities, and the general opaqueness of its financial system leave the Yuan many decades away from supplanting the dollar in the legal global economy.”

The concept of a digital Yuan however, begs further inquiry, and the fact that it will not overthrow the existing financial order should not stop us from interrogating the inherent value proposition of a digital currency. In a paper published in the China Economic Journal last year, former PBoC digital currency chief, Yao Qian, makes a compelling case for Central Bank Digital Currency (CBDC) with several observations holding equal weight in the Indian context.

By highlighting three key dilemmas in the existing monetary systems — “traceability” (the inability to accurately monitor fund flows to the individual level), homogeneity (the inability to effectively target funding to particular sectors) and “real momentness” (the inability to guarantee the timeliness of disbursal) — he presents a case for programmable, digital money, issued by the Central Bank. In China, this has come in the form of the DC/EP, and there is a genuine case to be made for India to pursue its own.

At present, there have already been significant policy nudges towards developing an Indian CBDC. The Draft National Blockchain Strategy tabled by the National Institute for Smart Governance earlier this year, has called for India to develop a Central Bank Digital Rupee on a national permissioned block chain, while also outlining the legal limitations faced by other crypto currencies in the country. Such a call seems particularly welcome in the context of the Coronavirus, as the government looks to optimise its financing mechanisms, and increase the impact of the limited funds that it has at its disposal.

In the context of financial technologies, India has made several aggressive strides forward. While the UPI has enabled instantaneous transactions, its Aadhar integration and applicability at all levels of India's commerce have enabled its rapid scaling. In such an environment, an Indian digital currency presents itself as a logical end to the ongoing transformation of cash into its digital avatar.

India, more so than China, faces all three of the dilemmas highlighted by Qian. The opacity of our governance mechanisms only facilitates the attrition of money as it trickles down through various levels of government. A programmable digital currency that can be monitored at the central level would radically alter the capacities of our existing monetary policy. As conceived by Qian, a programmable currency could be programmed to target particular sectors, within a particular time period. In such a context, monetary policy could move away from traditionally targeting aggregate money supply and open new doors, like the precise targeting of interbank interest rates, and the establishment of dynamic sector-specific interest rates. Further enhanced by robust machine learning, a programmable currency could ensure that monetary policy chiefs are equipped with a significantly more potent arsenal for the future.

Over the last decade, India has made significant strides in the field of financial technology and a Central Bank Digital Rupee presents yet another opportunity to continue this push. The Chinese began research on their Digital Currency with the establishment of their Digital Currency Research Centre in 2017. India's monetary leadership must not fall far behind, and seriously consider charting for itself, a path out of the analogue realm and into the digital.

The writer is the Asia Democracy Network fellow at the Centre for Policy Research, New Delhi

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Source : www.livemint.com Date : 2020-05-12

PANDEMIC PROPELS ADOPTION OF CONTACTLESS PAYMENTS

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

Contactless payment options are gaining steam thanks to the worldwide pandemic. As more users are concerned about the disease being spread through touch, digital modes of payments are being preferred. “Contactless is becoming a common way to pay, accounting for 41% of face-to-face visa transactions in the Asia-Pacific region," said Arvind Ronta, head of products, India and South Asia, Visa.

“More than 50 countries worldwide announced raising contactless limits on the cards in light of these events, in most cases doubling the allowable limits to drive greater consumer convenience," he added. But it’s not just governments and big businesses who are considering contactless payments. Ronta said enterprises of all sizes and small business too are seeking “quick paths to recovery and going digital".

Contactless payment refers to methods that allow consumers to pay using debit and credit cards without actually making contact with others. This is done using radio frequency identification (RFID) or near-field communication (NFC) technologies. The most common methods include tapping your card on a point of sale (PoS) terminal, but smartphone makers have made NFC-based systems — like Samsung Pay and Apple Pay — which also qualify as contactless payment systems.

“An increase in volume of contactless and other cash alternative payments has been documented across the country," said Nitin Bhatnagar, Associate Director, India, Payment Card Industry (PCI) Security Standards Council (PCI SSC). The PCI SSC recently published new data security standards for solutions that allow merchants to accept contactless payments using a commercial off-the-shelf (COTS) mobile device.

Bhatnagar and Ronta both noted that contactless payments were on the rise in India for a while. The pandemic seems to have spurred that growth. “As of November 2019, there were 830.7 million debit cards and 54.4 million credit cards in circulation in India, with over 5 million merchants in India accepting payments," said Bhatnagar.

This creates a big opportunity for contactless payment solutions to be used in the country. “While in 2016-17 the number of PoS machines and cards were quite less, things have dramatically improved in the past three years. Today, in India about 25% cards are contactless and about 15% of the transaction volume is coming from contactless cards, a number which was in single digits a few years back," said Kush Mehra, chief business officer, Pine Labs.

Mehra said that over 80% of India’s merchants haven’t digitized yet, according to industry data. “With the current pandemic, they are constantly figuring out ways to operate and transact remotely," he said. “The real challenge now lies in creating an affordable solution that reaches merchants across the spectrum and accept payments via already available modes," he added.

Pine Labs already has a PoS infrastructure of 400,000 terminals in the country. The company introduced an Android app recently, called ePoS by Pine Labs, meant for contactless payments using cards, UPI, Bharat QR and digital wallets. This app got over 40,000 downloads in just 40 days since its launch, Mehra stated.

With the proliferation of digital wallets and the government's push for digital payments, contactless payments have been gaining in India for a while now. "The key difference post Covid is that while digital/contactless payments were already gaining popularity, now they are increasingly becoming a way of life. Consumers are therefore demanding wider acceptance across all platforms. Ease and reliability of executing transactions becomes a competitive differentiation," said Vishal Awal, Vice President and Managing Partner, Telecom, IBM Global Business Services.

END

Source : www.thehindu.com Date : 2020-05-12

LEGAL BUT NOT APPROPRIATE

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

Over the last few days, many States have made **changes to their labour laws**. Himachal Pradesh, Rajasthan and Punjab have extended the maximum daily hours of work in a factory from eight/nine to 12, and allowed up to 72 hours a week in overtime. The provision of paying overtime wages at twice the normal rate would apply for working beyond these limits. Gujarat has made a similar change but the wages for overtime will be at the same rate (not double). Uttarakhand has increased the daily limit to 11 hours with overtime limited to 18 hours a week. Haryana has allowed work for 12 hours a day, and up to 60 hours a week, with overtime pay. Madhya Pradesh has made similar changes. These changes have been made through notifications issued by the State governments, and will be applicable for the next three months. M.P. has also suspended most provisions of the Industrial Disputes Act, 1946 (except those related to retrenchment and layoffs) for 1,000 days for State undertakings. In addition, M.P. issued an ordinance to amend two laws. The M.P. Industrial Employment Standing Orders Act will apply to establishments with more than 100 workmen (up from the existing threshold of 50), in line with the Central Act. The ordinance also enables the government to exempt establishments from the provision of another Act that provided for a labour welfare fund.

Also read: Coronavirus lockdown | Suspend labour laws for 2-3 years, employers' associations urge government

The Uttar Pradesh government has approved an ordinance that exempts establishments from all labour laws for three years with some exceptions (safety and security of workers, provisions related to employing women and children, payment of wages on time and above prescribed minimum wages, and no bonded labour). As this will override provisions of some Central laws, it will require the assent of the President or, in effect, the assent of the Central government. The question is, was there sufficient consultation before all these changes were made?

As per the Constitution, legislature has the authority to make laws. Such laws could delegate powers to the government which are in the nature of detailing some requirements. For example, the Factories Act allows State governments to exempt factories from the provisions of the Act during public emergencies for a maximum period of three months. A public emergency is defined as a grave emergency whereby the security of India or any part is threatened by war, external aggression or internal disturbance. Most States have used this provision, presumably interpreting the current situation as an 'internal disturbance'. Haryana has used a provision that allows relaxation of work hours "to deal with an exceptional press of work".

The Constitution also permits Central and State governments to make laws through the issuance of an ordinance when the legislature is not in session. Such a law needs to be ratified by the legislature within six weeks of the beginning of the next session. M.P. and U.P. are using this procedure.

Also read: Now, Maharashtra tweaks labour laws to increase working hours

While the changes made are lawful, we need to see whether it is appropriate to make such far-reaching provisions without scrutiny by the legislature. Usually, any change in an Act follows a rigorous process of public consultation, scrutiny by committees of Parliament, and debates in the House before being approved. The changes described here have not gone through such a process. However, most of these have a three-month time limit, and any extension would need to be approved by the legislature.

Interestingly, Parliament is consolidating 29 existing laws into four codes dealing with wages, occupational safety and health, industrial relations and social security. The first of these has been enacted, the Standing Committee on Labour has submitted the report on the next two, and is examining the last. The Code on Occupational Safety and Health does not specify the maximum hours of work but empowers the government to do so. The Standing Committee report states that the government agreed to incorporate a provision of maximum eight hours per day with overtime permitted for certain types of industry.

Several regulations have been formulated to tackle COVID-19. There have been over 4,300 notifications by the Central and State governments since the beginning of March. Given the emergency, the government has to take quick action and change the response as the situation evolves. However, that should not be a reason to exclude the processes of consultation with and scrutiny by elected representatives. The legitimacy of state action in a parliamentary democracy comes from the fact that there is constant oversight and check by elected representatives. Parliament and State legislatures should find ways to meet and examine the measures taken by Central and State governments.

M.R. Madhavan is the President and co-founder of PRS Legislative Research

To reassure Indian Muslims, the PM needs to state that the govt. will not conduct an exercise like NRC

END

Source : www.pib.nic.in Date : 2020-05-12

177 NEW MANDIS FROM 10 STATES & UTS INTEGRATED WITH THE E-NAM PLATFORM FOR MARKETING OF AGRICULTURAL PRODUCE

Relevant for: Indian Economy | Topic: Transport & Marketing of agricultural produce

Ministry of Agriculture & Farmers Welfare

177 new mandis from 10 States & UTs integrated with the e-NAM platform for marketing of Agricultural produce

Efforts should be made to strengthen eNAM further to benefit farmers - - Shri Narendra Singh Tomar

Posted On: 11 MAY 2020 2:24PM by PIB Delhi

The Union Minister of Agriculture and Farmers Welfare, Shri Narendra Singh Tomar today launched integration of 177 new mandis with the National Agriculture Market (e-NAM) to strengthen agriculture marketing and facilitate farmers to sell their harvested produce through the online portal. The mandis integrated today are as follows: Gujarat (17), Haryana (26), J&K (1), Kerala (5), Maharashtra (54), Odisha (15), Punjab (17), Rajasthan (25), Tamil Nadu (13) and West Bengal (1). With the launch of 177 additional mandis, the total number of eNAM mandis across country is 962.

Launching the new mandis through video conferencing, Shri Tomar said efforts should be made to strengthen eNAM further to benefit the farmers. He said eNAM portal has been envisioned by the Prime Minister Shri Narendra Modi as an ambitious use of technology for the benefit of farmers.

Earlier, 785 mandis were integrated with eNAM across 17 States and 2 UTs, with a user base of 1.66 Cr Farmers, 1.30 lakh traders and 71,911 Commission Agents. As of 9th May 2020, total volume of 3.43 Crore MT & 37.93 Lakh numbers (Bamboo & Coconut) collectively worth more than Rs. 1 lakh crore has been traded on eNAM platform. Digital payment worth Rs. 708 Cr have been done via eNAM platform, benefitting more than 1.25 lakh farmers. eNAM facilitates trade beyond mandi/ state borders. A total of 236 mandis participated in inter- mandi trade across 12 States whereas 13 States/UT have participated in the inter-state trade allowing farmers to interact directly with distantly located traders. At present, 150 commodities, including food grains, oilseeds, fibers, vegetables and fruits, are being traded on eNAM. More than 1,005 FPOs have been registered on eNAM platform and have traded 2900 MT of agri-produce worth Rs 7.92 Crores.

To de-congest mandis during COVID-19 lockdown situation, FPO trade module, Logistics module and eNWR based Warehouse module were launched by the Union Agriculture Minister on 2nd April 2020. Since then, 82 FPOs from 15 States have traded on eNAM with total quantity of 12048 Quintals of commodities worth Rs 2.22 Cr. Nine (9) Logistics Service Aggregators have partnered with eNAM having 2,31,300 transporters providing availability of 11,37,700 trucks to service transportation need of eNAM stakeholders.

National Agriculture Market (e-NAM) is a highly ambitious and successful scheme of Government of India which networks the existing APMC mandis to create a unified national market for agricultural commodities with a vision to promote uniformity in agriculture marketing by streamlining of procedures across the integrated markets, removing information asymmetry between buyers and sellers and promoting real time price discovery based on actual demand and supply.

On 1st May 2020, Shri Tomar had launched integration of 200 eNAM mandis from 7 States including 1 new state of Karnataka being added on eNAM to help Indian farmers. In addition, the Union Agriculture Minister had also launched inter-operability between ReMS (Unified Market Portal-UMP) of Karnataka & eNAM portal. It provides an opportunity to access more markets for trade to traders and farmers of both the platforms, using inter-operability feature between these two platforms and vice versa.

While looking at the achievements of eNAM in its Phase-I (integration of 585 mandis), it is heading on a path of expansion by spreading its wings with additional 415 mandis planned to be on-boarded before 15th of May'2020, taking the total number of eNAM mandis to 1,000 across 18 States & 3 UTs to achieve "One Nation One Market" vision of the Prime Minister.

National Agriculture Market (eNAM), a pan-India electronic trading portal with the objective of integrating the existing Mandis to "One Nation One Market" for agricultural commodities in India, was launched on 14th April 2016, by the Prime Minister Shri Narendra Modi. Small Farmers Agribusiness Consortium (SFAC) is the lead agency for implementing eNAM under the aegis of Ministry of Agriculture and Farmers' Welfare, Government of India.

The NAM portal provides a single window service for all APMC related information and services which includes commodity arrivals, quality & prices, provision to respond to trade offers and electronic payment settlement directly into farmers' accounts and helping them for better market access.

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APS/PK/MS/BA

Read this release in: Punjabi , Marathi , Hindi , Tamil , Telugu , Bengali , Assamese , Manipuri , Kannada

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Source : www.livemint.com Date : 2020-05-13

COVID-19: BIG BANG ECONOMIC PACKAGE FROM PM MODI PUTS THE COUNTRY IN RESET MODE

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

PM Modi announces a 20 trillion stimulus package to reinvigorate the economy and a new strategy to ensure that the country becomes self-reliant

Prime Minister Narendra Modi on Tuesday announced a 20 trillion ($265 billion) stimulus package, in one of the world's most aggressive bailouts in relation to economic size, equating to about 10% of gross domestic product (GDP).

The stimulus is aimed at softening the devastating fallout of the coronavirus lockdown that has rendered millions of people jobless and pushed thousands of businesses to the brink of bankruptcy as the economy has suddenly gone idle. The fiscal package, details of which will be announced by finance minister Nirmala Sitharaman starting Wednesday, also aims to build an India based on self-reliance, Modi said in a televised speech on Tuesday evening.

The plan for a self-reliant India, or *Aatmanirbhar Bharat,* will focus on land, labour, liquidity and laws, and will cater to various sections of the economy, including businesses, migrant workers and the middle class. The package, which equals to almost a full year of India's gross tax revenue collections, also includes the recent monetary easing announced by the Reserve Bank of India.

To fulfil the dream of making the 21st century India's, Modi said the way forward is to ensure the country becomes self-reliant.

Articulating his plan, Modi said the self-reliant strategy will depend on five pillars—growing a new economy, creating state-of-the-art infrastructure, setting up technology-based delivery systems, leveraging the young demography and exploiting domestic demand.

“We will make the best products, improve our quality and better our supply chain," he said.

India is looking to play a larger role in global supply chains, said Arindam Guha, partner, government and public services at Deloitte India. “While we wait for the fine print of the economic package, it is likely to prioritize sectors where there is a large domestic market and generate significant employment. We can also expect significant reforms impacting all stages of the value chain of these sectors from farm to consumer with the end objective of increasing ease of doing business. I am fairly confident that the package will leverage financial instruments like credit guarantees, etc., so that the country's fiscal situation is also factored in," he added.

So far, the US has announced the largest rescue package of any country with the total stimulus working out at $2.7 trillion, or about 13% of GDP. Japan has declared a nearly $1 trillion stimulus package, or about 20% of the country's economic output.

Modi's announcement comes amid growing demand by states for a fiscal stimulus package and more financing options to tide over the financial crunch . The states have been seeking support for small businesses, infrastructure projects, easing of interest rates on loans and assured market access for agricultural produce.

“We have to protect ourselves and also go ahead," Modi said. “In order to fulfil the dream of making the 21st century India’s, the way forward is through ensuring that the country becomes self-reliant," Modi said and added, “We are constantly monitoring the global situation."

The announcement comes as India plans to further open up its economy in the fourth phase of the national lockdown starting 18 May, with fewer restrictions.

The new package looks to empower everyone with a focus on labour, hawkers and street vendors, among other sections that tend to get neglected.

Drawing from his personal experience after the devastating Kutch earthquake in 2001, Modi said through determination and resolve, the area was back on its feet. A similar determination is needed to make the country self-reliant. “The crisis has brought a message to India, it has brought an opportunity," Modi said. “When the crisis started, India didn’t manufacture even one PPE kit. There was hardly any manufacturing of N95 masks. Today, two lakh each of these are being manufactured daily in the country."

Asit Ranjan Mishra contributed to this story.

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Source : www.livemint.com Date : 2020-05-13

DEEP REFORM CAN GET FOREIGN FIRMS TO MAKE IN INDIA

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

Several states have undertaken factor market reforms, including labour reforms, to attract firms exiting China. Mint explains the implications for India's manufacturing sector

Several states have undertaken factor market reforms, including labour reforms, to attract firms exiting China. Critics caution against the move, citing marginalization of labour in the absence of these laws. Mint explains the implications for India's manufacturing sector.

What's wrong with India's labour norms?

The overarching complexities of India's labour laws are said to have a dampening effect on the ease of doing business. These laws, in an atmosphere of unmindful bureau-cratic control and corrupt officials, have led to the exploitation of factory owners, which has in turn come at the cost of the welfare of workers. The Centre had tried to simplify these norms and compile 44 such laws into four draft labour codes—on wages, industrial relations, social security and safety, health and working conditions. As labour is on the concurrent list, both state and central governments are competent to enact legislation on this.

How have the laws impacted industry?

The labour norms in force have often been considered a key reason for India having a large informal sector and the overall small size of companies. One such norm is the Industrial Disputes Act (IDA) that prevents companies with more than 100 employees from firing people without government permission. This has led most companies to prefer being small or rely on the informal sector. Such norms have often prevented large-scale global corporations from setting up their plants in India. The small size of companies has also resulted in them not being competitive in several sectors.

Why have these outdated laws not been changed?

The Rashtriya Swayamsevak Sangh-affiliated Bharatiya Mazdoor Sangh and the Left-backed Centre of Indian Trade Unions have opposed any change to IDA, thus preventing an overhaul of the regulatory architecture. Successive state and central governments have not addressed the problems with the labour laws because of political considerations.

What changes have states proposed now?

States including Uttar Pradesh, Madhya Pradesh and Gujarat have temporarily suspended all labour codes. The only ones that will apply in UP are the Building and Other Construction Workers Act, Section 5 of the Payment of Wages Act, Workmen's Compensation Act and the Bonded Labour System (Abolition) Act; 13 laws have been suspended for three years. Gujarat has exempted new industrial units from all related laws for 1,200 days, except the Minimum Wages Act, Industrial Safety Rules and the Workmen's Compensation Act.

What's keeping foreign firms away from India?

Five areas of concern have kept foreign firms from investing much in India. These are land acquisition problems, labour norms, high tax levels, high cost of power and red tape. The Centre has cut corporate taxes and proposed a new draft electricity code; states have enacted labour reforms. States' ability to address issues on land, power and cost would determine how many firms come to India. Manufacturing may well take off in India after these reforms.

Karan Bhasin is a Delhi-based policy researcher.

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WHY LABOUR LAW REJIG IS NO REFORM

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

HYDERABAD : Labour law in India is rigid, and restricts mobility. It often has vague provisions, gives a great deal of discretionary power to the executive and, therefore, is extremely debilitating.

Several surveys and studies that have asked investors what they are most worried about often come up with a familiar list: labour laws, land acquisition costs and bureaucratic delays. The list of laws that govern India's workforce is itself formidably large—at least 40 central laws and more than a 100 state-level acts and regulations.

These laws almost guarantee that no formal sector employee can be removed from his job. The law also stipulates firms which employ more than a 100 employees to seek prior approval from labour authorities for a number of things. The Industrial Employment (Standing Orders) Act, 1946 goes to the extent of making employers seek permission to even reassign an employee's tasks. Given these instances of government overreach, reforming labour law is obviously a good idea.

However, since all manner of things are done in India in the name of reform, the real question is: what can actually be categorized as labour law reform? Last week, the state of Uttar Pradesh unveiled an interesting definition of reform by eliminating nearly all worker protection laws for a period of three years. While the fact is that labour law in India is indeed convoluted, complicated and stringent, should it be done away with entirely? Is wholesale removal the only path to reform?

Some of the provisions which have been invalidated include basic guidelines on occupational safety and minimum standards for working conditions. Given the dire state of the economy, what is likely to happen is that, in several places, workers will continue to be denied basic hygiene and sanitation, but now, with the backing of the law.

In firms that already do not invest in ventilation, toilets or crèche facilities; where potable drinking water is not available; where scant regard for employee welfare is the default setting, the absence of legal recourse will further impoverish workers who have already lost a lot of bargaining power due to large-scale job losses. It is important to point out here that the existing laws protect only a small proportion of the Indian workforce. An overwhelming majority (90% in Maharashtra and 97% in Gujarat) work in the informal and unorganized sector. So, less than 11 million people out of 450 million workers are given this lip service of protection today, which is now being sought to be removed en masse in many states.

But minimum workplace standards may actually be more important in the post-covid world, not less. There will have to be serious supervision with regard to safe distancing, facilities for washing hands, and even adequate sanitization. By diluting aspects of the law which already mandate many of these basic minimums, India will only hurtle towards more covid-19 cases. And this is also going to result in multiple conflicting signals. For instance, a recent ministry of home affairs directive mandates all firms to provide medical insurance to all employees. Will this be applicable in UP's new legal environment?

Ultimately, in this ostensible new government-led push to wean away industries from China, one question will still need to be answered: Are there some basic protections that India's workers still deserve, and if so, what are these?

The beginning of reform

Six years ago, it was the Vasundhara Raje-led government in Rajasthan that started the labour law reform process, when the Indian Parliament couldn't. The state relaxed the prevailing norms for retrenchment and hiring of contract workers and also made the process of registering a new trade union more stringent. While this was applauded by India Inc. and the Economic Survey of the Government of India, unfortunately, the timing went wrong.

Rajasthan's wage growth dipped considerably, unemployment rates went up, and the state's gross domestic product growth fell as the effect of demonetization kicked in and economic activity went downhill. Reforms were put on the back burner, and the government in the state also changed hands in 2019. This was the story of labour reforms for the previous BJP-led government. After getting re-elected with a thumping margin, there was renewed urgency. But Modi 2.0's early focus was entirely on its political agenda—from revoking special provisions in the constitution (Article 370) meant for Jammu and Kashmir to the controversial amendment of the country's citizenship law. Economic legislation was never really brought up, even though there were heated discussions about the need for banking reform, for greater clarity in tax laws, and for further tightening the bankruptcy code. But before any of these measures could be taken up legislatively, the pandemic stuck and now occupies centre stage.

So, it took everyone by surprise when the newly installed Madhya Pradesh government announced some startling labour law exemptions to new investors for the next 1,000 days. Labour inspectors—the bane of industry managers—will now be replaced with a third-party certification. In addition, the order issued made several existing provisions defunct. For new units, firing workers would become much simpler and trade unions would not be allowed to raise issues and bargain with the management. There would, in effect, be two regulatory regimes—one for existing units and a relaxed regime for new entrants.

Even before people could react to these quiet changes, made through a simple executive order, came another announcement from the UP government. Except for the Building and Other Construction Workers Act, Bonded Labour System (Abolition) Act, and Section 5 of the Payment of Wages Act (which gives workers the right to receive timely wages), all other laws were deleted for the next three years for all firms.

It was Gujarat's turn the next day. Taking a cue from MP and UP, the state went further and granted labour law exemptions for 1,200 days. Now, the Assam government has announced a provision for fixed-term employment of workers (the ability to hire an employee for a specific period of time). It has also proposed that factories will now be allowed to increase working hours from the existing eight hours to a new 12-hour shift. The governments in Punjab and Rajasthan are also considering similar changes in their labour law statute.

The broad justification is that economic activity has been hampered by the pandemic and governments across the country need to give greater flexibility to businesses and industries to provide employment to returning migrants, among others. However, if that was indeed the purpose, the 12-hour shift decision is clearly contrary to the objective. If jobs have to be added, the push should have been for shorter work hours and an increase in shifts, which would then distribute employment.

Impact on the economy

The lockdown has indeed resulted in massive economic disruption. For an economy that was already in the grip of a slowdown, the near-closure of almost all activity has meant a steep rise in unemployment. According to the Centre for Monitoring Indian Economy (CMIE) over 120 million Indians have lost their jobs, with three-fourths of them being small traders and wage labourers. The number of unemployed will only go up in the medium-term.

The silver-lining, according to some, is that China has become unpopular and is now on its way down. Trade with China will no longer be encouraged by various nations and supply chains will attempt to move elsewhere. This has led to a situation where Indian industry is fancying its chances and striving to replace China as the factory of the world. However, this optimism seems misplaced. Industries that did move away from China in the recent past have mainly shifted to Bangladesh and Vietnam, and have stayed away from India, despite the country's large domestic market.

Even Indian industry has been wary of investing in India, especially over the last few years. The reason for this cannot be stringent labour laws alone. India's ease-of-doing-business is still struggling with other issues: poor contract enforcement, shortage of skilled labour, and an unstable tax structure.

But since the covid-19 crisis has opened up the possibility for radical change, labour seems to have become easy pickings to show that change is happening. All past disasters have led to some serious rethinking about existing institutions and forced legislators to make new laws or amend old ones.

India's first labour law was the Apprentices Act passed in 1850, when orphan children needed to be employed in industry and needed training. The Bhopal Gas tragedy famously brought home the need for environmental protection laws. A series of coal mine explosions, starting from 1958, forced the attention of the government on the poor conditions of workers, resulting in complete nationalization of the sector in 1973.

Suspending all but a few labour laws by states governments such as UP and MP is an understandable contemporary reaction to the massive unemployment and production slowdown over the last two months. But the story that is unraveling in front of us today is of a strong government using this crisis as an opportunity to push forward legislation that is important, but is neither well-thought nor particularly relevant at this juncture.

The central government first delayed implementing the lockdown, and then declared a curfew without giving any notice. Millions of people were stranded without food and shelter. Some of the poor migrants who started walking back home in the summer heat have died on the way.

While a large number of workers are losing their jobs and are travelling thousands of miles to go back home in desperation, it does not make any sense to give additional powers to factories and firms to terminate their workforce. It only makes a hostile government appear even more aggressive.

Even if industrial revival and the need to make India globally competitive is the only pressing concern in policy circles at the moment, the case for rigid labour laws being the main villain preventing an Indian manufacturing renaissance is very weak.

In the 21st century, Indian industry has been repeatedly slow and ineffective in reacting to global economic shocks—for instance, the textile sector losing its sheen after the Multi Fibre Arrangement expired in 2005. These failures have been repeatedly blamed on labour market rigidity, but the evidence is weak. Faizan Mustafa, a renowned legal expert and vice-chancellor of Nalsar University of Law, points out that the very premise for massive changes in labour legislation, especially at this juncture, when workers are going through a crisis, is largely unsubstantiated. “Mere perception cannot be used to make policy," he said.

In conclusion

Ultimately, the problem with what UP, MP and several other governments are trying to do is related to both the process and the timing of these amendments. Labour is a concurrent subject and the significant laws are central laws. They cannot be done away with through state ordinances. And the timing is so poor.

The national minimum wage that the Modi government had been trying to get into place for a while will now get pushed away under these sweeping changes, possibly forever.

The Economic Survey of 2018-19 had stressed that a high minimum wage is critical for workers and does not impact employment generation. At a time when there are calls for universal basic income, at least a higher minimum wage is essential.

There is an oft-repeated criticism that India’s socialist-era inspector raj has been stringent and, therefore, imposed excessive costs on Indian business. But professor Mustafa points out that to say our labour laws have been strictly implemented is a myth. Like all other laws, these have also served more as guiding principles and deterrents, and have been used by exception.

To then infer that their implementation has been the primary cause for losses in productivity would be very erroneous.

But when law ceases to exist, the jungle raj takes over. If employees have to now be left completely to the mercy and the goodness of the employer, the workplace becomes distasteful and far from attracting foreign direct investment, these new measures might keep it away. This move of allowing state governments to use a weak moment in national history to push through hurried and sweeping measures will only undermine worker safety and distort our labour institutions further.

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GETTING CASH TRANSFERS OUT OF A JAM

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

For some years now, the so-called JAM trinity (Jan Dhan-Aadhaar-Mobile) has been propounded as a dream cash-transfer infrastructure for India. The term "trinity" itself gives a sense of the faith and fervour this project sought to inspire (why not "trio"?). It was born in chapter 3 of the Economic Survey 2015, titled "Wiping every tear from every eye: The JAM number trinity solution". This early JAM promo humbly concluded that "nirvana today seems within reach". The same lyrical tone can be found in the following year's Economic Survey, where JAM's virtues were praised once again.

What JAM really means, in practical terms, is conveniently vague. The original formulation, in 2015, mentioned two possible incarnations of the trinity: mobile banking and post office payments. The second option never made much headway, perhaps because it did not have enough scope for private profit. So Aadhaar-enabled mobile banking became the supreme goal. In January 2017, NITI Aayog CEO Amitabh Kant predicted the imminent demise of all cash-transfer paraphernalia other than mobiles: "... my view is that in the next two-and-a-half years, India will make all its debit cards, credit cards, all ATM machines all POS machines totally irrelevant… India will make this jump because every Indian will be doing his transaction just by using his thumb in thirty seconds..." This utopia was happily embraced by a familiar bandwagon of Aadhaar champions, software businesses, digital-payment companies, fintech wizards, and embedded economists.

The intoxication reached new heights as the JAM project latched on to another flourishing narrative, universal basic income (UBI). If you want to make cash transfers to everyone, what better platform can you have than Aadhaar, India's unique biometric ID, doubling up as a permanent financial address? An illusion emerged that India had developed an ideal infrastructure for UBI, ready to be deployed at any time.

It took the coronavirus crisis for the bubble to burst. In the early days of the crisis, JAM was often invoked (sometimes along with UBI) as a possible tool of emergency relief. But when the time actually came to make cash transfers to the poor, JAM turned out to be of little use. For all the excitement it had generated, JAM had not gone beyond some fancy digital-payment systems for the privileged. Poor people, far from using the "thumb in thirty seconds" method to cash in, were still running from pillar to post to collect their meagre benefits from old-fashioned bank accounts (some also use the services of "business correspondents", but those have little to do with JAM). Sure enough, long bank queues and related hardships have started emerging, especially in rural areas where the density of banks is relatively low. In a Dalberg survey conducted last month in 10 states, only 25% of poor households reported that it was "easy" to access cash benefits. The crowds are all set to swell further as and when the lockdown is lifted or relaxed.

JAM enthusiasts may respond that the central government's relief package does rely on Jan Dhan Yojana (JDY) at least – the J in the JAM, if not the entire trinity. Indeed, the lead cash-relief measure in the national relief package consists of monthly transfers of 500 to women's JDY accounts. But is that a good idea?

One way to think about this is to compare women's JDY accounts with another possible basis for cash transfers, at least in rural areas: the list of households that have a National Rural Employment Guarantee Act (NREGA) job card. The numbers of accounts are roughly comparable: about 14 crore for NREGA job cards, and 12 crore or so for women's JDY accounts in rural and semi-urban areas (assuming that the gender distribution of accounts is similar in rural and urban areas). For purposes of cash relief, the JDY approach turns out to fare poorly on several counts.

First, JDY accounts are a mighty mess – the NREGA job-cards list is far more transparent and well-organised. During the frantic initial JDY wave, in 2014-15, banks opened JDY accounts en masse to meet the targets. Banking norms went for a toss: many accounts were opened without informed consent, duplicate accounts flourished, Aadhaar numbers were seeded without any safeguards, and so on. Later on, a large proportion of JDY accounts (40% in March 2017, down to 19% in January 2020) went "dormant" as customers were unable or unwilling to use them. Other accounts were blocked because the account holders were unable to complete timely ex-post biometric authentication ("e-KYC") of the Aadhaar numbers that had been seeded into their accounts. It is not clear what proportion of JDY accounts are operational today, in the sense that a bank transfer to these accounts will actually reach the recipient in good time.

Second, cash transfers to women's JDY accounts are likely to involve large exclusion errors. According to a recent Yale study, less than half of poor adult women have a JDY account (an even lower proportion, 21%, know that they have a JDY account). Consistent with this, the Dalberg study mentioned earlier finds that the proportion of poor households where at least one adult woman has a JDY account is just 57%. The NREGA job-card list is likely to have much better coverage of poor households. The natural complementarity between NREGA and social security pensions (covering more than four crore persons under the National Social Assistance Programme alone) would further help to reduce exclusion errors.

Third, inclusion errors are also likely to be larger in the JDY approach. Job cards are meant for rural workers, JDY accounts are for everyone. National Election Studies 2019 data, analysed by Sanjay Kumar and Shreyas Sardesai, show that JDY beneficiaries tend to be better-off than NREGA beneficiaries. Earlier survey data, analysed by Manuela Kristin Günther, suggest that the probability of having a JDY account is more or less the same for poor and non-poor households. Some of our middle-class female friends have already received SMS alerts informing them that their JDY account has been credited with 500 of relief money.

What about the respective reliability of NREGA and JDY payments? There have been significant issues (e.g. delayed, rejected, blocked or diverted payments) with NREGA payments, often related to Aadhaar. But then, numerous "direct benefit transfer" schemes (social security pensions, scholarships, maternity benefits, among others) have faced similar problems, also reflected in official transaction data. Both the Aadhaar Payment Bridge System (APBS) and the Aadhaar-enabled Payment system (AePS) are shot through with technical glitches, possibly exacerbated by the recent surge in transactions, and especially unkind to the powerless. Transfers to women's JDY accounts are unlikely to be more reliable than transfers to job-card holders.

In fact, as far as effective payment is concerned, there is a further argument in favour of the NREGA job-cards list: unlike JDY accounts, it lends itself to the "cash-in-hand" method (on-the-spot payment in cash, instead of bank payments) as a possible fallback. The reason is that the job-cards list is a transparent, recursive household list with village and gram panchayat identifiers, while the list of JDY accounts is an opaque list of individual bank accounts. Cash-in-hand may seem like the antithesis of JAM, but this option may become important in the near future if the banking system comes under further stress. There are precedents of effective use of the cash-in-hand method, notably in Odisha for pension payments, and in various states for NREGA wage payments. Several states (including Andhra Pradesh, Odisha and Tamil Nadu) have already resorted to cash-in-hand for relief payments during the lockdown.

In short, there is nothing compelling about the use of women's JDY accounts for cash relief. In fact, it is a bit of a shot in the dark. The central government is unlikely to make a U-turn on this before the end of the Pradhan Mantri Garib Kalyan Yojana's initial three-month period. It would do well, however, to consider other options after that, including a switch to the NREGA job-cards list in rural areas. As for the JAM trinity, it should come down to earth for a reality check.

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ENGLISH RENDERING OF PRIME MINISTER SHRI NARENDRA MODI’S ADDRESS TO THE NATION ON 12.5.2020

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

Prime Minister's Office

English Rendering of Prime Minister Shri Narendra Modi’s Address to the Nation on 12.5.2020

Posted On: 12 MAY 2020 10:14PM by PIB Delhi

Greetings to fellow citizens, for over four months the global community has been in the fight against Corona virus.
During this period more than 42 lakh people across the world have been infected with Corona. More than 2.75 Lakh people have died tragically. In India too, people have lost their near and dear ones.I express my heartfelt condolences to all.

Friends, a virus has destroyed the world. Crores of people around the world are facing a crisis. World all over is engaged in a battle to save precious lives. We have never seen or heard of such a crisis.This crisis is unthinkable as well as unprecedented for mankind.

However-getting exasperated, losing heart or getting shattered, is not acceptable to the mankind. We have to remain vigilant, closely monitor it, follow the rules of engagement in such a war, save ourselves and move ahead.Today, when the world is in crisis, we must strengthen our resolve. Our great resolve will help overcome this crisis.

Friends, we have been hearing since the last century that the 21st century belongs to India. We have seen how the world was before Corona and the global systems in detail. Even after the infliction of the Corona crisis, we are constantly watching the situation as it unfolds across the globe. When we look at these two periods from India's perspective, it seems that the 21st century is the century for India. This is not our dream, rather a responsibility for all of us.

But what should be its trajectory?

The state of the world today teaches us that a (AtmaNirbhar Bharat) "Self-reliant India" is the only path .It is said in our scriptures - *EshahPanthah*That is - self-sufficient India.

Friends,

As a nation today we stand at a very crucial juncture. Such a big disaster is a signal for India,it has brought a message and an opportunity.I will share my perspective with an example. When the Corona crisis started, there was not a single PPE kit made in India. The N-95 masks were produced in small quantity in India. Today we are in a situation to produce 2 lakh PPE and 2 lakh N-95 masks daily. We were able to do this because India turned this crisis into an opportunity.

This vision of India - turning crisis into opportunity- is going to prove equally effective for our resolve of self-reliant India.

Friends,

Today the meaning of the word self-reliance has changed in the global scenario. The debate on Human Centric Globalization versus Economy Centralized Globalization is on. India's fundamental thinking provides a ray of hope to world. The culture and tradition of India speaks of self-reliance and the soul is *VasudhaivaKutumbakam.*

India does not advocate self-centric arrangements when it comes to self-reliance. India's self-reliance is ingrained in the happiness, cooperation and peace of the world.

This is the culture which believes in the welfare of the world, for all the living creatures and the one which considers the whole world as a family. Its premise is **' ' - t**he culture that considers the earth to be the mother. And when the Bharat Bhumi, becomes self-sufficient, it ensures the possibility of a prosperous world. India's progress has always been integral to the progress of the world.

India's goals and actions impact the global welfare. When India is free from open defecation,it has an impact on the image of the world. Be it TB, malnutrition, polio, India's campaigns have influenced the world.

International Solar Alliance is India's gift against Global Warming. The initiative of International Yoga Day is India's gift to relieve stress. Indian medicines have given a fresh lease of life to the people in different parts of the world.

These steps have brought laurels for India and it makes every Indian feel proud. The world is beginning to believe that India can do very well, so much good for the welfare of mankind can give.

The question is - how?

The answer to this question is – A Combined resolve of 130 crore citizens for a self-reliant India.

Friends,

We have a proud history of centuries. When India was prosperous, it was called the golden goose, it was prosperous, and then it always walked tall for the welfare of the world.

Then the times changed, the country was caught in the chains of slavery, we longed for development. Today, when India is making rapid strides in its progress, it is still committed to the goal of global welfare. Remember, the Y2K crisis at the beginning of this century. Technology experts from India pulled the world out of that crisis. Today we have the resources, we have the power, and we have the best talent in the world.

We will make the best products, will improve our quality further, make the supply chain more modern, we can do this and we will definitely do it.

Friends,

I had witnessed the Kutch earthquake. There was debris everywhere. Everything was destroyed. It seemed as if Kutch had fallen asleep wearing a sheet of death. In that situation no one could have imagined that the situation would ever change. However, Kutch stood up, Kutch started moving, Kutch moved. This is the grit and determination of weIndians.

If we are determined then we can reach our goals and no path will be difficult. And today there is a will and there is a way. That is to make India self-reliant. Our combined resolve is so strong that India can become self-sufficient.

Friends, this magnificent building of self-reliant India will stand on five Pillars.

First Pillar is Economy, an economy that brings Quantum Jump rather than Incremental change.

Second Pillar is Infrastructure, an infrastructure that became the identity of modern India.

Third Pillar is Our System. A system that is driven by technology which canfulfill the dreams of the 21st century; a system not based on the policy of the past century.

Fourth Pillar is Our Demography. Our Vibrant Demography is our strength in the world's largest democracy, our source of energy for self-reliant India.

The fifth pillar is Demand. The cycle of demand and supply chain in our economy, is the strength that needs to be harnessed to its full potential. In order to increase demand in the country and to meet this demand, every stake-holder in our supply chain needs to be empowered. We will strengthen our supply chain, our supply system built up with the smell of the soil and the sweat of our labourers.

Friends, amidst the Corona crisis, I am announcing today a special economic package with a new resolution. This economic package will serve as an important link in the **'AtmaNirbhar Bharat Abhiyan" (Self Reliant India Campaign)**'.

Friends, in the recent past economic announcements made by the government related to the Corona crisis, which were the decisions of the Reserve Bank. The economic package that is being announced today, if added, comes to around Rs. 20 lakh crores. This package is about 10 percent of India's GDP. With this various sections of the country and those linked to economic system will get support and strength of 20 lakh crore rupees. This package will give a new impetus to the development journey of the country in 2020 and a new direction to the Self-reliant

India campaign. In order to prove the resolve of a self-reliant India, Land, Labor, Liquidity and Laws all have been emphasized in this package.

This economic package is for our cottage industry, home industry, our small-scale industry, our MSME, which is a source of livelihood for millions of people, which is the strong foundation of our resolve for a self-reliant India. This economic package is for that labourer of the country, for the farmers of the country who are working day and night for the countrymen in every situation, every season. This economic package is for the middle class of our country, which pays taxes honestly and contributes to the development of the country. This economic package is for Indian industries, which are determined to give a boost to the economic potential of India. Starting tomorrow, over the next few days, the Finance Minister will give you detailed information about this economic package inspired by the 'Self-reliant India campaign'.

Friends, it is now imperative for the country to move forward with the commitment of Bold Reforms to create a self-reliant India. You have also experienced that as a result of the reforms over the past 6 years, today even in this time of crisis; India's systems have looked more efficient. Otherwise, who could have thought that the money sent by Government of India will reach directly in the pocket of the poor farmer! But it has happened. That also happened when all the government offices were closed; the means of transport were shut down.This was just a reform related to *Janadhan-Aadhaar-Mobile-JAM's Trishakti*, the effect of which we have just seen. Now the scope of the reforms has to be broadened, giving a new height. These reforms will be in the entire supply chain related to farming, so that the farmer is also empowered and will have minimal impact on agriculture in any other crisis like corona in future. These reforms will be for, rational tax system, simple and clear rules-of-law, good infrastructure, capable and competent human resources, and building strong financial system. These reforms will encourage business, attract investment and strengthen our resolve for Make in India.

Friends, self-reliance is possible only through inner strength and self-belief. Self-reliance also prepares the country for a tough competition in the global supply chain. And today it is the need of the hour that India should play a big role in the global supply chain. Realizing this, many provisions have also been made in the economic package. This will increase the efficiency of all our sectors and also ensure quality.

Friends, this crisis is so big, that the biggest systems have been shaken. However, under these circumstances, the country has also seen the resolve and restraint of our poor brothers and sisters, especially the street vendors, hawkers, labourers, those who are working in homes, they have done a lot of penance during this time, they have sacrificed a lot. Who would not have realized their absence? Now it is our duty to make them strong, to take some big steps for their financial requirements. Keeping this in mind, be it poor, labourers, migrant labourers, cattle rearers, be our fishermen, organized sector or unorganized sector, some important decisions will be announced in the economic package for every section.

Friends, the Corona crisis has also explained to us the importance of Local manufacturing, Local market and Local supply chain. In times of crisis, this Local has fulfilled our demand, this Local has saved us. Local is not just the need, it is our responsibility also. Time has taught us that we must make the Local as a mantra of our life. The Global Brands you feel today were sometimes also very local like this. But when people started using them, started promoting them, branding them, proud of them, they became Global from Local Products. Therefore, from today every Indian has to become vocal for their local, not only to buy local products, but also to promote them proudly. I am confident that our country can do this. Your efforts have increased my reverence for you every time. I recollect one thing with pride. When I requested you and the nation to buyKhadi and said it will be a great support to our handloom workers. Today, the demand and sales of both Khadi and handloom have reached record levels in a very short time. Not only that, you also made it a big brand. It was a very small effort, but the result was very good.

Friends, experts and scientists have pointed out that Corona will remain a part of our lives for a long time. But at the same time, we cannot allow this to happen that our lives will be confined only around the corona. We would wear masks, follow two yards distance and pursue our goals. Therefore, the fourth phase of lockdown, lockdown 4, will be completely redesigned, with new rules. Based on the suggestions we are getting from the states, information related to Lockdown 4 will also be given to you before 18 May. I am confident that by following the rules, we will fight Corona and move forward.

Friends, In our culture, it is said **' ' i.e.** what is in our control, is happiness. Self-reliance leads to happiness, satisfaction and empowerment. Our responsibility to make the 21st century, the century of India, will be fulfilled by the pledge of self-reliant India. This responsibility will only get energy from the life force of 130 crore citizens. This era of self-reliant India will be a new vow for every Indian as well as a new festival. Now we have to move forward with a new resolve and determination. When ethics are filled with duty, the culmination of diligence, the capital of skills, then who can stop India from becoming self-reliant? We can make India a self-reliant nation. We will make India self-reliant. With this resolve, with this belief, I wish you the very best.

VRRK/KP

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Read this release in: Marathi , Hindi , Bengali , Punjabi

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PM GIVES A CLARION CALL FOR ATMANIRBHAR BHARAT

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

Prime Minister's Office

PM gives a clarion call for Atmanirbhar Bharat

PM announces special economic package; comprehensive package of Rs 20 lakh crore

Total package equivalent to 10% of India's GDP

PM gives a call for self-reliant India; lays down five pillars of Atmanirbhar Bharat

Bold reforms across sectors will drive the country's push towards self-reliance: PM

It is time to become vocal for our local products and make them global: PM

Posted On: 12 MAY 2020 8:45PM by PIB Delhi

Prime Minister Shri Narendra Modi addressed the nation today. Recalling those who have died battling the pandemic, Prime Minister said that the crisis that has emerged due to COVID-19 is unprecedented, but in this battle, we not only need to protect ourselves but also have to keep moving forward.

Self-reliant India

Talking about the pre and post COVID worlds, Prime Minister observed that in order to fulfill the dream of making the 21st century India's, the way forward is through ensuring that the country becomes self-reliant. Talking about turning a crisis into an opportunity, he gave the example of PPE kits N-95 masks, whose production in India has gone up from almost being negligible to 2 lakh each, on a daily basis.

Prime Minister remarked that the definition of self-reliance has undergone a change in the globalized world and clarified that when the country talks about self-reliance, it is different from being self-centered. He said that India's culture considers the world as one family, and progress in India is part of, and also contributes to, progress in the whole world. He noted that the world trusts that India has a lot to contribute towards the development of the entire humanity.

Five pillars of a self-reliant India

Recalling the devastation in Kutch after the earthquake, Prime Minister said that through determination and resolve, the area was back on its feet. A similar determination is needed to make the country self-reliant.

He said that a self-reliant India will stand on five pillars viz. Economy, which brings in quantum jump and not incremental change; Infrastructure, which should become the identity of India; System, based on 21st century technology driven arrangements; Vibrant Demography, which is our source of energy for a self-reliant India; and Demand, whereby the strength of our demand and supply chain should be utilized to full capacity. He underlined the importance of strengthening all stakeholders in the supply chain to increase, as well as fulfill, the demand.

Atmanirbhar Bharat Abhiyaan

Prime Minister announced a special economic package and gave a clarion call for *Atmanirbhar Bharat*. He noted that this package, taken together with earlier announcements by the government during COVID crisis and decisions taken by RBI, is to the tune of Rs 20 lakh crore, which is equivalent to almost 10% of India's GDP. He said that the package will provide a much needed boost towards achieving 'Atmanirbhar Bharat'.

Prime Minister observed that the package will also focus on land, labour, liquidity and laws. It will cater to various sections including cottage industry, MSMEs, labourers, middle class, industries, among others. He informed that the details of the contours of the package will be provided by the Finance Minister from tomorrow, in the coming few days.

Talking about the positive impact of reforms like JAM trinity and others, brought about in the last six years, Prime Minister said that several bold reforms are needed to make the country self-reliant, so that the impact of crisis such as COVID, can be negated in future. These reforms include supply chain reforms for agriculture, rational tax system, simple and clear laws, capable human resource and a strong financial system. These reforms will promote business, attract investment, and further strengthen Make in India.

Prime Minister remarked that self-reliance will prepare the country for tough competition in the global supply chain, and it is important that the country wins this competition. The same has been kept in mind while preparing the package. It will not only increase efficiency in various sectors but also ensure quality.

Highlighting their contribution to the country, Prime Minister said that the package will also focus on empowering the poor, labourers, migrants, etc., both from organized and unorganized sectors.

He observed that the crisis has taught us the importance of local manufacturing, local market and local supply chains. All our demands during the crisis were met 'locally'. Now, its time to be vocal about the local products and help these local products become global, he said.

Living with COVID

Prime Minister noted that several experts and scientists have said that the virus is going to be part of our lives for a long time. But, it is also important to ensure that our life does-not revolve only around it. He exhorted people to work towards their targets while taking precautions like wearing masks and maintaining 'do gaz doori'.

On the fourth stage of Lockdown, he said that its contours will be completely different from those seen yet. On the basis of recommendations received from states, new rules will be framed, and information about the same will be conveyed before 18th May.

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VRRK/KP

Read this release in: Marathi , Hindi , Assamese , Manipuri , Bengali , Punjabi , Odia , Telugu , Kannada

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Source : www.thehindu.com Date : 2020-05-14

PROVIDE INCOME SUPPORT, RESTORE JOBS

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

Following the adage, “never waste a crisis”, the government of Uttar Pradesh, last week, introduced an ordinance that has scrapped most labour laws for three years — ostensibly for creating jobs and for attracting factories exiting China following the outbreak of the novel coronavirus. These laws deal with the occupational safety, health and working conditions of workers, regulation of hours of work, wages and settlement of industrial disputes. They apply mostly to the economy’s organised (formal) sector, that is, registered factories and companies, and large establishments in general. Madhya Pradesh and Gujarat have quickly followed suit. Reportedly, Punjab has already allowed 12-hour shifts per day (72 hours per week) in factories without overtime payment to overcome worker shortage after the migrants have left in the wake of the national lockdown.

The economic fallout of COVID-19

Snatching away labour rights in the midst of a global pandemic and national lockdown is distressing and shocking. Over the course of the last seven weeks, we have witnessed unheard of human distress as lakhs of migrant workers continue to desperately trudge to their villages after losing their jobs, livelihoods, and toeholds in cities. Despite overflowing food grain stocks, governments have been miserly in providing adequate food security. Income support to workers to retain them in their places of work has also been lacking. Significantly, migrant labour will be critical to restore production once the lockdown is lifted. In fact, factories and shops are already staring at worker shortages. Instead of encouraging workers to stay back or return to cities by ensuring livelihood support and safety nets, State governments have sought to strip workers of their fundamental rights.

Employers’ associations have urged the central government to do away with most labour rights to address temporary labour shortages. Trade union leaders from the Bharatiya Mazdoor Sangh to the Centre of Indian Trade Unions, and Opposition leaders in Uttar Pradesh have condemned the ordinance. It will face a challenge in courts, legal experts say.

The abrogation of labour laws raises many constitutional and political questions. But will it expand employment and output growth, as claimed by its proponents? Such a step, by popular belief, will reduce wage costs, increase profits and augment productive investment and growth. Improved supply is expected to create demand (following Say’s Law in economics). Such (simplistic) reasoning assumes that labour laws are the binding constraints on expanding output.

Coronavirus lockdown | Suspend labour laws for 2-3 years, employers’ associations urge government

Surely, the lockdown has disrupted supply, but only temporarily. There are no inherent shortages at the moment as the inflation rate remains moderate. Agricultural produce is rotting in farms for lack of transport. Industrial production is held up as migrant workers have fled for their lives.

Before the lockdown, annual GDP growth rate had plummeted to 4.7% during October-December quarter of 2019-20, from 8.3% in the full year of 2016-17. The slowdown is due to lack of demand, not of supply, as widely suggested. With massive job and income losses after the lockdown, aggregate demand has totally slumped, with practically no growth. Therefore, the way to restart the economy is to provide income support and restore jobs. This will not only address the humanitarian crisis but also help revive consumer demand by augmenting incomes. Scrapping labour laws to save on labour costs will do just the opposite: it will reduce wages, lower earnings (particularly of low wage workers) and reduce consumer demand. Further, it will lead to an increase of low paid work that offers no security of tenure or income stability.

Also read | Parliamentary panel questions dilution of labour laws

The rationale for scrapping labour laws to attract investment and boost manufacturing growth poses two additional questions. One, if the laws were in fact so strongly pro-worker, they would have raised wages and reduced business profitability. But the real wage growth (net of inflation) of directly employed workers in the factory sector has been flat (2000-01 to 2015-16) as firms have increasingly resorted to casualisation and informalisation of the workforce to suppress workers' bargaining power, evidence suggests.

Two, is it right to blame the disappointing industrial performance mainly on labour market regulations? Industrial performance is not just a function of the labour laws but of the size of the market, fixed investment growth, credit availability, infrastructure, and government policies. In fact there is little evidence to suggest that amendment of key labour laws by Rajasthan and Madhya Pradesh in 2014 took them any closer to their goal of creating more jobs or industrial growth. The role of labour market regulations may be more modest than the strong views expressed against them in the popular debates.

Surely, India's complex web of labour laws, with around 47 central laws and 200 State laws, need rationalisation. However, now more than ever before, reforms need to maintain a delicate balance between the need for firms to adapt to ever-changing market conditions and workers' employment security. Depriving workers of fundamental rights such as freedom of association and the right to collective bargaining, and a set of primary working conditions (such as adequate living wages, limits on hours of work and safe and healthy workplaces), will create a fertile ground for the exploitation of the working class.

Also read | Parties protest against labour law dilution

Presently, over 90% of India's workforce is in informal jobs, with no regulations for decent conditions of work, no provision for social security and no protection against any contingencies and arbitrary actions of employers. Abrogation of labour laws, as proposed by the Uttar Pradesh government, will free more employers from the obligations they currently hold for ensuring the job security, health, and social protection of their workers. It will increase informal employment in the formal sector instead of encouraging the growth of formal work.

Data | 96% migrant workers did not get rations from the government, 90% did not receive wages during lockdown: survey

As India battles the economic and social consequence of the COVID-19 pandemic, many State governments have seized the opportunity to scrap labour laws on the pretext of encouraging employment. Such a decision makes little economic sense currently, as it will reduce share of wages in output, thereby reducing growth in domestic demand and hurting output expansion. Significantly, exports cannot be an option for now as the global economy is staring at the possibility worse than the Great Depression. Hence, the Uttar Pradesh government's move will only result in a race to the bottom on workers' pay and labour standards, making workers worse off, without creating additional jobs, as it is a lack of demand that is currently holding up output growth. The Uttar Pradesh ordinance needs to be revoked, lock, stock, and barrel.

Radhicka Kapoor and R. Nagaraj work with the Indian Council for Research on International Economic Relations (ICRIER), New Delhi and the Indira Gandhi Institute of Development Research (IGIDR), Mumbai, respectively

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Source : www.thehindu.com Date : 2020-05-14

LIQUIDITY LIFELINE: THE HINDU EDITORIAL ON NIRMALA SITHARAMAN’S MSME PACKAGE

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

From an overall perspective, the first tranche of announcements made by Finance Minister Nirmala Sitharaman under the Atmanirbhar Bharat Abhiyan on Wednesday is impressive indeed. There are, and will be, many issues in the details but taken as a whole, the measures announced will go a long way in lifting the spirits of the two key and troubled sectors of MSMEs and non-banking finance companies. While for the former it is an existential crisis, for the latter it is one of liquidity. The massive 3-lakh crore collateral-free assistance handed out to MSMEs will help them crank up their operations. Ms. Sitharaman has done well in extending a sovereign credit guarantee for the complete amount as banks may otherwise have been reluctant to support troubled borrowers. The government could have specified the interest cap on these loans without leaving it to individual lenders as each of them has its own rate structure. Again, the scheme could have been extended until the end of this financial year instead of until October 31. India is now entering the monsoon season when activity is traditionally dull, so it is not clear how many borrowers will get the benefit. The 20,000 crore partially guaranteed subordinated debt programme and the 50,000 crore fund of funds scheme will help boost the equity portion on MSME finances but again, the finer details need to be clear.

NBFCs, housing finance firms and micro finance entities get a much required liquidity boost in the form of a 30,000 crore scheme wherein their debt paper will be fully guaranteed by the government. With this, and the partial credit guarantee scheme of 45,000 crore, the government has broken the logjam wherein banks were unwilling to extend credit despite the RBI’s strong push. This should largely attenuate the liquidity crisis in the non-banking space for now. The Minister has also done well in addressing the liquidity issues of power distribution companies through a 90,000 crore infusion that will be securitised on their receivables and backed by a State government guarantee. Wednesday’s announcements are focused on the liquidity part of the crisis. While the headline numbers appear big, the reality is that the government will be called upon to bear the liability only if the economic situation becomes hopeless; it may not come to that. What the announcements do is to break the confidence logjam in the credit market and give the assurance to lenders and borrowers that the government is willing to backstop their commitments. This is the signal that MSMEs and their lenders needed as liquidity was always there but only for the most credit worthy of borrowers. Here, the government has played its role to perfection.

verdict, 2019 proved to be an eventful year.

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Source : www.thehindu.com Date : 2020-05-14

A PLAN TO REVIVE A BROKEN ECONOMY

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

The Prime Minister has just announced Lockdown 4.0. Despite some resulting increase in economic activity, vast numbers of working people will remain without their regular incomes. He also announced a package of 20 lakh crore, but this includes already allocated money of 6-lakh crore and monetary policy directives to banks and non-banking financial companies. The announcements by the Finance Minister thus far involve no additional public spending, even though this is urgently required to revive the economy and prevent further contraction. Here we discuss what the government should do immediately in fiscal terms for reviving the economy and supporting livelihoods.

The economic fallout of COVID-19

The immediate need is to provide free food and cash transfers to those rendered incomeless. Providing every household with 7,000 per month for a period of three months and every individual with 10 kg of free foodgrains per month for a period of six months is likely to cost around 3% of our GDP (assuming 20% voluntary dropout). This could be financed immediately through larger borrowing by the Centre from the Reserve Bank of India. The required cash and food have to be handed over to State governments to make the actual transfers, along with outstanding Goods and Services Tax compensation.

This is easily doable for several reasons. First, foodgrains are plentiful, as the Food Corporation of India had 77 million tonnes, and *rabi* procurement could add 40 million tonnes. Second, because of the lockdown restrictions, the multiplier rounds of such expenditure are heavily truncated at present and would not generate as much demand as in normal times. Third, cash transfers in many spheres will only enable current demand to continue (such as payment of house rent to continue occupancy) and not create any fresh demand. Fourth, when greater normalcy finally allows pent-up demand to surface, output could also expand because of resumed economic activity. Finally, putting money in the hands of the poor is the best stimulus to economic revival, as it creates effective demand and in local markets. Hence, an immediate programme of food and cash transfers must command the highest priority.

But the post-lockdown world will be different for several reasons. First, millions of migrant workers have endured immense hardships to trudge back home, and are unlikely to return to towns in the foreseeable future. Employment has to be provided to them where they are, for which the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) must be expanded greatly and revamped with wage arrears paid immediately. The 100-day limit per household has to go; work has to be provided on demand without any limit to all adults. And permissible work must include not just agricultural and construction work, but work in rural enterprises and in care activities too.

The revamped MGNREGS could cover wage bills of rural enterprises started by panchayats, along with those of existing rural enterprises, until they can stand on their own feet. This can be an alternative strategy of development, recalling the successful experience of China’s Township and Village Enterprises (TVEs). Public banks could provide credit to such panchayat-owned enterprises and also assume a nurturing role *vis-à-vis* them.

Also read | Getting cash transfers out of a JAM

The second change is the palpable unsustainability of the earlier globalisation, which means that growth in India in the coming days will have to be sustained by the home market. Since the most important determinant of growth of the home market is agricultural growth, this must be urgently boosted.

The MGNREGS can be used for this, paying wages for land development and farm work for small and medium farmers; apart from government support through remunerative procurement prices, subsidised institutional credit, other input subsidies, and redistribution of unused land with plantations. Agricultural growth in turn can promote rural enterprises, both by creating a demand for their products and by providing inputs for them to process; and both these activities would generate substantial rural employment.

Coronavirus lockdown | Only 30 lakh found MGNREGA work in April

In urban areas, it is absolutely essential to revive the Micro, Small and Medium Enterprises (MSMEs). Simultaneously, the vast numbers of workers who have stayed on in towns have to be provided with employment and income after our proposed cash transfers run out. The best way to overcome both problems would be to introduce an Urban Employment Guarantee Programme, to serve diverse groups of the urban unemployed, including the educated unemployed. Urban local bodies must take charge of this programme, and would need to be revamped for this purpose.

“Permissible” work under this programme should include, for the present, work in the MSMEs. This would ensure labour supply for the MSMEs and also cover their wage bills at the central government’s expense until they re-acquire robustness. It should imaginatively also include care work, including of old, disabled and ailing persons, educational activities, and ensuring public services in slums.

These measures are in direct contrast to those that seek to entice private investors by easing labour laws. The humanitarian crisis of the lockdown reveals the imperative for more, not less labour protection. Such measures, far from reviving investment or employment, would also further reduce domestic demand.

Also read | Parties protest against labour law dilution

The pandemic has underscored the extreme importance of a public health-care system, and the folly of privatisation of essential services. The post-pandemic period must see significant increases in public expenditure on education and health, especially primary and secondary health including for the urban and rural poor.

The “care economy” provides immense scope for increasing employment. Vacancies in public employment, especially in such activities, must be immediately filled. Anganwadi and Accredited Social Health Activists/workers who provide essential services to the population, including during this pandemic, are paid a pittance and treated with extreme unfairness. We must improve their status, treat them as regular government employees and give them proper remuneration and associated benefits, and greatly expand their coverage in settlements of the urban poor.

These could easily come within the total package announced by the Prime Minister, which could be financed by printing money. But in the medium term, public revenues must be increased. This is not because there is a shortage of real resources which, therefore, has to taken from other existing uses through taxation. Rather, since much unutilised capacity exists in the economy, the shortage is not of real resources; the government has to just get command over them.

Data | 96% migrant workers did not get rations from the government, 90% did not receive wages during lockdown: survey

A combination of wealth and inheritance taxation and getting multinational companies to pay the same effective rate as local companies through a system of unitary taxation will garner substantial public revenue. They will also reduce wealth and income inequalities which have become horrendous. A 2% wealth tax on the top 1% of the population, together with a 33% inheritance tax on the wealth they bequeath every year to their progeny, could finance an increase in government expenditure to the tune of 10% of GDP.

It would be argued that this might cause large financial outflows, which the country can ill-afford. Contrarily, even foreign capital is more likely to be attracted to a growing economy than one in sharp decline because of lack of stimulus. Also, a fresh issue of special drawing rights by the International Monetary Fund (which India has surprisingly opposed along with the United States) would provide additional external resources.

Data | An estimated 12.2 crore Indians lost their jobs during the coronavirus lockdown in April: CMIE

These additional resources, we estimate, would suffice to finance the institution of five universal, justiciable, fundamental economic rights: the right to food, the right to employment, the right to free public health care, the right to free public education and the right to a living old-age pension and disability benefits. The broken economy must be rebuilt in ways to ensure a life of dignity to the most disadvantaged citizen.

Prabhat Patnaik is Professor Emeritus, Centre for Economic Studies and Planning, Jawaharlal Nehru University (JNU), New Delhi. Jayati Ghosh is a professor of economics at JNU. Harsh Mander is a human rights worker, writer and teacher

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Source : www.pib.gov.in Date : 2020-05-14

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

Hon'ble Prime Minister Shri Narendra Modi yesterday announced a Special economic and comprehensive package of Rs 20 lakh crores - equivalent to 10% of India's GDP. He gave a clarion call for or Self-Reliant India Movement. He also outlined five pillars of Aatmanirbhar Bharat – Economy, Infrastructure, System, Vibrant Demography and Demand.

During the press conference here today, Union Minister of Finance & Corporate Affairs Smt. Nirmala Sitharaman said in her opening remarks that Prime Minister Shri Narendra Modi had laid out a comprehensive vision in his address to the Nation yesterday. She further said that after spending considerable time, the Prime Minister has himself ensured that inputs obtained from widespread consultation form a part of economic package in fight against COVID-19.

"Essentially, the goal is to build a self-reliant India that is why the Economic Package is called Aatma Nirbhar Bharat Abhiyaan. Citing the pillars on which we seek to build **Aatma Nirbhar Bharat** Abhiyaan, Smt. Sitharaman said our focus would be on land, labour, liquidity and law.

The Finance Minister further said that the Government under the leadership of Prime Minister Shri Narendra Modi has been listening and is a responsive Government, hence it is fitting to recall some reforms which have been undertaken since 2014.

"Soon after Budget 2020 came COVID-19 and within hours of the announcement of Lockdown 1.0, Pradhan Mantri Garib Kalyan Yojna (PMGKY) was announced," Smt. Sitharaman said. She further said that we are going to build on this package.

"Beginning today, for the next few days, I shall be coming here with the entire team of the Ministry of Finance to detail the Prime Minister's vision for Aatma Nirbhar Bharat laid out by the Prime Minister yesterday," Smt Sitharaman said.

Smt. Nirmala Sitharaman today announced measures focused on **Getting back to work** i.e., enabling employees and employers, businesses, especially Micro Small and Medium Enterprises, to get back to production and workers back to gainful employment. Efforts to strengthen Non-Banking Finance Institutions (NBFCs), Housing Finance Companies (HFCs), Micro Finance Sector and Power Sector were also unfolded. Other than this, the tax relief to business, relief from contractual commitments to contractors in public procurement and compliance relief to real estate sector were also covered.

Over the last five years, the Government has actively taken various measures for the industry and MSME. For the Real Estate sector, the Real Estate (Regulation and Development) Act [RERA] was enacted in 2016 to bring in more transparency into the industry. A special fund for affordable and middle income housing was set up last year to help with the stress in this segment. To help MSMEs with the issue of delayed payment by any Government department or PSUs, Samadhaan Portal was launched in 2017. A Fund of Funds for startups was set up under SIDBI to boost entrepreneurship in the country and various other credit guarantee schemes to help flow of credit to the MSMEs.

Following measures were announced today:-

To provide relief to the business, additional working capital finance of 20% of the outstanding credit as on 29 February 2020, in the form of a Term Loan at a concessional rate of interest will be provided. This will be available to units with upto Rs 25 crore outstanding and turnover of up to Rs 100 crore whose accounts are standard. The units will not have to provide any guarantee or collateral of their own. The amount will be 100% guaranteed by the Government of India providing a total liquidity of Rs. 3.0 lakh crores to more than 45 lakh MSMEs.

Provision made for Rs. 20,000 cr subordinate debt for two lakh MSMEs which are NPA or are stressed. Government will support them with Rs. 4,000 Cr. to Credit Guarantee Trust for Micro and Small enterprises (CGTMSE). Banks are expected to provide the subordinate-debt to promoters of such MSMEs equal to 15% of his existing stake in the unit subject to a maximum of Rs 75 lakhs.

Govt will set up a Fund of Funds with a corpus of Rs 10,000 crore that will provide equity funding support for MSMEs. The Fund of Funds shall be operated through a Mother and a few Daughter funds. It is expected that with leverage of 1:4 at the level of daughter funds, the Fund of Funds will be able to mobilise equity of about Rs 50,000 crores.

Definition of MSME will be revised by raising the Investment limit. An additional criteria of turnover also being introduced. The distinction between manufacturing and service sector will also be eliminated.

e-market linkage for MSMEs will be promoted to act as a replacement for trade fairs and exhibitions. MSME receivables from Government and CPSEs will be released in 45 days

General Financial Rules (GFR) of the Government will be amended to disallow global tender enquiries in procurement of Goods and Services of value of less than Rs 200 crores

The scheme introduced as part of PMGKP under which Government of India contributes 12% of salary each on behalf of both employer and employee to EPF will be extended by another 3 months for salary months of June, July and August 2020. Total benefits accrued is about Rs 2500 crores to 72.22 lakh employees.

Statutory PF contribution of both employer and employee reduced to 10% each from existing 12% each for all establishments covered by EPFO for next 3 months. This will provide liquidity of about Rs.2250 Crore per month.

Government will launch Rs 30,000 crore Special Liquidity Scheme, liquidity being provided by RBI. Investment will be made in primary and secondary market transactions in investment grade debt paper of NBFCs, HFCs and MFIs. This will be 100 percent guaranteed by the Government of India.

Existing Partial Credit Guarantee scheme is being revamped and now will be extended to cover the borrowings of lower rated NBFCs, HFCs and other Micro Finance Institutions (MFIs). Government of India will provide 20 percent first loss sovereign guarantee to Public Sector Banks.

Power Finance Corporation and Rural Electrification Corporation will infuse liquidity in the DISCOMS to the extent of Rs 90000 crores in two equal instalments. This amount will be used by DISCOMS to pay their dues to Transmission and Generation companies. Further, CPSE GENCOs will give a rebate to DISCOMS on the condition that the same is passed on to the final consumers as a relief towards their fixed charges.

All central agencies like Railways, Ministry of Road Transport and Highways and CPWD will give extension of up to 6 months for completion of contractual obligations, including in respect of EPC and concession agreements

State Governments are being advised to invoke the Force Majeure clause under RERA. The registration and completion date for all registered projects will be extended up to 6 months and may be further extended by another 3 months based on the State's situation. Various statutory compliances under RERA will also be extended concurrently.

The pending income tax refunds to charitable trusts and non-corporate businesses and professions including proprietorship, partnership and LLPs and cooperatives shall be issued immediately.

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RM/KMN

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RM/KMN

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Source : www.livemint.com Date : 2020-05-14

ECONOMIC STIMULUS: 90,000 CRORE LIQUIDITY INJECTION FOR FUND-STARVED DISCOMS

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

NEW DELHI: As part of its strategy to bring India's battered economy back on track, India will provide 90,000 crore liquidity injection for the fund-starved electricity distribution companies (discoms).

This was announced by finance minister Nirmala Sitharaman as one of the 15 measures in the first tranche to combat the economic disruption from the coronavirus lockdown, that has worsened the already precarious finances of power discoms.

"Discoms today are facing unprecedented cash flow problems," Sitharaman said.

This 90,000 crore will help in clearing the outstanding dues of discoms by state owned financial institutions. Mint reported about the proposed power sector package earlier.

The liquidity injection for the discoms will work like this. State-owned Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) will infuse the liquidity by raising an amount of about 90,000 crore from the market against the receivables of discoms. The state governments will provide a guarantee.

"We want the benefit passed to the customers…we are making it clear that these benefits should pass to the end consumers," she said.

This one-time time liquidity infusion will be used to pay the central public sector power generation companies, transmission companies, independent power producers and renewable energy generators.

State-owned PFC and REC have $80 billion by assets and are the largest lenders to the power sector. The idea is to clear the payment backlog with the concessional loans guaranteed by the respective state governments.

Energy consumption, especially electricity and refinery products, is usually linked to overall demand in the economy.

With at least 10 states losing about a third of the power supplied to their consumers in distribution losses, their overdues have not only hit power producers, but have also contributed to stress in the banking sector.

These loans would be disbursed in two tranches and will be linked to certain reforms such as increasing digital payment interfaces; prepaid metering in government departments and making action plans for loss reduction among others.

Sitharman spoke about the JAM trinity solution—Jan Dhan Yojana, Aadhaar and mobile numbers—as a game-changing reform for better targeting of subsidies.

The National Democratic Alliance (NDA) government has readied a raft of power sector reforms, including implementing the direct benefit transfer (DBT) scheme in the electricity sector for better targeting of subsidies, promoting retail competition and introducing financial discipline.

According to the draft Electricity Act (Amendment) Bill 2020 to the Electricity Act, 2003, the government has pitched for a cost reflective tariff and setting up an Electricity Contract Enforcement Authority to enforce power purchase agreements (PPAs).

The other measures in the works include allowing a one time relaxation in working capital borrowing limits imposed under Ujwal DISCOM Assurance Yojana (UDAY), targeted at turning around debt-ridden state power distribution companies. The discoms will be allowed working capital borrowings from banks and financial Institutions that may be upto 25% of the last year's revenues to clear their dues to conventional and renewable power generation and transmission firms.

The electricity demand load shifted to homes during the lockdown, resulting in lower realizations. With peak electricity demand coming down, commercial and industrial power demand has taken a hit after many factories shut down.

Domestic electricity connections account for around a quarter of India's power demand and contribute towards a bulk of India's average aggregate technical and commercial (AT&C) losses of 21.4%. Also, the gap between the cost of electricity bought (average cost of supply) and supplied (average revenue realized) for discoms is still substantial in most states and ranges from Rs2.13 per unit in Andhra Pradesh to Rs0.09 in Chhattisgarh.

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Source : www.economictimes.indiatimes.com Date : 2020-05-14

ATMANIRBHAR BHARAT DETAILS: AT 10% OF GDP, MODI'S ATMA-NIRBHAR BHARAT ABHIYAN RANKS AMONG BIGGEST IN WORLD

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

NEW DELHI: PM Narendra Modi's pledge of a total spending of Rs 20 lakh crore to weather the fallout of coronavirus pandemic is among the largest economic stimulus package announced by nations around the world.Modi's Atma-nirbhar Bharat Abhiyan or Self-reliant India Mission is about 10 per cent of India's GDP in 2019-20 and would rank behind Japan, the US, Sweden, Australia and Germany.

But unlike the most relief packages announced globally, Rs 20 lakh crore is not entirely in new spending and includes Rs 1.7 lakh crore package the government had announced in March as well as the steps taken by the Reserve Bank of India (RBI) such as liquidity enhancing measures and interest rate cuts.

With global lockdowns imposed to check spread of COVID-19 causing economic turmoil that is touted to be worst since the 1930s, nations around the world have announced what came to be known as 'coronavirus stimulus packages'.

The US has committed to the largest rescue package by any country in pure dollar terms of USD 2.7 trillion but as percentage of GDP it trails behind Japan, according to data compiled by economist Ceyhun Elgin in the COVID-19 Economic Stimulus Index (CESI).

Japan has announced a package equivalent to 21.1 per cent of its GDP. It has outlined USD 1.1 trillion recovery package and plans for further spending.

The US measures work out at an estimated 13 per cent of GDP.

It is followed by Sweden with a stimulus equal to 12 per cent of its GDP and Australia (10.8 per cent). Germany has announced a spending of around USD 815 billion, equal to 10.7 per cent of its GDP.

Italy, which endured devastating coronavirus outbreak, has announced an Euro 750 billion (around USD 815 billion) package.

India's Rs 20 lakh crore package equals to USD 265 billion, all of which is not government spending as in case of the US where entire USD 2.7 trillion is the money that the Trump administration will spend and does not include what the Federal Reserve (US central bank) might have done.

In March, India committed Rs 1.7 lakh crore (USD 22.6 billion) in COVID-19 related relief measures that included free foodgrains to poor and some cash to poor senior citizens and women. This was followed by Rs 3.7 lakh crore of liquidity support by the RBI in March and another Rs 2 lakh crore in April.

The RBI had last month said its measures provided support equivalent to 3.5 per cent of the GDP.

The Rs 20 lakh crore package Modi talked on Tuesday evening includes these measures.

The United Kingdom with a 100 billion pound package of immediate fiscal spending (and 330 billion pound of deferred payments like tax breaks and loan guarantees).

In Europe, Spain and Italy have endured devastating coronavirus outbreaks, the size of stimulus packages are estimated to be 7.3 per cent and 5.7 per cent of GDP, respectively. France announced a package equal to 9.3 per cent of its GDP.

Smaller countries like Luxembourg and Belgium have spent a fifth of their GDP on COVID-19 related stimulus measures, at 20.7 per cent and 19.2 per cent, respectively.

Modi did not give details of the package saying Finance Minister Nirmala Sitharaman will over the next few days give details.

India's stimulus value in dollar terms is higher than the GDP of 149 countries such as Vietnam, Portugal, Greece, New Zealand and Romania. It almost equals Pakistan's annual GDP of USD 284 billion.

Also, the stimulus is 1.8 times bigger than USD 147 billion in fortune of the 10 top wealthiest Indians. The amount is five times the personal wealth of richest Indian Mukesh Ambani.

NEW DELHI: PM Narendra Modi's pledge of a total spending of Rs 20 lakh crore to weather the fallout of coronavirus pandemic is among the largest economic stimulus package announced by nations around the world.Modi's Atma-nirbhar Bharat Abhiyan or Self-reliant India Mission is about 10 per cent of India's GDP in 2019-20 and would rank behind Japan, the US, Sweden, Australia and Germany.

But unlike the most relief packages announced globally, Rs 20 lakh crore is not entirely in new spending and includes Rs 1.7 lakh crore package the government had announced in March as well as the steps taken by the Reserve Bank of India (RBI) such as liquidity enhancing measures and interest rate cuts.

With global lockdowns imposed to check spread of COVID-19 causing economic turmoil that is touted to be worst since the 1930s, nations around the world have announced what came to be known as 'coronavirus stimulus packages'.

The US has committed to the largest rescue package by any country in pure dollar terms of USD 2.7 trillion but as percentage of GDP it trails behind Japan, according to data compiled by economist Ceyhun Elgin in the COVID-19 Economic Stimulus Index (CESI).

Japan has announced a package equivalent to 21.1 per cent of its GDP. It has outlined USD 1.1 trillion recovery package and plans for further spending.

The US measures work out at an estimated 13 per cent of GDP.

It is followed by Sweden with a stimulus equal to 12 per cent of its GDP and Australia (10.8 per cent). Germany has announced a spending of around USD 815 billion, equal to 10.7 per cent of its GDP.

Italy, which endured devastating coronavirus outbreak, has announced an Euro 750 billion (around USD 815 billion) package.

India's Rs 20 lakh crore package equals to USD 265 billion, all of which is not government spending as in case of the US where entire USD 2.7 trillion is the money that the Trump administration will spend and does not include what the Federal Reserve (US central bank) might have done.

In March, India committed Rs 1.7 lakh crore (USD 22.6 billion) in COVID-19 related relief measures that included free foodgrains to poor and some cash to poor senior citizens and women. This was followed by Rs 3.7 lakh crore of liquidity support by the RBI in March and another Rs 2 lakh crore in April.

The RBI had last month said its measures provided support equivalent to 3.5 per cent of the GDP.

The Rs 20 lakh crore package Modi talked on Tuesday evening includes these measures.

The United Kingdom with a 100 billion pound package of immediate fiscal spending (and 330 billion pound of deferred payments like tax breaks and loan guarantees).

In Europe, Spain and Italy have endured devastating coronavirus outbreaks, the size of stimulus packages are estimated to be 7.3 per cent and 5.7 per cent of GDP, respectively. France announced a package equal to 9.3 per cent of its GDP.

Smaller countries like Luxembourg and Belgium have spent a fifth of their GDP on COVID-19 related stimulus measures, at 20.7 per cent and 19.2 per cent, respectively.

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END

Source : www.livemint.com Date : 2020-05-15

MIGRANTS TO GET CHEAP HOUSING, UNIVERSAL RATION

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

The Centre made the use of ration cards portable, allowing migrants to use them at any fair price shop in the country

Finance minister Nirmala Sitharaman on Thursday offered free foodgrains and affordable housing to migrant workers who have been stranded in cities without jobs or money to sustain themselves during the lockdown.

The measures, part of the 20 trillion package to revive the Indian economy, include providing free rice, wheat and gram or chickpea for the next two months; allowing nationwide usage of public distribution system (PDS) ration cards, and an affordable rental housing scheme under the Pradhan Mantri Awas Yojana.

The government has faced criticism for overlooking the plight of migrants who have been worst hit by the lockdown. Thousands of migrants have tried to flee cities on foot, trying to make way to their villages, hundreds of miles away.

On Thursday, the government addressed some of their problems. It made the use of ration cards portable, allowing migrants to use them at any fair price shop in the country. About 630 million beneficiaries in 23 states will be covered under the scheme by August while full portability will be achieved by March next year.

“Those who are not card holders, that is, who are not covered under the National Food Security Act or are holders of any state government card, they shall be given 5kg per person of wheat or rice and 1kg of chana (chickpea) per family," Sitharaman said in her second press conference to unveil details of the stimulus package.

This is expected to benefit 80 million migrant workers and will cost the Centre 3,500 crore. The measure aims to ensure affordable food is available to people who migrate to cities for work but can’t access fair-price shops as they do not have public distribution system cards in places where they work. The government had already announced additional allocation of rice and wheat under PDS.

Also a 5,000 crore special credit facility for street vendors will be implemented . The government will also convert state-funded housing into affordable rental housing complexes under a public-private partnership. This may encourage poor migrants to stay in the cities.

The covid-19 pandemic has hit India’s poor the hardest as locked factories and other workplaces rendered them jobless and penniless.

Sitharaman said 146.2 million person-days of work has been generated till 13 May under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) for returning migrants and a drive is being undertaken to enrol them.

According to the government, the actual expenditure has been around 10,000 crore and work has been offered to 23.3 million wage seekers in 187,000 gram panchayats. Also, plans are on to continue MNREGS works in plantations, horticulture and livestock farming during monsoon .

END

Source : www.thehindu.com Date : 2020-05-15

STOP THE RETURN TO LAISSEZ-FAIRE

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

Through the public health crisis created by the COVID-19 pandemic, we are witness to another massive tragedy — of workers being abandoned by their employers and, above all, by the state. The workers' right to go home was curbed using the Disaster Management Act, 2005. No provisions were made for their food, shelter, or medical relief. Wage payments were not ensured, and the state's cash and food relief did not cover most workers.

Full coverage | Lockdown displaces lakhs of migrants

Staring at starvation, lakhs of workers started walking back home. Many died on the way. More than a month later, the Centre issued cryptic orders permitting their return to their home States. Immediately employer organisations lobbied to prevent the workers from leaving. Governments responded by delaying travel facilities for the workers to ensure uninterrupted supply of labour for employers.

Employers now want labour laws to be relaxed. The Uttar Pradesh government has issued an ordinance keeping in abeyance almost all labour statutes including laws on maternity benefits and gratuity; the Factories Act, 1948; the Minimum Wages Act, 1948; the Industrial Establishments (Standing Orders) Act, 1946; and the Trade Unions Act, 1926. Several States have exempted industries from complying with various provisions of laws. The Confederation of Indian Industry has suggested 12-hour work shifts and that governments issue directions to make workers join duty failing which the workers would face penal actions.

Thus, after an organised abandonment of the unorganised workforce, the employers want the state to reintroduce laissez-faire and a system of indenture for the organised workforce too. This will take away the protection conferred on organised labour by Parliament.

The move is reminiscent of the barbaric system of indentured labour introduced through the Bengal Regulations VII, 1819 for the British planters in Assam tea estates. Workers had to work under a five-year contract and desertion was made punishable. Later, the Transport of Native Labourers' Act, 1863 was passed in Bengal which strengthened control of the employers and even enabled them to detain labourers in the district of employment and imprison them for six months. Bengal Act VI of 1865 was later passed to deploy Special Emigration Police to prevent labourers from leaving, and return them to the plantation after detention. What we are witnessing today bears a horrifying resemblance to what happened over 150 years ago in British India.

Also read | The face of exploitation

Factory workers too faced severe exploitation and were made to work 16-hour days for a pittance. Their protests led to the Factories Act of 1911 which introduced 12-hour work shifts. Yet, the low wages, arbitrary wage cuts and other harsh conditions forced workers into 'debt slavery'.

The labour laws in India have emerged out of workers' struggles, which were very much part of the freedom movement against oppressive colonial industrialists. Since the 1920s there were a series of strikes and agitations for better working conditions. Several trade unionists were arrested under the Defence of India Rules.

The workers' demands were supported by our political leaders. Britain was forced to appoint the

Royal Commission on Labour, which gave a report in 1935. The Government of India Act, 1935 enabled greater representation of Indians in law-making. This resulted in reforms, which are forerunners to the present labour enactments. The indentured plantation labour saw relief in the form of the Plantations Labour Act, 1951.

By a democratic legislative process, Parliament stepped in to protect labour. The Factories Act lays down eight-hour work shifts, with overtime wages, weekly offs, leave with wages and measures for health, hygiene and safety. The Industrial Disputes Act provides for workers participation to resolve wage and other disputes through negotiations so that strikes/lockouts, unjust retrenchments and dismissals are avoided. The Minimum Wages Act ensures wages below which it is not possible to subsist. These enactments further the Directive Principles of State Policy and protect the right to life and the right against exploitation under Articles 21 and 23. Trade unions have played critical roles in transforming the life of a worker from that of servitude to one of dignity. In the scheme of socio-economic justice the labour unions cannot be dispensed with.

The Hindu Explains | How can inter-State workers be protected?

The Supreme Court, in *Glaxo Laboratories v. The Presiding Officer, Labour* (1983), said this about the Industrial Employment (Standing Orders) Act, 1946: “In the days of laissez-faire when industrial relations was governed by the harsh weighted law of hire and fire, the management was the supreme master, the relationship being referable to a contract between unequals... The developing notions of social justice and the expanding horizon of socio-economic justice necessitated statutory protection to the unequal partner in the industry namely, those who invest blood and flesh against those who bring in capital... The movement was from status to contract, the contract being not left to be negotiated by two unequal persons but statutorily imposed.”

Any move to undo these laws will push the workers a century backwards. Considering the underlying constitutional goals of these laws, Parliament did not delegate to the executive any blanket powers of exemption. Section 5 of the Factories Act empowers the State governments to exempt only in case of a “public emergency”, which is explained as a “grave emergency whereby the security of India or any part of the territory thereof is threatened, whether by war or external aggression or internal disturbance”. There is no such threat to the security of India now. Hours of work or holidays cannot be exempted even for public institutions. Section 36B of the Industrial Disputes Act enables exemption for a government industry only if provisions exist for investigations and settlements.

Also read | Are India’s labour laws too restrictive?

The orders of the State governments therefore lack statutory support. Labour is a concurrent subject in the Constitution and most pieces of labour legislation are Central enactments. The U.P. government has said that labour laws will not apply for the next three years. Even laws to protect basic human rights covering migrant workers, minimum wages, maternity benefits, gratuity, etc. have been suspended. How can a State government, in one fell swoop, nullify Central enactments? The Constitution does not envisage approval by the President of a State Ordinance which makes a whole slew of laws enacted by Parliament inoperable in the absence of corresponding legislations on the same subject.

Almost all labour contracts are now governed by statutes, settlements or adjudicated awards arrived through democratic processes in which labour has been accorded at least procedural equality. Such procedures ensure progress of a nation.

In *Life Insurance Corporation v. D. J. Bahadur & Ors* (1980), the Supreme Court highlighted that any changes in the conditions of service can be only through a democratic process of negotiations or legislation. Rejecting the Central government's attempt to unilaterally deny bonus, the Court said, "fundamental errors can be avoided only by remembering fundamental values", as otherwise there would be a "lawless hiatus".

Also read | RSS affiliate BMS to protest against labour laws suspension in U.P., M.P., Gujarat

The orders and ordinances issued by the State governments are undemocratic and unconstitutional. The existing conditions of labour will have to be continued. Let us not forget that global corporations had their origins in instruments of colonialism and their legacy was inherited by Indian capital post-Independence. The resurgence of such a colonial mindset is a danger to the society and the well-being of millions and puts at risk the health and safety of not only the workforce but their families too.

In the unequal bargaining power between capital and labour, regulatory laws provide a countervailing balance and ensure the dignity of labour. Governments have a constitutional duty to ensure just, humane conditions of work and maternity benefits. The health and strength of the workers cannot be abused by force of economic necessity. Labour laws are thus civilisational goals and cannot be trumped on the excuse of a pandemic.

R. Vaigai and Anna Mathew are advocates practising at the Madras High Court

END

Source : www.livemint.com Date : 2020-05-15

20 TRLN PACKAGE: FREE FOOD GRAINS TO 80 MLN MIGRANT WORKERS FOR TWO MONTHS

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

NEW DELHI: Finance minister Nirmala Sitharaman on Thursday said about 80 million migrant workers, not covered under central or state food distribution systems, will be given free rice, wheat and gram or chickpea for the next two months. The measure will cost the central government 3,500 crores.

Sitharaman said the idea is to ensure food supply to people who are not covered under the national food security law or under any state government schemes. The measure addresses one of the biggest gaps in ensuring food supplies as a lot of people who migrate to cities for work do not have public distribution system cards in places where they work

The government had already announced additional allocation of rice and wheat under PDS. "The addition was free, and continues in tact,"

“Those who are not card holders, that is, who are not covered under the National Food Security Act or are holders of any state government card, they shall be given five kilograms per person of wheat or rice and one kg of chana (chickpea) per family. We are engaging with states who know about these people," the minister said. Sitharaman said these workers may be either at camps run by state governments or by NGOs.

Based on rough assessments given by states, there are roughly 8 crore migrants who will get the benefit, she said, adding the Centre will bear the cost of 3,500 crore that will be spent on this in next two months.

The Centre has been facing flak on the issue of migrants many of who are walking back to their homes without food or water. "There are a lot of legitimate concerns about migrant workers," Sitharaman said.

Migrants form the bulwark of India’s informal or gig economy. More than 90% of India’s workforce is estimated to be in the informal sector. According to the 2017-18 Economic Survey, 87% of firms, representing 21% of the total turnover, are purely informal, outside both the tax and social security nets.

Sitharaman had on Wednesday sought to tackle problems faced by micro, small and medium enterprises (MSMEs), which have been battered by loss of business, flight of workers and a severe liquidity crunch.

The other measures announced included a 90,000 crore liquidity injection into fund-starved electricity distribution companies, a temporary tariff reduction and concessional finance. In addition, measures were also announced to provide more liquidity in the hands of people and businesses.

India plans to further open up its economy in the fourth phase of the national lockdown starting 18 May. Economic activities have now been allowed with proper precautions in areas that are covid-free to revive a battered economy which is likely to contract for the first time in four decades.

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END

Source : www.livemint.com Date : 2020-05-15

'ONE NATION, ONE RATION CARD' SCHEME BY MARCH 2021, SAYS NIRMALA SITHARAMAN

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

The Central government announced 'one nation, one ration card' scheme to allow national portability of ration cards for the people, who can now avail the benefits under the PDS system wherever they are in the country.

While announcing measures for migrant workers, Finance Minister Nirmala Sitharaman today said that 100 per cent of ration cardholders will be covered in 'one nation, one ration card' scheme by March 2021. This was the second day when Nirmala Sitharaman addressed the media on 20 lakh crore Covid-19 relief package announced by PM Narendra Modi while addressing the nation on 12 May.

"In order to benefit migrants. the govt is coming up with one nation, one ration card scheme, which can be used in ration shop in any part of the country. This will be implemented by August for 67 crore beneficiaries in 23 states. 67 crore is 83% of the entire PDS system," Nirmala Sitharaman said.

Sitharaman further added that the entire nation will be covered under' one one one ration scheme' by March 2021.

This initiative is a technology-driven system. as announced as one of the pillars of Atma-nirbhar Bharat Abhiyan or Self-reliant India Mission by Prime Minister Narendra Modi.

Under the 'one nation, one ration card' initiative, eligible beneficiaries would be able to avail their entitled food grains under the National Food Security Act (NFSA) from any fair-price shop in the country. The scheme was announced in June last year.

For national portability, the state governments have been asked to issue the ration card in bi-lingual format, wherein besides the local langauge, the other language could be Hindi or English. The states have also been told to have a 10-digit standard ration card number, wherein first two digits will be state code and the next two digits will be running ration card numbers.

END

Source : www.livemint.com Date : 2020-05-15

STREET VENDORS TO GET 5,000 CRORE SPECIAL CREDIT FACILITY, SAYS FM SITHARAMAN

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

NEW DELHI : Finance Minister Nirmala Sitharaman on Thursday announced the second tranche of 20 trillion economic stimulus packages to reboot in the Indian economy hit coronavirus pandemic. The finance minister's today stimulus packages aimed at helping thousands of street vendors, migrant workers, small traders, the self-employed and small farmers worst hit by COVID-19.

The finance minster announced a special credit facility for street vendors keeping in view the adverse impact on their livelihood due to the coronavirus lockdown.

"The government to support nearly 50 lakh street vendors with 5,000 crore special credit facility, the finance minister said. The government will provide initial working capital up to 10,000 to the street vendors," the minister added.

Government to support nearly 50 lakh street vendors with 5000 crore Special Credit Facility: FM Nirmala Sitharaman pic.twitter.com/TbfREjOpm5

Sitharaman said the government would launch a special scheme within a month to facilitate easy access to credit to street vendors.

Digital payments would be incentivized through monetary rewards and enhanced working capital credit would be for good repayment behaviour, the finance minister added.

END

Source : www.livemint.com Date : 2020-05-15

FM ANNOUNCES 1,500 CRORE INTEREST SUBVENTION ON MUDRA SHISHU LOANS

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

Finance minister Nirmala Sitharaman on Thursday announced 2% interest subvention for on loans up to 50,000 given under MUDRA Shishu scheme.

“The total relief will be worth 1,500 crore," Sitharaman said, adding that the interest subvention will benefit about 3 crore people.

This announcement is a part of second tranche of the nine measures announced on Thursday aimed at benefiting migrants, street vendors, small traders and farmers as part of the 20 trillion package to revive the economy.

In 2015-16, the National Democratic Alliance (NDA) government had announced the Pradhan Mantri Mudra Yojna (PMMY) extending better credit access to small firms to boost entrepreneurship and promote financial inclusion.

Micro Units Development and Refinance Agency, or the MUDRA scheme, was started to refinance loans of up to 10 lakh given by banks and other lending institutions to small borrowers.

The scheme offered collateral-free loans of up to 10 lakh under three categories—Shishu, Kishore and Tarun. Shishu accounts for loans of up to 50,000, while 50,001 to 5 lakh are disbursed under Kishore. The third category is for loans between 5 lakh and 10 lakh.

Small businesses under the MUDRA scheme have been hit hard due to the imposition of the nationwide lockdown, which halted economic activity for over a month. This also impacted their capacity to pay loan installments.

END

Source : www.pib.gov.in Date : 2020-05-15

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

Hon'ble Prime Minister announced a Special economic and comprehensive package of Rs 20 lakh Crore - equivalent to 10% of India's GDP on 12th May 2020. He gave a clarion call for or Self-Reliant India Movement. He also outlined five pillars of Aatmanirbhar Bharat – Economy, Infrastructure, System, Vibrant Demography and Demand.

Announcing the 2nd Tranche of measures to ameliorate the hardships faced specifically by migrant labours, street vendors, migrant urban poor, small traders self-employed people, small farmers and housing, Union Finance & Corporate Affairs Minister Smt. Nirmala Sitharaman today in her press conference detailed the short term and long-term measures for supporting the poor, including migrants, farmers, tiny businesses and street vendors.

Smt. Sitharaman stated that Hon'ble Prime Minister Shri Narendra Modi is always concerned about the difficulties faced by poor, including migrant workers and farmers. Farmers and workers are the backbone of this nation. They serve all of us with their sweat and toil. Migrant workers need affordable and convenient rental housing in urban areas in addition to social security. There is also a need to create employment opportunities for the poor, including migrant and unorganised workers. Farmers need timely and adequate credit support.

Smt. Sitharaman said that the Government is attentive to the needs to all the segments of economy and society.She also mentioned that small business set ups, especially those run by street vendors, support dignified livelihoods through Shishu MUDRA loans. They also need our patronage by way of business as well as caring attention in the form of social security and enhanced credit.

Following short term and long-term measures for supporting the poor, including migrants, farmers, tiny businesses and street vendors were announced today:-

For the migrant labour, additional food grain to all the States/UTs at the rate of 5 kg per migrant labourer and 1 kg Chana per family per month for two months i.e. May and June, 2020 free of cost shall be allocated. Migrant labourers not covered under National Food Security Act or without a ration card in the State/UT in which they are stranded at present will be eligible. States/UTs shall be advised to put a mechanism for targeted distribution as envisaged in the scheme. 8 Lakh MT of food-grain and 50,000 MT of Chana shall be allocated. The entire outlay of Rs. 3500 crore will be borne by Government of India.

Pilot scheme for portability of ration cards will be extended to 23 states. By that, 67 crore beneficiaries covering 83% of PDS population will be covered by National portability of Ration cards by August, 2020. 100% National portability will be achieved by March, 2021. This is part of PM's Technology Driven System Reforms This scheme will enable a migrant worker and their family members to access PDS benefits from any Fair Price Shop in the country. This will ensure that the people in transit, especially migrant workers can also get the benefit of PDS benefit across the country.

Central Government will launch a scheme for migrant workers and urban poor to provide ease of living at affordable rent. **Affordable Rental Housing Complexes** will provide social security and quality life to migrant labour, urban poor, and students etc.This will be done through converting government funded houses in the cities into Affordable Rental Housing Complexes (ARHC) under PPP mode through concessionaire; manufacturing units, industries, institutions, associations to develop Affordable Rental Housing Complexes (ARHC) on their private land and operate; and Incentivizing State Govt agencies/Central Government Organizations on similar lines to develop Affordable Rental Housing Complexes (ARHC) and operate. The exact details of the scheme will be released by the Ministry/Department.

Government of India will provide **Interest subvention of 2% for prompt payees for a period of 12 months** to MUDRA Shishu loanees, who have loans below Rs 50,000.The current portfolio of MUDRA Shishu loans is around Rs 1.62 Lakh crore. This will provide relief of about **Rs 1,500 crore** to Shishu MUDRA loanee.

A **special scheme will be** launched within a month to facilitate easy access to credit to Street vendors, who are amongst the most adversely impacted by the present situation for enabling them to restart their businesses. Under this scheme, bank credit facility **for initial working capital up to Rs. 10,000 for each enterprise** will be extended. This scheme will cover urban as well as rural vendors doing business in the adjoining urban areas. Use of digital payments and timely repayments will be incentivized through monetary rewards. It is expected that **50 lakh street vendors** will be benefitted under this scheme and credit of Rs. 5,000 crore would flow to them.

The Credit Linked Subsidy Scheme for Middle Income Group (annual Income between Rs 6 and 18 lakhs) will be extended up to March 2021. This will benefit 2.5 lakhs middle income families during 2020-21 and will lead to investment of over **Rs 70,000 crore** in housing sector. This will create significant number of jobs by giving boost to Housing sector and will stimulate demand for steel, cement, transport and other construction materials.

Approximately Rs 6,000 crore of funds under Compensatory Afforestation Management & Planning Authority (CAMPA) will be used for **Afforestation and Plantation works, including in urban areas**, Artificial regeneration, assisted natural regeneration, Forest management, soil & moisture conservation works, Forest protection, forest and wildlife related infrastructure development, wildlife protection and management etc. Government of India will grant immediate approval to these plans amounting to Rs 6000 crore. This will create job opportunities in urban, semi-urban and rural areas and also for Tribals (Adivashis).

NABARD will extend additional re-finance support of **Rs 30,000 crore** for meeting crop loan requirement of **Rural Cooperative Banks and RRBs**. This refinance will be front-loaded and available on tap. This is over and above Rs 90,000 crore that will be provided by NABARD to this sector in the normal course. This will benefit around **3 crore farmers**, mostly small and marginal and it will meet their **post-harvest Rabi and current Kharif requirements.**

A special drive to provide concessional credit to PM-KISAN beneficiaries through Kisan Credit Cards. Fisherman and Animal Husbandy Farmers will also be included in this drive. This will inject a**dditional liquidity of Rs 2 lakh crore** in the farm sector. 2.5 crore farmers will be covered.

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RM/KMN

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The Credit Linked Subsidy Scheme for Middle Income Group (annual Income between Rs 6 and 18 lakhs) will be extended up to March 2021. This will benefit 2.5 lakhs middle income families during 2020-21 and will lead to investment of over **Rs 70,000 crore** in housing sector. This will create significant number of jobs by giving boost to Housing sector and will stimulate demand for steel, cement, transport and other construction materials.

Approximately Rs 6,000 crore of funds under Compensatory Afforestation Management & Planning Authority (CAMPA) will be used for **Afforestation and Plantation works, including in urban areas**, Artificial regeneration, assisted natural regeneration, Forest management, soil & moisture conservation works, Forest protection, forest and wildlife related infrastructure development, wildlife protection and management etc. Government of India will grant immediate approval to these plans amounting to Rs 6000 crore. This will create job opportunities in urban, semi-urban and rural areas and also for Tribals (Adivashis).

NABARD will extend additional re-finance support of **Rs 30,000 crore** for meeting crop loan requirement of **Rural Cooperative Banks and RRBs**. This refinance will be front-loaded and available on tap. This is over and above Rs 90,000 crore that will be provided by NABARD to this sector in the normal course. This will benefit around **3 crore farmers**, mostly small and marginal and it will meet their **post-harvest Rabi and current Kharif requirements.**

A special drive to provide concessional credit to PM-KISAN beneficiaries through Kisan Credit Cards. Fisherman and Animal Husbandy Farmers will also be included in this drive. This will inject a**dditional liquidity of Rs 2 lakh crore** in the farm sector. 2.5 crore farmers will be covered.

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RM/KMN

END

Source : www.livemint.com Date : 2020-05-15

INCOME TAX: TDS ON RENT, INSURANCE PREMIUM CUT BY 25%

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

NEW DELHI : Following announcements by finance minister Nirmala Sitharaman, the income tax department has cut TDS or tax deducted at source on payment of dividend, insurance policy, rent, professional fee and on the acquisition of immovable property by 25% for the rest of the current financial year.

The Central Board of Direct Taxes (CBDT) has issued the revised TDS and TCS rates that is applicable from today till March 31, 2021.

In the notification, the CBDT said while TCS on sale of the motor vehicle above 10 lakh has been cut to 0.75 per cent from 1 per cent earlier, TDS on 23 items has been reduced.

The CBDT said TDS on payment for life insurance policy has been reduced to 3.75 per cent from 5 per cent, while that on dividend and interest as well as rent for immovable property has been cut to 7.5 per cent from 10 per cent earlier.

The 1 per cent TDS charged on payment made for the acquisition of immovable property has now been reduced to 0.75 per cent. Payment of rent by individual or HUF has been cut to 3.75 per cent from 5 per cent earlier.

TDS on e-commerce participants has also been reduced to 0.75 per cent from 1 pr cent.

Similarly, tax on professional fee has been reduced to 1.5 per cent from 2 per cent.

TDS on payments in respect of deposits under National Savings Scheme has been reduced to 7.5 per cent from 10 per cent and that on payments for re-purchase of units by Mutual Funds to 15 per cent from 20 per cent.

The same on insurance commission and brokerage have been cut to 3.75 per cent from 5 per cent.

TDS on payment of dividend by mutual funds has been reduced to 7.5 per cent from 10 per cent.

TCS on sale of tendu leaves, scrap, timber, forest produce, and minerals such as coal, lignite or iron ore has also been reduced.

The CBDT said there shall be no reduction in rates of TDS or TCS where the tax is required to be deducted or collected at a higher rate due to the non-furnishing of PAN/Aadhaar.

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END

Source : www.thehindu.com Date : 2020-05-16

RS. 1 LAKH CRORE FARM INFRA FUND TO BE FINANCED BY NABARD: FM

Relevant for: Indian Economy | Topic: Agriculture Issues and related constraints

Big plans:Nirmala Sitharaman and Anurag Thakur speaking in New Delhi on Friday.Sushil Kumar Verma

With supply chain disruptions during COVID-19 revealing critical gaps in agricultural infrastructure and logistics systems, Finance Minister Nirmala Sitharaman announced plans for a Rs. 1 lakh crore farm infrastructure fund as part of the Atmanirbhar Bharat Abhiyan stimulus package on Friday.

The third tranche of the stimulus package also included plans to strengthen infrastructure in food processing, fisheries, animal husbandry, horticulture, herbal cultivation and beekeeping with a total funding of Rs. 50,000 crore, including funds allocated earlier in the budget.

The Rs. 1 lakh crore Agriculture Infrastructure Fund will be financed and managed by the National Bank for Agriculture and Rural Development (NABARD), the Finance Minister said. Financing will be provided to primary agriculture cooperative societies, farmer producer organisations, agriculture entrepreneurs and start-ups to develop cold chain storage and other post-harvest management infrastructure at the farm gate and aggregation points.

“These are good measures, but everything is in the future tense. In the present crisis, farmers are facing huge losses. What is desperately needed now is some immediate compensation rather than funds which will only have future impact,” said Ramandeep Singh Mann, a farmer and activist based in the Punjab-Haryana area.

“The government talks about supply chain disruptions and promises improvements. But they could have just taken over transport and storage facilities during the COVID-19 crisis to help farmers,” said S. Kannaiyan, a Tamil Nadu-based farmer and activist who was forced to throw away a portion of his cabbage crop and sell the rest at a loss due to the lockdown.

The focus hitherto has been on short term crop loans while investment in long term agriculture infrastructure has often not been enough, said Ms. Sitharaman. “The underlying principle is to empower the people, give them resources so that they can produce for themselves and have livelihoods for themselves rather than going for entitlements,” she added.

This rationale drives the plan for a Rs. 10,000 crore scheme to support two lakh micro-food processing enterprises, providing technical support to reach FSSAI health and safety standards, build brands and marketing.

The National Medicinal Plants Board will spend Rs. 4,000 crore on herbal cultivation over 10 lakh hectares with a special focus on an 800 hectare corridor of medicinal plants on the banks of the Ganga.

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Source : www.livemint.com Date : 2020-05-16

INDIA SOWS SEEDS OF EMPOWERMENT WITH 1.5 TRILLION AID FOR FARM SECTOR

Relevant for: Indian Economy | Topic: Agriculture Issues and related constraints

Centre unveils 1.5 tn package to free up a fragmented farm market from trade curbs, offers new framework to reduce price uncertainties for farmers

The government on Friday unveiled what it called an “empowering" 1.5 trillion farm sector package to free up India’s fragmented agriculture market from trade curbs and stock limits while offering a new framework to reduce risks and price uncertainties for farmers.

The biggest element of the fiscal package announced on Friday is a 1 trillion fund for entrepreneurs to set up facilities for procuring, storing and marketing of agriculture produce in a move aimed at improving the value realised by farmers. This fund will finance setting up cold chains, post-harvest management infrastructure and storage centres.

“The underlying principle (of the package) is to empower the people, give them resources so that they can produce for themselves and have livelihoods for themselves rather than going for entitlements," finance minister Nirmala Sitharaman said as she announced 11 measures seeking to woo fresh investments into the agriculture value chain, including cold storages and other facilities and to unshackle the farm economy by giving farmers more freedom to access markets.

The plan includes amending the Essential Commodities Act (ECA), a more than six-decade-old law that empowers authorities to impose curbs on stocking of farm produce, to bring it in tune with the times and to help farmers get better value for their produce. Stock restrictions were needed in an era of food shortages.

“We have been waiting for these reforms for 30 years since 1991 (reforms). These measures will unleash unlimited investment and employment opportunities in agriculture production and post-harvest activities," said Ramesh Chand, an expert in agriculture and member of federal policy think tank NITI Aayog.

The minister also announced a plan to bring in a central law to give farmers more choice in selling their produce rather than being at the mercy of licensed buyers and to remove barriers to inter-state trade.

“We also want to make sure there is a framework for e-trading of their produce. At present, you know, the farmer sells only to licence holders. This restriction has been one of the reasons for him not finding a fair price," Sitharaman said. The reforms are aimed at resolving some of the thorny issues in the farm sector, which adds to the pain of farmers who also have to deal with the vagaries of nature and price uncertainty. The broad idea is help establish ‘one nation one market’.

Rural distress has often snowballed into political storms, threatening electoral fortunes of parties. The Narendra Modi administration rolled out an income support scheme for farmers at the end of its first term, shortly before it went into polls in 2019.

The 1.5 trillion package will go toward financing farm-related infrastructure such as cold storages and post-harvest management facilities, support for fishermen aimed at doubling fisheries exports as well as for dairy farmers and bee keepers.

“Now the ECA needs an amendment. That amendment is largely towards making sure that cereals, edible oils, oil seeds, pulses onions and potatoes will completely be deregulated. Therefore, unless there is an extraordinary situation, there is no requirement to invoke ECA. Stock limits will be imposed only in exceptional situations such as national calamity, famine or if there is a huge surge in prices," Sitharaman said.

No stock limit shall apply to food processors or value chain participants subject to installed capacity. The minister said the move will ensure that export demand for India’s farm produce is not affected.

For micro food enterprises, the minister said a 10,000 crore support will be given. This will help these units modernize their business. Most of the products covered under the scheme will be related to health and wellness, nutritional and organic products.

“Wherever entitlements are due, yes, they will be given. But largely our focus is to make sure India stands up on its own, generate its own jobs. You will see a lot more of empowering people through creating skills and logistics," Sitharaman said.

END

Source : www.livemint.com Date : 2020-05-16

20,000 CRORE SCHEME FOR FISHERIES

Relevant for: Indian Economy | Topic: Economics of Animal-Rearing incl. White, Blue & Pink Revolutions

NEW DELHI : The Centre on Friday announced a 20,000-crore scheme, Pradhan Mantri Matsya Sampada Yojana, to address critical infrastructure gaps for the fisheries sector. Of this, 11,000 crore will be spent on activities in marine, inland fisheries and aquaculture, while 9,000 crore will be used to build infrastructure, such as fishing harbours and cold chain.

The announcement is a part of the third tranche of reforms to improve farm infrastructure and logistics for the agriculture sector. The Centre has since Wednesday announced a slew of measures aimed at small businesses, migrants, street vendors, small traders, farmers, as part of the 20 trillion package to revive the economy.

The finance minister Nirmala Sitharaman said on Friday that the PM Matsya Sampada Yojana, which was announced in the FY20 budget to plug critical gaps in the fisheries value chain, including modernization, traceability, production, productivity and post-harvest quality control will be executed immediately.

“We expect it will give employment to 5.5 million people and help in doubling India’s export to 1 trillion. It will bring better standards and traceability, new fishing vessels can be given to fishermen, new fishing harbours can be there," she said. “Fishermen don’t go to the sea during a particular period. They can get assistance for that period. Personnel and boat insurance will also be provided. This will lead to additional fish production of 700,000 tonnes over the next five years," she said. The government has continued to support the sector after the imposition of the nationwide lockdown by easing compliance burden, she added.

Cage culture, seaweed farming and ornamental fisheries, as well as new fishing vessels and laboratory network will be key activities, the ministry said.

The minister also conveyed emphasized on the government’s focus on empowering the financially and socially marginalized sections, rather than focusing on entitlements.

“The underlying principle is to empower the people, give them resources so that they can produce and have livelihoods for themselves rather than going for entitlements. Wherever entitlements are due, yes, they will be given. But largely our focus is to make sure India stands up on its own, and generates its own jobs," she said.

END

Source : www.livemint.com Date : 2020-05-16

GOVT DEFENDS MOVE TO COMBINE FISCAL, MONETARY MEASURES IN STIMULUS PACKAGE

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

Nirmala Sitharaman on Friday responded to criticism that the economic stimulus has so far been a spate of liquidity measures while the country needs govt spending to boost demand

New Delhi: Faced with criticism that most of the financial support announced by finance minister Nirmala Sitharaman so far are liquidity measures while the country needs government spending to boost demand at a time the economy is projected to contract in FY21, the government on Friday defended its move.

“We also look at how the world has been claiming what they are doing. We have also gone into the details of who has included what stimulus into their package announcements," Sitharaman said on Friday while announcing the third tranche of support measures for the farmers.

“Facts are that most countries’ packages are a combination of actual fiscal outgoes and liquidity provisions. For example, there is one country (UK) that gave out a 15% (of GDP) package, 14.9% of it was liquidity. It is not as if only one part of the package is counted, the way it is being counted is being given to you accurately, there is a mix of fiscal impulses and liquidity provisions, and almost every country in the world counts it this way," expenditure secretary TV Somanathan said.

Most forecasters have estimated India’s economy to contract in the current financial year ending 31 March. Management consulting firm Arthur D. Little on Friday projected India’s GDP to contract 10.8% in FY21 while National Council of Applied Economic Research estimated the country’s economy to shrink by 12.5% during the financial year.

“The use of easy-credit and pre-existing funds mean that the immediate fiscal cost of today's (Thursday’s) announcements is rather small. There was expectation of more direct cash transfer to the needy (or allotting more in the NREGA fund which is seeing large off-take), but that did not come through. Instead, the focus was more on easy credit/ loans. Given the focus on credit, and using pre-existing funds (e.g. the CAMPA fund) and pre-existing mechanisms (e.g. NABARD loans), the direct fiscal cost of today's announcement is small, at 0.1% of GDP by our calculation," Pranjul Bhandari, chief economist at HSBC India said in a report released on Thursday.

During the first two tranches of announcements of prime minister’s cumulative 20 trillion stimulus package, analysts expect the fiscal cost not to be more than 25,000 crore. Ranen Banerjee, leader, economic advisory services at PwC said at best 10% (15,000 crore) of Friday’s announcement of 1.5 trillion package for the farmers can be utilized in FY21. “These are very good measures for the long term, but immediate fiscal impact is going to be minimal as actual disbursements will be challenging," he added.

The government earlier this month announced that it will borrow 4.2 trillion additional amount from the market taking the total borrowing to 12 trillion in FY21. This itself is expected to take the fiscal deficit to 5.5% of GDP from the budgeted 3.5% of GDP in FY21. The State Bank of India on Thursday projected India’s fiscal deficit to touch 7.9% of GDP, owing to higher expenditure and lower revenues.

END

Source : www.pib.gov.in Date : 2020-05-16

Relevant for: Indian Economy | Topic: Agriculture Issues and related constraints

Hon'ble Prime Minister Shri Narendra Modi announced a Special economic and comprehensive package of Rs 20 lakh crore - equivalent to 10% of India's GDP on 12th May 2020. He gave a clarion call for or Self-Reliant India Movement. He also outlined five pillars of Atmanirbhar Bharat – Economy, Infrastructure, System, Vibrant Demography and Demand.

Union Finance & Corporate Affairs Minister Smt. Nirmala Sitharaman today in her press conference **announced the 3rd Tranche of measures to strengthen Infrastructure Logistics, Capacity Building, Governance and Administrative Reforms for Agriculture, Fisheries and Food Processing Sectors**.

Giving details, Smt. Sitharaman said that out of these 11 measures, 8 measures are for improving agricultural infrastructure and 3 measures are for administrative and governance reforms, including removing restrictions on sale and stock limits of farm produce.

In her opening remarks, the Union Finance Minister said that two significant Agriculture-related measures were also announced yesterday to support farmers, **Rs 30,000 crore as Additional Emergency Working Capital facility through NABARD** to enable RRBs and Cooperative Banks extending farm loans for Rabi post-harvest and Kharif expenses. And second was a mission-mode drive to enable **Rs 2 lakh crore credit boost to the farm sector by covering 2.5 crore PM-KISAN beneficiaries** under Kisan Credit Card Scheme by December 2020.

Outlining what the Government has done over the last 2 months, the Finance Minister said that **d**uring lockdown period **Minimum Support Price (MSP) purchases of amount more than Rs 74,300 crore, PM KISAN fund Transfer of Rs 18,700 crore and PM Fasal Bima Yojana claim payment of Rs 6,400 crore have been made.**

Further, during Lockdown, Demand of Milk reduced by 20-25%. Accordingly, 560 Lakh litre per day (LLPD) were procured by cooperatives against daily sale of 360 LLPD. **Total 111 crore litres of milk extra procured ensuring payment of Rs 4,100 crore.**

Further, **a new scheme to provide interest subvention @2% per annum to dairy cooperatives for 2020-21 has been launched, also providing additional 2% p.a interest subvention on prompt payment/interest servicing**. This scheme will unlock Rs 5,000 crore additional liquidity, benefitting 2 crore farmers.

For fisheries Sector, all 4 COVID related announcements made on 24th March for fisheries have been implemented. Further, Registration of 242 Registered Shrimp hatcheries and Nauplii Rearing Hatcheries expiring on 31.03.2020 extended for 3 months and Operations of Marine Capture Fisheries and Aquaculture relaxed to cover Inland Fisheries.

Smt. Sitharaman said that the announcements made today will provide long-term and sustained impact on lives of farmers, fishermen, food processing micro enterprises.

The Finance Minister announced the following measures to strengthen Infrastructure Logistics and Capacity Building for Agriculture, Fisheries and Food Processing Sectors: —

Financing facility of Rs. 1,00,000 crore will be provided for funding Agriculture Infrastructure Projects at farm-gate & aggregation points (Primary Agricultural

Cooperative Societies, Farmers Producer Organizations, Agriculture entrepreneurs, Start-ups, etc.).Impetus for development of farm-gate & aggregation point, affordable and financially viable Post Harvest Management infrastructure. Fund will be created immediately.

A Scheme promoting vision of Prime Minister Shri Narendra Modi: '**Vocal for Local with Global outreach**' will be launched to help 2 lakh MFEs who need technical upgradation to attain FSSAI food standards, build brands and marketing. Existing micro food enterprises, Farmer Producer Organisations, Self Help Groups and Cooperatives to be supported. The focus will be on women and SC/ST owned units and those in Aspirational districts and a Cluster based approach (e.g. Mango in UP, Tomato in Karnataka, Chilli in Andhra Pradesh, Orange in Maharashtra etc.) will be followed.

The Government will launch the PMMSY for integrated, sustainable, inclusive development of marine and inland fisheries. Rs 11,000 crore for activities in Marine, Inland fisheries and Aquaculture and Rs. 9000 crore for Infrastructure - Fishing Harbours, Cold chain, Markets etc shall be provided. Cage Culture, Seaweed farming, Ornamental Fisheries as well as New Fishing Vessels, Traceability, Laboratory Network etc. will be key activities. There will be provisions of Ban Period Support to fishermen (during the period fishing is not permitted), Personal & Boat Insurance.This will lead to Additional Fish Production of 70 lakh tones over 5 years, Employment to over 55 lakh persons and double the exports to Rs 1,00,000 crore. The focus will be on Islands, Himalayan States, North-east and Aspirational Districts.

National Animal Disease Control Programme for Foot and Mouth Disease (FMD) and Brucellosis launched with total outlay of Rs. 13,343 crore to ensure 100% vaccination of cattle, buffalo, sheep, goat and pig population (total 53 crore animals) for Foot and Mouth Disease (FMD) and for brucellosis. Till date, 1.5 crore cows & buffaloes tagged and vaccinated.

An Animal Husbandry Infrastructure Development Fund of Rs. 15,000 crore will be set up, with an aim to support private investment in Dairy Processing, value addition and cattle feed infrastructure. Incentives will be given for establishing plants for export of niche products.

The National Medicinal Plants Board (NMPB) has supported 2.25 lakh hectare area under cultivation of medicinal plants. 10,00,000 hectare will be covered under Herbal cultivation in next two years with outlay of Rs. 4,000 crore. This will lead to Rs. 5,000 crore income generation for farmers. There will be network of regional *Mandis* for Medicinal Plants. NMPB will bring 800-hectare area by developing a corridor of medicinal plants along the banks of Ganga.

Government will implement a scheme for:

This will lead to increase in income for 2 lakh beekeepers and quality honey to consumers.

"Operation Greens" run by Ministry of Food Processing Industries (MOFPI) will be extended from tomatoes, onion and potatoes to ALL fruit and vegetables. The Scheme would provide 50% subsidy on transportation from surplus to deficient markets, 50%

subsidy on storage, including cold storages and will be launched as pilot for the next 6 months and will be extended and expanded.This will lead to better price realisation to farmers, reduced wastages, affordability of products for consumers.

During the press conference, the Union Finance Minister also announced following measures for Governance and Administrative Reforms for Agriculture Sector:-

The **Government will amend Essential Commodities Act**. Agriculture food stuffs including cereals, edible oils, oilseeds, pulses, onions and potato shall be deregulated. Stock limit will be imposed under very exceptional circumstances like national calamities, famine with surge in prices. Further, No such stock limit shall apply to processors or value chain participant, subject to their installed capacity or to any exporter subject to the export demand.

A Central law will be formulated to provide -

The Government will finalise a ***facilitative legal framework*** to enable farmers to engage with processors, aggregators, large retailers, exporters etc. in a fair and transparent manner. Risk mitigation for farmers, assured returns and quality standardisation shall form integral part of the framework.

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RM/KMN

END

Source : www.livemint.com Date : 2020-05-16

CENTRE TO BRING NEW LAW TO REDUCE FARMERS' DEPENDENCE ON APMC: SITHARAMAN

Relevant for: Indian Economy | Topic: Transport & Marketing of agricultural produce

A facilitative legal framework would be created to enable farmers for engaging with processors, aggregators, large retailers, exporters etc in a fair and transparent manner, the FM said

New Delhi: Finance Minister Nirmala Sitharaman on Friday said that a Central legal framework would be created to enable the farmers to sell agricultural produce at attractive prices. It would be used to enable barrier free inter-state trade and a framework for e-trading of agricultural produce. The announcement was part of the third tranche of economic stimulus in wake of coronavirus.

A facilitative legal framework would be created to enable farmers for engaging with processors, aggregators, large retailers, exporters etc in a fair and transparent manner.

Risk mitigation for farmers, assured returns, quality, standardisation shall form an integral part of the framework.

Listing out the issues of the farmers, the government stated that the farmers were bound to sell agriculture produce only to licensees in Agricultural Produce & Livestock Market Committee (APMCs). This resulted in the hindrance of free flow of agricultural produce and fragmentation of markets and supply chain.Additionally, such a restriction of sales was not there for any other industrial produce entity.

Further the lack of awareness of the farmers to enforce a mechanism to predict crop pricing at the time of sowing was another issue.

As per present legal provisions, the laws of the states are not in consonance with central laws pertaining to the agricultural sector, this creates compliance problems. The proposed legal reform is an endeavor by the central government to help in reducing the price of the agricultural produce and improve agricultural infrastructure.

In the previous two parts of the package, FM's focus was on MSMEs, NBFCs, MFIs, migrant workers, street vendors and small farmers.

Prime Minister Narendra Modi has declared that the 20-trillion economic package is aimed at making India self-reliant.

The first tranche of the economic package, announced on Wednesday, had 15 fiscal and regulatory measures, while the second batch, announced on Thursday rolled out nine measures to give relief to the poor including migrant workers, farmers, street vendors and members of tribal community.

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Source : www.livemint.com Date : 2020-05-16

'ONE NATION, ONE RATION CARD' EXPLAINED IN 10 POINTS

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

'One nation, one ration card' scheme: Addressing the nation on the 20 lakh crore Covid-19 relief package announced by Prime Minister Narendra Modi, Finance Minister Nirmala Sitharaman yesterday said national portability will be achieved in the 'one nation, one ration card' system by March 2021 across the country. "This will be implemented by August for 67 crore beneficiaries in 23 states. 67 crore is 83% of the entire PDS system," she added.

Here is all you need to know about the 'one nation, one ration card' system:

1) Under the initiative, eligible beneficiaries would be able to avail their entitled foodgrains under the National Food Security Act (NFSA) from any Fair Price Shop in the country using the same ration card.

2) The government wanted to implement 'one nation, one ration card' scheme across the country effective 1st June 2020.

3) A standard format for ration card has been prepared after taking into account the format used by different states and after consultation with other stakeholders.

4) For national portability, the state governments have been asked to issue the ration card in bi-lingual format, wherein besides the local langauge, the other language could be Hindi or English.

5) As of now, 17 states are on integrated management of the public distribution system (PDS).

6) Andhra Pradesh, Telangana, Gujarat, Maharashtra, Haryana, Rajasthan, Karnataka, Kerala, Madhya Pradesh, Goa, Jharkhand and Tripura. Bihar, UP, Punjab, Himachal Pradesh and Daman and Diu have been integrated with the 'one nation, one ration card' system.

7) The eligible beneficiaries will be able to buy subsidised foodgrains, rice at 3 per kg, wheat at 2 per kg, and coarse grains at Re 1 per kg, from anywhere in the country.

8) In the present system, a ration cardholder can buy foodgrains only from an FPS that has been assigned to her in the locality in which she lives

9) According to data available on the IMPDS portal, the number of transactions done through inter-state ration card portability is only 274 as on May 15

10) The Integrated Management of Public Distribution System (IM-PDS) portal provides the technological platform for the inter-state portability of ration cards.

You are now subscribed to our newsletters. In case you can’t find any email from our side, please check the spam folder.

END

Source : www.livemint.com Date : 2020-05-16

10,000 CRORE MICRO FOOD ENTERPRISES: MAKHANA IN BIHAR, CHILLI IN ANDHRA...

Relevant for: Indian Economy | Topic: Food processing and related industries in India: scope and significance, location, upstream and downstream requirements and supply chain management

Finance Minister Nirmala Sitharaman today announced 10,000 crore for micro food enterprises as part of PM Narendra Modi’s 'vocal for local' focus. "Aiming to implement PM's vision of ‘vocal for local' with global outreach, a scheme will be launched to help 2 lakh micro food enterprises" Sitharaman said.

The scheme will be launched by adopting cluster-based approach such as makhana in Bihar, kesar in Jammu and Kashmir, mango in Uttar Pradesh, bamboo shoots in Northeast, chilli in Andhra Pradesh, tapioca in Tamil Nadu. "This fund would help in reaching untapped export markets in view of improved health consciousness," the FM said.

Aiming to implement PM's vision of ‘Vocal for Local with Global outreach’, a scheme will be launched to help 2 lakh Micro Food Enterprises; Improved health and safety standards, integration with retail markets and improved incomes to be key focus areas#AatmaNirbharDesh pic.twitter.com/nnuXlJdPyp

Nirmala Sitharaman today unveiled the third tranche of Centre's 20 lakh crore fiscal stimulus. Today she announced 11 measures for agriculture and allied activities. "Out of the 11 measures, 8 will stress on storage and logistics, 3 to focus on governance," FM said at the beginning of her press conference.

This is her third press briefing in as many days. Sitharaman has been announcing the tranches of the 20 lakh crore package announced by Prime Minister Narendra Modi during his address to the nation on May 12, vowing to make the country ‘atma-nirbhar’ or self-reliant. He said that this will be 10 per cent of the country’s Gross Domestic Product (GDP).

END

Source : www.livemint.com Date : 2020-05-16

INDIA TO PRIVATISE ALL ELECTRICITY DISCOMS IN UNION TERRITORIES

Relevant for: Indian Economy | Topic: Infrastructure: Energy incl. Renewable & Non-renewable

NEW DELHI: India will privatise all electricity distribution companies (discoms) in the Union Territories, said power minister Raj Kumar Singh at a digital interaction with industry chief executives on Friday.

Unlike discoms in the states, which fall under the remit of the respective state governments, there is a separate dispensation for discoms in Union Territories, as they are administered directly by the central government.

The government on Wednesday had announced a reform-linked 90,000 crore liquidity injection into fund-starved discoms as part of a 20 trillion stimulus package to revive the economy. These funds, as reported by Mint earlier, will be given to discoms against state government guarantees and are accompanied by a temporary tariff reduction.

The bailout package comes amid India’s proposed distribution reforms scheme—tentatively named Atal Distribution System Improvement Yojana (Aditya)—to cut electricity losses below 12%. The scheme aims to ensure continuous supply of power, adopting models such as privatizing state-run discoms and promoting competition.

The National Democratic Alliance (NDA) government has readied a raft of power sector reforms, including implementing the direct benefit transfer (DBT) scheme in the electricity sector for better targeting of subsidies and instilling financial discipline at discoms.

According to draft amendments to the Electricity Act, 2003, which is available on the power ministry’s website, the government has pitched for a cost reflective tariff and setting up an Electricity Contract Enforcement Authority to enforce power purchase agreements (PPAs).

There is a growing interest in discoms. Mint reported on 12 May about at least eight investors showing initial interest in buying Reliance Infrastructure Ltd’s Delhi electricity distribution businesses.

India’s average aggregate technical and commercial loss is at 21.4%. With at least 10 states losing about a third of the power supplied to consumers in distribution losses, their overdue bills have not only hit power producers but have also contributed to stress in the banking sector. Also, the gap between the cost of electricity bought (average cost of supply) and supplied (average revenue realized) for discoms is still substantial in most states and ranges from 2.13 per unit in Andhra Pradesh to 0.09 in Chhattisgarh.

Other measures in the works include a one-time relaxation in working capital borrowing limits imposed under Ujwal Discom Assurance Yojana. Discoms will be allowed working capital borrowings from banks and financial institutions that may be up to 25% of last year’s revenues to clear dues to power generation and transmission firms.

The nationwide lockdown has resulted in a fall in electricity demand as commercial and industrial power consumption took a hit many factories shut down. However, household consumption, which accounts for around a quarter of India’s power demand, has gone up.

India’s power demand touched a record of 176.724 gigawatts (GW) on 26 April last year but has since slumped because of the lockdown, in place since 25 March.

While some economic activities have now been allowed in coronavirus-free zones, electricity demand hasn’t picked up.

END

Source : www.thehindu.com Date : 2020-05-17

DOMESTIC DEFENCE PROCUREMENT GETS SEPARATE BUDGET PROVISION

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Foreign Capital, Foreign Trade & BOP

Defence mode:Jaguar aircraft during the dress rehearsal for Republic day in New Delhi in January.Shiv Kumar PushpakarShiv Kumar Pushpakar

The government would make a separate budgetary provision for domestic defence procurements and bring out a negative import list for weapons and military platforms, Finance Minister Nirmala Sitharaman announced on Saturday as part of efforts to promote indigenous manufacturing and reduce the defence import bill.

“We shall notify a list of weapons and platforms not allowed for import. They will have to be bought in India. Every year, this list will be increased as the capacity to make weapons that meet the necessary standards grows. Indigenisation of some imported spares will also be given priority,” she said, while stressing that ‘Make in India’ was absolutely necessary for self-reliance, especially in critical sectors such as defence production.

While some of the state of the art weapons required by the Services would be met through imports, some that were produced in the country and met the standards have to be procured locally only. The negative list would be worked out in consultation with the Department of Military Affairs headed by the Chief of the Defence Staff.

Ms. Sitharaman said the separate budget provision for domestic capital procurement would help reduce the defence import bill and encourage domestic manufacture.

The limit for Foreign Direct Investment (FDI) in defence through the automatic route had also been raised from 49% to 74%. Earlier, 100% FDI was allowed on a case by case basis.

However, two industry observers said the real impact of the increased FDI limit had to be analysed.

Corporatisation of OFB

Ms. Sitharaman also announced a long pending proposal of corporatisation of the Ordnance Factory Board (OFB) for autonomy, efficiency and accountability. While clarifying that it would not be privatised, she said the ordnance factories would eventually be listed on the stock market to improve transparency.

Late last year, the Defence Ministry set up a high-level committee to examine the aspects of corporatisation of the OFB and work out the modalities. The Kolkata-headquartered OFB, with 41 factories spread across the country, functions as a department under the Department of Defence Production.

The Finance Minister said a time-bound defence procurement process and faster decision-making would be brought in by setting up a Project Management Unit (PMU) to support contract management, “realistic setting” of General Staff Qualitative Requirements (GSQRs) of weapons and platforms and overhauling the trial and testing procedures.

Stressing on realistic GSQRs, Ms. Sitharaman said “sometimes unrealistic quality requirements are established” and quite a lot of time was spent on searching for suppliers who met all those requirements and the whole process repeated after a single vendor situation, which was not allowed.

Separately, a revision of the Defence Procurement Procedure (DPP) was on and a draft put in public domain for feedback before finalisation.

Much needed step

The Confederation of Indian Industry (CII) called the measures a much needed step for reducing imports and building self-reliance in defence. “The stress laid on domestic manufacturing is very encouraging as India today is among the largest importers in the world of defence equipment. The list of non-importable items and corporatisation of OFB are some landmark steps and will boost the confidence of domestic manufacturers,” CII Director General Chandrajit Banerjee said in a statement.

The increase in FDI limit to 74% would attract foreign funds into this sector, along with technology infusion, he added.

END

Source : www.livemint.com Date : 2020-05-17

GOVT ANNOUNCES SLEW OF MEASURES FOR INDIGENIZATION OF DEFENCE PRODUCTION

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Foreign Capital, Foreign Trade & BOP

FM Nirmala Sitharaman said the government would also put out a list of weapons and platforms that would only be purchased from the domestic industries and not from foreign vendors

The Narendra Modi government on Saturday announced a slew of measures to promote indigenization of defence production under the “Make in India" programme including raising the foreign direct investment caps from the existing 49% to 74% through the automatic route.

For the first time ever, the government would also put out a list of weapons and platforms that would only be purchased from the domestic industries and not from foreign vendors, Finance Minister Nirmala Sitharaman said. This list would be expanded every year in consultation with the armed forces, she said. The government will also make separate budgetary provisions for procuring only Indian made defence items, the minister said.

"We will notify a list of weapons and platforms for ban on their imports and fix deadlines to do it," Sitharaman said, adding this move will improve self-reliance on defence manufacturing. "…Every year this list will be increased," she said.

A third measure that Sitharaman announced was the corporatization of the ordnance factory boards seen as having potential but seen as producing substandard products including shells for artillery. Corporatsiation however did not mean privatization, the minister clarified saying that the aim is to make sure that the 41 ordnance factories in India are better managed so that they can be listed on the stock market and people can buy their shares.

"We will work to improve autonomy, accountability and efficiency of OFB by corporatisation and not privatisation," said Sitharaman who has in the past held the portfolio of Defence Minister.

She also said that “weapon trial and testing procedures will also be overhauled" with the general staff qualitative requirement or GSQR -- among the first steps in buying capital equipment that lists why the equipment is needed and its expected quality standards – made more realistic matching the needs armed forces, the minister said.

Taken together, the reforms are aimed at reducing India’s huge defence import bill, Sitharaman said.

According to the Stockholm International Peace Research Institute (SIPRI), the US, China and India were the world’s three biggest military spenders in 2019, followed by Russia and Saudi Arabia. The two Asian countries made it to the top three for the first time, SIPRI said in a report last month.

Sitharaman’s announcements on Saturday were part of the 20 lakh crore stimulus package for restarting the Indian economy that has been under stringent lockdown since 25 March in a bid to arrest the spread of covid-19 infections.

Welcoming the announcements, Defence Minister Rajnath Singh in a Twitter post said: “The FDI limit in the defence manufacturing under automatic route has now been raised from 49% to 74%.

This decision will unleash the true potential of Indian defence production capabilities through 'Make in India'. The announcements made today will prove to be a Game Changer."

"Corporatisation of the OFB has been the topmost priority of the Govt. The corporatisation will improve the efficiency of our Ordnance supplies & factories," he said in a second post.

Prime minister Modi had in February set a target of $5 billion in defence exports in next five years for India at the inauguration of the 11th Defence Expo in Lucknow. He had then issued an invitation to private businesses to invest in the country, which he said would realize the twin objectives of handsome returns on investment and making Asia's third largest economy self reliant in defence manufacturing.

India has inaugurated two defence industrial corridors, one in Tamil Nadu and the other in Uttar Pradesh to boost the flagship "Make in India" programme that in turn would attract investment as well as encourage employment generation.

END

Source : www.livemint.com Date : 2020-05-17

6 AIRPORTS TO BE AUCTIONED UNDER PUBLIC PRIVATE PARTNERSHIP MODEL: NIRMALA SITHARAMAN

Relevant for: Indian Economy | Topic: Infrastructure: Airports

Restrictions on the utilisation of Indian air space will be eased so that civilian flying becomes more efficient, Finance Minister Nirmala Sitharaman today said while announcing details of the 20 lakh crore stimulus package. "This will bring a total benefit of 1,000 crore per year for the aviation sector," Nirmala Sitharaman said.

She further said six more airports will be auctioned for private participation. "Also An additional investment of 13,000 crore will be made by private players in 12 airports auctioned in first and second rounds."

More World-class #Airports through #PPP: Another 6 airports will be put out for the third round of bidding. #AatmaNirbharEconomy pic.twitter.com/v2hzNoL4Sw

"This will bring in optimal utilisation of airspace and reduce fuel costs and flying time," the Finance Minister said.

Announcing the fourth tranche of economic stimulus, she said only 60 per cent of Indian airspace is freely available. More air space available would reduce travel time and save on fuel, she said.

Nirmala Sitharaman today unveiled the fourth tranche of 20 lakh crore fiscal stimulus focussing on 8 sectors - Coal, Minerals, Defence Production, Airspace management, MROs, Power distribution companies, Space sectors and Atomic energy.

In the first two announcements, she had announced measures related to MSMEs, non-banking finance companies (NBFCs), migrant workers and street vendors. While the third round of the stimulus package focused on agriculture and allied activities.

Prime Minister Narendra Modi had announced 20 lakh crore special economic package for the country to become 'self-reliant and fight coronavirus. He said that this will be 10 per cent of the country’s Gross Domestic Product or GDP.

The details of the package are being revealed in daily tranches by the Finance Minister.

END

Source : www.pib.gov.in Date : 2020-05-17
Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

KEY HIGHLIGHTS

ü **Commercial Mining introduced in Coal Sector**

ü **Diversified Opportunities in Coal Sector**

ü **Liberalised Regime in Coal Sector**

ü **Enhancing Private Investments and Policy Reforms in Mineral Sector**

ü **Enhancing Self Reliance in Defence Production**

ü **Policy Reforms in Defence Production**

ü **Efficient Airspace Management for Civil Aviation**

ü **More World-Class Airports through PPP**

ü **India to become a global hub for Aircraft Maintenance, Repair and Overhaul (MRO)**

ü **Tariff Policy Reform in Power Sector; Privatization of Distribution in UTs**

ü **Boosting private sector investment through revamped Viability Gap Funding Scheme in Social Sector**

ü **Boosting private participation in space activities**

ü **Reforms in Atomic Energy Sector**

Hon'ble Prime Minister Shri Narendra Modi announced a Special economic and comprehensive package of Rs 20 lakh crore - equivalent to 10% of India's GDP on 12th May 2020. He gave a clarion call for or Self-Reliant India Movement. He also outlined five pillars of Atmanirbhar Bharat – Economy, Infrastructure, System, Vibrant Demography and Demand.

In her opening remarks, the Union Finance & Corporate Affairs Minister Smt. Nirmala

Sitharaman said that structural reforms are the focus for today's press conference. She said that many sectors need policy simplification, to make it simpler for people to understand what sector can give, participate in activities & bring transparency. Once we decongest the sectors, we can boost the sector, for growth, the Finance Minister added.

The Finance Minister further said that Prime Minister Shri Narendra Modi has very strong record in taking up deep systemic reforms citing Direct Benefit Transfer enabled giving money directly to people, GST brought in One Nation, One Market, Insolvency & Bankruptcy Code (IBC) resolved insolvency issues and steps taken for Ease of Doing Business.

During her press conference, Smt. Sitharaman outlined the need for Policy reforms to fast track investments and the steps taken by the Government in this regard. She stated that fast track clearance is being done through Empowered Group of Secretaries, a Project Development Cell would be set up in each Ministry to prepare investable projects and coordinate with investors and Central and State governments.

The Finance Minister announced following policy reforms to fast track investment in an effort towards ***Aatma Nirbhar Bharat:***

Smt. Sitharaman also announced that a scheme will be implemented in States through challenge mode for Industrial Cluster Upgradation of common infrastructure facilities and connectivity. There will be availability of industrial land/land banks for promoting new investments and making information available on Industrial Information System (IIS) with GIS mapping. 3376 Industrial Parks/ Estates/SEZs in five lakh hectares are mapped on IIS. All Industrial Parks will be ranked during 2020-21.

The Finance Minister today announced the following structural reforms in the eight sectors of Coal, Minerals, Defence production, Civil Aviation, Power Sector, Social Infrastructure, Space and Atomic energy. The details are as follows:

A. COAL SECTOR

The Government will introduce competition, transparency and private sector participation in the Coal Sector through:

2. Diversified Opportunities in Coal Sector

3.Liberalised Regime in Coal Sector

There will be structural reforms to boost growth, employment and bring state-of-the-art technology especially in exploration through:

2. Policy reforms in Mineral Sector

The distinction between captive and non-captive mines to allow transfer of mining leases and sale of surplus unused minerals, leading to better efficiency in mining and production shall be removed. Ministry of Mines is in the process of developing a Mineral Index for different minerals. There will be rationalisation of stamp duty payable at the time of award of mining leases.

C. DEFENCE SECTOR

D.CIVIL AVIATION SECTOR

Restrictions on utilisation of the Indian Air Space will be eased so that civilian flying becomes more efficient. This will bring a total benefit of about Rs 1,000 crore per year for the aviation sector. This will lead to optimal utilization of airspace; reduction in fuel use, time and will have positive environmental impact.

6 more airports have been identified for 2nd round bidding for Operation and Maintenance on Public-Private Partnership (PPP) basis. Additional Investment by private players in 12 airports in 1st and 2nd rounds is expected to bring around Rs. 13,000 crore. Another 6 airports will be put out for the third round of bidding.

Tax regime for MRO ecosystem has been rationalized. Aircraft component repairs and airframe maintenance to increase from Rs 800 crore to Rs 2,000 crore in three years. It is expected that major engine manufacturers in the world would set up engine repair facilities in India in the coming year. Convergence between Defence sector and the civil MROs will be established to create economies of scale. This will lead to maintenance cost of airlines to come down.

E.POWER SECTOR

1. Tariff Policy Reform

Tariff Policy laying out the following reforms will be released:

(i) Consumer Rights

(ii) Promote Industry

(iii) Sustainability of Sector

2. Privatization of Distribution in UTs

Power Departments / Utilities in Union Territories will be privatised. This will lead to better service to consumers and improvement in operational and financial efficiency in Distribution. This will also provide a model for emulation by other Utilities across the country.

F. SOCIAL INFRASTRUCTURE: BOOSTING PRIVATE SECTOR INVESTMENT THROUGH REVAMPED VIABILITY GAP FUNDING SCHEME - Rs 8,100 CRORE

The Government will enhance the quantum of Viability Gap Funding (VGF) upto 30% each of Total Project Cost as VGF by the Centre and State/Statutory Bodies. For other sectors, VGF existing support of 20 % each from Government of India and States/Statutory Bodies shall continue. Total outlay is Rs. 8,100 crore. Projects shall be proposed by Central Ministries/ State Government/ Statutory entities.

G. SPACE SECTOR: BOOSTING PRIVATE PARTICIPATION IN SPACE ACTIVITIES

There shall be level playing field provided to private companies in satellites, launches and space-based services. Predictable policy and regulatory environment to private players will be provided. Private sector will be allowed to use ISRO facilities and other relevant assets to improve their capacities. Future projects for planetary exploration, outer space travel etc shall also be open for private sector. There will be liberal geo-spatial data policy for providing remote-sensing data to tech-entrepreneurs.

H. ATOMIC ENERGY RELATED REFORMS

Research reactor in PPP mode for production of medical isotopes shall be established to promote welfare of humanity through affordable treatment for cancer and other diseases. Facilities in PPP mode to use irradiation technology for food preservation – to compliment agricultural reforms and assist farmers shall also be established. India’s robust start-up ecosystem will be linked to nuclear sector and for this, Technology Development-cum-Incubation Centres will be set up for fostering synergy between research facilities and tech-entrepreneurs.

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RM/KMN

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RM/KMN

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Source : www.pib.gov.in Date : 2020-05-17
Relevant for: Indian Economy | Topic: Infrastructure: Energy incl. Renewable & Non-renewable

Union Ministry of Power has written to all States/UTs extending Rs 90,000 crore financial package to assist the stressed DISCOMs. A communication in this regard has been sent on 14.05.2020.

"The package for power sector will significantly reduce the burden of Discoms for maintaining distribution of electricity as supplied by gencos/transcos during these difficult times." said Shri RK Singh, Minister of State (Independent Charge) for Power and New and Renewable Energy. The Government of India had on 13.5.2020 decided to make an infusion of liquidity of Rs 90,000 cr through Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) as a part of the Atmanirbhar Bharat Abhiyan.

Under this intervention, REC and PFC would extend special long term transition loans up to 10 years to DISCOMs.

The letter sent to States/UTs mentions that REC and PFC shall immediately extend loans to DISCOMs which have headroom for further borrowing within the working capital limits prescribed under UDAY. Further, the DISCOMs that do not have headroom under UDAY working capital limits but have receivables from the State Government in the form of electricity dues and subsidy not disbursed will also be eligible for these loans to the extent of receivables from the State Government. Since these loans are long term and are not against the working capital requirement of the DISCOMs, with repayment security from the State Government, UDAY Working capital limits will not be applicable.

In addition, , the respective States may request for relaxation of the limit to the Government of India for the DISCOMs that do not have receivables from States or headroom available under the working capital limits imposed under UDAY.

The letter says, the COVID-19 pandemic and the resultant lockdown has adversely affected the power sector finances, creating a situation of acute liquidity crisis across the value chain in the power sector as a consequence. In this situation the liquidity infusion in the Power sector value chain will help to tide over the cash flow problem. This money will help discoms to repay most of the money that they owe to power generators(Gencos) and Transmission Companies(Transcos). It will help restart the virtuous cycle of cash flow in the Power sector.

The loans will be provided to the DISCOMs against guarantees by the State Governments which will be used to clear liabilities of CPSE Gencos/Transco, IPP and RE generators. Total funding quantum will be about Rs. 90,000 crore. The funding would be done in two tranches of Rs. 45, 000 crore each., it adds.

To further lift the discoms out of financial stress, Power Ministry as per another communication issued on 15.5.2020, has decided to defer the fixed charge on power not scheduled of Central Gencos for lockdown period and it will be repaid in interest free three equal instalments in subsequent months. During the lockdown period, there has been significant drop in demand because industrial and commercial units were closed. According to the Power Purchase Agreements, Discoms pay a fixed charge to Gencos for all the contracted quantity, even if power is not drawn. This has burdened the Discoms because they have to pay for the power that was not used during the lockdown period.

They have also been suggested a rebate of 20-25 per cent on power supplied(fixed cost) including Inter State Transmission Charges(ISTS) payable to PGCIL for the lockdown period.

The Discoms have been asked to pass on these cost savings to the end consumers which will lead to reduction in electricity cost to end consumers.

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RCJ/M

Union Ministry of Power has written to all States/UTs extending Rs 90,000 crore financial package to assist the stressed DISCOMs. A communication in this regard has been sent on 14.05.2020.

"The package for power sector will significantly reduce the burden of Discoms for maintaining distribution of electricity as supplied by gencos/transcos during these difficult times." said Shri RK Singh, Minister of State (Independent Charge) for Power and New and Renewable Energy. The Government of India had on 13.5.2020 decided to make an infusion of liquidity of Rs 90,000 cr through Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) as a part of the Atmanirbhar Bharat Abhiyan.

Under this intervention, REC and PFC would extend special long term transition loans up to 10 years to DISCOMs.

The letter sent to States/UTs mentions that REC and PFC shall immediately extend loans to DISCOMs which have headroom for further borrowing within the working capital limits prescribed under UDAY. Further, the DISCOMs that do not have headroom under UDAY working capital limits but have receivables from the State Government in the form of electricity dues and subsidy not disbursed will also be eligible for these loans to the extent of receivables from the State Government. Since these loans are long term and are not against the working capital requirement of the DISCOMs, with repayment security from the State Government, UDAY Working capital limits will not be applicable.

In addition, , the respective States may request for relaxation of the limit to the Government of India for the DISCOMs that do not have receivables from States or headroom available under the working capital limits imposed under UDAY.

The letter says, the COVID-19 pandemic and the resultant lockdown has adversely affected the power sector finances, creating a situation of acute liquidity crisis across the value chain in the power sector as a consequence. In this situation the liquidity infusion in the Power sector value chain will help to tide over the cash flow problem. This money will help discoms to repay most of the money that they owe to power generators(Gencos) and Transmission Companies(Transcos). It will help restart the virtuous cycle of cash flow in the Power sector.

The loans will be provided to the DISCOMs against guarantees by the State Governments which will be used to clear liabilities of CPSE Gencos/Transco, IPP and RE generators. Total funding quantum will be about Rs. 90,000 crore. The funding would be done in two tranches of Rs. 45, 000 crore each., it adds.

To further lift the discoms out of financial stress, Power Ministry as per another communication issued on 15.5.2020, has decided to defer the fixed charge on power not scheduled of Central Gencos for lockdown period and it will be repaid in interest free three equal instalments in subsequent months. During the lockdown period, there has been significant drop in demand because industrial and commercial units were closed. According to the Power Purchase Agreements, Discoms pay a fixed charge to Gencos for all the contracted quantity, even if power is not drawn. This has burdened the Discoms because they have to pay for the power that was not used during the lockdown period.

They have also been suggested a rebate of 20-25 per cent on power supplied(fixed cost) including Inter State Transmission Charges(ISTS) payable to PGCIL for the lockdown period. The Discoms have been asked to pass on these cost savings to the end consumers which will lead to reduction in electricity cost to end consumers.

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RCJ/M

END

Source : www.thehindu.com Date : 2020-05-17

KASHMIR SAFFRON GETS GI TAG

Relevant for: Indian Economy | Topic: Issues relating to Intellectual Property Rights (IPRs)

Kashmir saffron has been given the GI tag by the Geographical Indications Registry. It is grown in the highlands of Jammu and Kashmir, including in places like Pulwama, Budgam, Kishtwar and Srinagar.

The application was filed by the Directorate of Agriculture, Government of Jammu and Kashmir, and facilitated by the Sher-e-Kashmir University of Agriculture Sciences and Technology, Kashmir, and Saffron Research Station, Dussu (Pampore).

END

Source : www.indianexpress.com Date : 2020-05-18

FROM PLATE TO PLOUGH: A 1991 MOMENT FOR AGRICULTURE

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

The Narendra Modi government deserves compliments for finally introducing reforms in the country's agri-marketing system. If the fine print of the proposed legal changes follows the spirit of Finance Minister Nirmala Sitharaman's package last week for farmers, the reforms can go a long way in building efficient value chains and ensuring better returns for farmers. The consumers will also be ensured better products without burdening their pockets.

The finance minister's package had 11 major points, of which eight pertain to miscellaneous items, ranging from Rs one lakh crore for building agriculture infrastructure to Rs 500 crore for beekeeping and another Rs 500 crore for tomatoes, onions, potatoes, and other fruits and vegetables. These are steps in the right direction, but we do not have details on how they will be implemented. Most schemes of this government — including the project to double farmers' incomes by 2022 and the programme to complete 99 irrigation projects by 2019 — have had a success rate of less than 50 per cent. So, I am not very enthused by the first eight points in the FM's speech.

What excites me are the last three points in the speech. They relate to amending the Essential Commodities Act (ECA) of 1955, bringing a Central legislation to allow farmers to sell their produce to anyone, outside the APMC mandi yard, and having barrier-free inter-state trade, and creating a legal framework for contract farming — the buyer can assure a price to the farmer at the time of sowing. Let me explain each one of these, and why I consider them as game-changers.

First, the ECA of 1955 has its roots in the Defence of India Rules of 1943, when India was ravaged by famine and was facing the effects of World War II. It was a scarcity-era legislation. By the mid-1960s, hit by back-to-back droughts, India had to fall back on PL480 imports of wheat from the US and the country was labeled as a "ship to mouth" economy. Today, India is the largest exporter of rice in the world and the second-largest producer of both wheat and rice, after China. Our granaries are overflowing. But our legal framework is of the 1950s, which discourages private sector investment in storage, as the ECA can put stock limits on any trader, processor or exporter at the drop of a hat. As a result, the country lacks storage facilities. When farmers bring their produce to the market after the harvest, there is often a glut, and prices plummet. All this hurts the farmer. In the lean season, prices start flaring up for the consumers. So, both lose out because of the lack of storage facilities. The amendment announced last week, if implemented in the right spirit, will remove this roadblock and help both farmers and consumers while bringing in relative price stability. It will also prevent wastage of agri-produce that happens due to lack of storage facilities.

Second, the proposed Central law to allow farmers to sell to anyone outside the APMC yard will bring greater competition amongst buyers, lower the mandi fee and the commission for arhatiyas (commission agents) and reduce other cesses that many state governments have been imposing on APMC markets. Our farmers suffer more in marketing their produce than during the production process. APMC markets have become monopsonistic with high intermediation costs. The proposed law will open more choices for the farmers and help them in getting better prices. So their incomes should improve. By removing barriers in inter-state trade and facilitating the movement of agri-goods, the law could lead to better spatial integration of prices. This will help farmers of regions with surplus produce to get better prices and consumers of regions with shortages, lower prices. India will have one common market for agri-produce, finally. West Bengal Chief Minister Mamata Banerjee can no longer stop the movement of potatoes from her state to Odisha — as she did some time ago. Third, the legal environment for contract farming, with the assurance of a price to the farmers at the time of sowing, will help them take cropping decisions based on forward prices. Normally, our farmers look back at last year's prices and take sowing decisions accordingly. The new system will minimise their market risks.

However, one must bring in some supplementary notes for optimal results. Big buyers like processors, exporters, and organised retailers going to individual farmers is not a very efficient proposition. They need to create a scale, and for that, building farmer producer organisations (FPOs), based on local commodity interests, is a must. This will help ensure uniform quality, lower transaction costs, and also improve the bargaining power of farmers vis-à-vis large buyers. NABARD has to ensure that all FPOs get their working capital at 7 per cent interest rate — a rate that the farmers pay on their crop loans. Currently most of them depend on microfinance institutions and get loans at 18-22 per cent interest rates. This makes the entire business high-cost.

Another thing to watch out for is the fine print of the legislation. I have heard rumours that if the prices of perishables go up by 100 per cent and that of non-perishables by 50 per cent, the stocking limits under the ECA can be re-imposed. Would the government impose stocking limits on onions if the price goes up from Rs 22/kg, the price right now in Safal kiosks, to Rs 44/kg after a month? That would be unreasonable and all the reforms would be undone. One needs to understand how much is the "extra burden" inflicted by the price increase on the food budget of a household.

The government has surely shown a willingness to walk the right path and deserves compliments. The reforms, announced last week could be a harbinger of major change in agri-marketing, a 1991 moment of economic reforms for agriculture. But before one celebrates it, let us wait for the fine print to come.

The writer is Infosys Chair Professor for Agriculture at ICRIER

END

Source : www.livemint.com Date : 2020-05-18

BANKRUPTCY CODE PUT ON HOLD FOR ONE YEAR

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

Provisions will be made to exclude all virus-related debt from defaults covered under the IBC, the government said

India will suspend fresh bankruptcy proceedings against defaulters for one year so that companies are not dragged into tribunals at a time they are trying to get back on their feet, finance minister Nirmala Sitharaman said.

The government will also make provisions in the law to exclude all debt associated with the pandemic from defaults covered under the Insolvency and Bankruptcy Code (IBC) for triggering action against defaulters by creditors, the minister said while announcing a raft of legislative measures to help businesses tide over the crisis. The measures will be brought to effect through an ordinance, Sitharaman said. Details of the proposed amendments will be known once the ordinance and subsequent notification of the proposals are issued.

The government will also notify a special framework for dealing with the bankruptcy of micro, small and medium enterprises. Also, the minimum payment default threshold for triggering bankruptcy proceeding against a company will be raised from 1 lakh currently to 1 crore, she said.

“Many businesses have got severely affected, particularly during the lockdown and the coronavirus pandemic. Debt related to covid-19 shall be excluded from the category of ‘default’ under IBC. No fresh insolvency proceeding shall be initiated for up to one year," Sitharaman said while explaining the provisions in the proposed ordinance.

While pausing fresh bankruptcy proceedings could be a breather for many companies, it could deprive lenders the opportunity to restructure certain companies which may be beyond redemption.

Experts said the uncertainty surrounding the economy warrants more fundamental changes in the IBC than suspending it for a period.

“Bankruptcy laws have undergone fundamental changes during uncertain times like these in the past. What we need is a revolutionary rehash of the insolvency law and not a pause of the bankruptcy proceedings for a year," said Sumant Batra, managing partner of law firm Kesar Dass B. and Associates.

“A new, out-of-the-box resolution approach is needed, which incentivizes banks and public sector institutions to proactively participate in rescuing businesses. The government should take another leap of faith on IBC," he added.

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Source : www.livemint.com Date : 2020-05-18

GOVT RAISES STATES' BORROWING LIMITS FOR FY21 TO 5% OF GSDP FROM 3% NOW

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

NEW DELHI: The Centre on Sunday raised borrowing limits for states for the current fiscal to 5% of gross state domestic product (GSDP) from 3% at present, allowing them fiscal headroom of 4.28 trillion, subject to their carrying out specific reforms.

While both the Union and state governments have been struggling due to dwindling revenues following the near halt in economic activities because of the lockdown, the condition has been more precarious for states. They have been asking the Centre to allow them to borrow more from the market to finance coronavirus-related expenses.

Allowing extra borrowing limits for states, as part of the reform package, finance minister Nirmala Sitharaman said part of the borrowing will be linked to specified reforms, including recommendations by the 15th Finance Commission such as ensuring sustainability of additional debt through higher future GSDP growth and lower deficits, promoting welfare of migrants and reducing leakage in food distribution, increasing job creation through investment, safeguarding interests of farmers while making the power sector sustainable and promoting urban development, health and sanitation.

Of the 200 basis points raise, the first 50 basis points will be unconditional while the next 100 basis points will be divided into four tranches of 25 basis points each, with each tranche linked to clearly specified, measurable and feasible reform actions. These include reforms in four areas such as universalization of “one nation one ration card", ease of doing business, power distribution and urban local body revenues.

The last 50 basis points of the extra borrowing will be allowed if milestones are achieved in at least three out of four reform areas.

Sitharaman said the Centre has been assisting the states to mitigate the revenue shortfall and the Reserve Bank of India had in March allowed them to frontload 75% of their borrowing in the June quarter. “States have so far borrowed only 14% of the limit authorised. 86% of the authorised borrowing remains unutilized," she added.

D.K. Srivastava, chief policy advisor at EY India said many state governments may not avail the entire incremental amount due to the likelihood of a tangible increase in the borrowing cost because of the large gap that appears to be emerging between the total public sector borrowing requirement (PSBR) and the available resources.

"With the enhanced borrowing program of the centre and states and the borrowing requirement of the public sector enterprises, we consider the total PSRB to be about 14% of GDP in FY21 as against available resources of about 9.5% of GDP. States have already experienced a sharp increase in their cost of borrowing as the yield of 10-year state government bonds auctioned on 7 April 2020 rose by nearly 100 basis points as compared to that which prevailed a month before," he added.

India Ratings and Research has estimated total revenue loss of around 97,100 crore for 21 major states for April due to the lockdown. Things are likely to improve in May following the easing of restrictions such as allowing liquor sales by many states and associated increase in excise duty. Also, some states have raised local taxes on petrol and diesel.

"Although the lockdown is going to adversely impact the revenue performance of all the states, those with a high share of own revenue in the total revenue would be the worst impacted. In this regard, the states that stand out are Goa, Gujarat, Haryana, Tamil Nadu, Telangana, Karnataka, Maharashtra and Kerala as 65%-76% of their revenue comes from their own sources," the rating agency added.

END

Source : www.thehindu.com Date : 2020-05-18

FARM GATE IN FOCUS: THE HINDU EDITORIAL ON MOVE TO AMEND ESSENTIAL COMMODITIES ACT

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

The Centre's objective of using the COVID-19 crisis to usher in an Atmanirbhar Bharat saw Finance Minister Nirmala Sitharaman focus Friday's tranche of announcements on farm sector reforms. The centrepiece was a 1-lakh crore fund to finance agriculture infrastructure projects at the farm gate and produce aggregation points. Given that the lack of adequate cold-storage facilities continues to extract a high price on farmers and the agrarian economy by way of post-harvest losses, especially in perishables, the targeted outlay is a welcome step. The decision to channel the funds to agricultural cooperatives, farmer producer organisations, rural entrepreneurs and start-ups is also encouraging as it lays the onus of creating the appropriate infrastructure or logistics solution largely on the principal beneficiaries, the farmers themselves. The Minister also unveiled a 10,000 crore scheme to promote the formalisation of micro food enterprises. Suggesting a cluster approach focused in different regions on signature produce, Ms. Sitharaman said the goal was to assist unorganised enterprises in scaling up food safety standards to earn the products certification and build brand value. The package, though, may be more beneficial in the longer term than providing any immediate relief from the lockdown-exacerbated distress in the rural hinterland.

Crucially, the Minister also announced three reform proposals that are ostensibly aimed at enabling better price realisation for farmers by removing restrictions and facilitating enhanced marketing freedom. These include amendments to the 1955-vintage Essential Commodities Act that would effectively hollow out the legislation by deregulating cereals, pulses, oilseeds, edible oils, onions and potato. While the Economic Survey, in January, had recommended jettisoning the "anachronistic" Act, the law has nonetheless remained a vital tool in the government's armoury for protecting consumers from irrational volatility in the prices of essentials by tamping down on black marketeers and hoarders. While the Act's provisions do have scope for an overzealous bureaucracy to harass even an honest exporter, who may have paid a fair price to the farmer and stocked produce for shipment overseas, total deregulation for foodgrains is fraught with the risk of future inflationary food price spikes. The other two proposals are also of concern. While one seeks to bypass the APMC regime through a central law that would allow farmers the freedom to sell across State borders, the other proposes a framework for farmers to enter into pre-sowing contracts that would purportedly help assure them of offtake volumes and prices. Both the changes, once enacted, could privilege market forces without necessarily safeguarding food security. Surely, it would be in no one's interest to throw the baby out with the bathwater.

From the abrogation of the special status of Jammu and Kashmir, to the landmark Ayodhya verdict, 2019 proved to be an eventful year.

END

Source : www.pib.gov.in Date : 2020-05-18

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

KEY HIGHLIGHTS

ü **Rs 40,000 crore increase in allocation for MGNREGS to provide employment boost**

ü **Increased investments in Public Health and other health reforms to prepare India for future pandemics**

ü **Technology Driven Education with Equity post-COVID**

ü **Further enhancement of Ease of Doing Business through IBC related measures**

ü **Decriminalisation of Companies Act defaults**

ü **Ease of Doing Business for Corporates**

ü **Public Sector Enterprise Policy for a New, Self-reliant India**

ü **Increase borrowing limits of States from 3% to 5% for 2020-21 only & promoting State level reforms**

Hon'ble Prime Minister Shri Narendra Modi announced a Special economic and comprehensive package of Rs 20 lakh crore - equivalent to 10% of India's GDP on 12th May 2020. He gave a clarion call for or Self-Reliant India Movement. He also outlined five pillars of Atmanirbhar Bharat – Economy, Infrastructure, System, Vibrant Demography and Demand.

In her opening remarks during the 5th Press Conference here today on stimulus package to fight COVID-19 under *Aatma Nirbhar Bharat Abhiyaan*, the Union Minister of Finance & Corporate Affairs Smt. Nirmala Sitharaman referred to the vision laid out by Prime Minister Shri Narendra Modi in his address to the Nation on 12th May 2020. Quoting the Prime Minister, Smt. Sitharaman said that as a Nation, we stand at a very crucial juncture. COVID-19 Pandemic has brought a message and an opportunity. We need now to build an *Aatma Nirbhar Bharat*.

Smt. Sitharaman said that in order to prove the resolve of *Aatma Nirbhar Bharat*, land, labour, liquidity and laws have all been emphasised in ***Aatma Nirbhar Bharat Package***. The crisis and the challenge is an opportunity to build a self-reliant India.

The Finance Minister said today's announcement is in continuation in the series of reforms. Soon after lockdown, we came up with **Prime Minister Garib Kalyan Package (PMGKP)**. As part of the Rs 1.70 lakh crore PMGKP, the Government announced distribution of free food grains, cash payment to women and poor senior citizens and farmers etc. The swift implementation of the package is being continuously monitored. Around 41 crore poor people received financial assistance of Rs 52,608 crore under the PMGKP. The Finance Minister also said PMGKP used technology to do Direct Benefit Transfer (DBT) to people. We could do what we did because of the initiatives taken during the last few years, she added.

In addition, 84 lakh metric tonnes of food grains has been lifted by States and also more than 3.5 lakh metric tonnes of pulses has been dispatched to various States. And for this, Smt. Sitharaman appreciated the concerted efforts of FCI, NAFED and States, giving pulses and grains in huge quantities, despite logistical challenges.

Announcing the 5th and last Tranche of measures towards Government Reforms and Enablers, Smt. Sitharaman detailed seven measures for providing employment, support to businesses, Ease of Doing Business, and State Governments as well sectors such as Education and Health.

The Government will now allocate an additional Rs 40,000 crore under MGNREGS. It will help generate nearly 300 crore person days in total addressing need for more work including returning migrant workers in Monsoon season as well. Creation of larger number of durable and livelihood assets including water conservation assets will boost the rural economy through higher production.

Public Expenditure on Health will be increased by investing in grass root health institutions and ramping up Health and Wellness Centres in rural and urban areas. Setting up of Infectious Diseases Hospital Blocks in all districts and strengthening of lab network and surveillance by Integrated Public Health Labs in all districts & block level Labs & Public Health Unit to manage pandemics. Further, National Institutional Platform for One health by ICMR will **encourage research**. And **i**mplementation of National Digital Health Blueprint under the **National Digital Health Mission.**

PM eVIDYA, a programme for multi-mode access to digital/online education to be launched immediately. **Manodarpan,** an initiative for psycho-social support for students, teachers and families for mental health and emotional well-being to be launched immediately as well. **New National Curriculum and Pedagogical framework** for school, early childhood and teachers will also be launched. **National Foundational Literacy and Numeracy Mission** for ensuring that every child attains Learning levels and outcomes in grade *5* by 2025 will be launched by December 2020.

Minimum threshold to initiate insolvency proceedings has been raised to Rs. 1 crore (from Rs. 1 lakh, which largely insulates MSMEs). Special insolvency resolution framework for MSMEs under Section 240A of the Code will be notified soon.

Suspension of fresh initiation of insolvency proceedings up to one year, depending upon the pandemic situation. Empowering Central Government to exclude COVID 19 related debt from the definition of “default” under the Code for the purpose of triggering insolvency proceedings.

Decriminalisation of Companies Act violations involving minor technical and procedural defaults such as shortcomings in CSR reporting, inadequacies in Board report, filing defaults, delay in holding of AGM. The Amendments will de-clog the criminal courts and NCLT. 7 compoundable offences altogether dropped and 5 to be dealt with under alternative framework.

Key reforms include:

Government will announce a **new policy** whereby -

Centre has decided to **increase borrowing limits of States from 3% to 5% for 2020-21 only.** This will give States extra resources of Rs. 4.28 lakh crore. Part of the borrowing will be linked to specific reforms (including recommendations of the Finance Commission). Reform linkage will be in four areas: universalisation of ‘One Nation One Ration card’, Ease of Doing Business, Power distribution and Urban Local Body revenues. **A specific scheme will be notified by Department of Expenditure on the following pattern:**

The Finance Minister concluded by providing a breakup of the stimulus measures provided so far in order to become *Aatma Nirbhar Bharat*.

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RM/KMN

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RM/KMN

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Source : www.livemint.com Date : 2020-05-18

20 TRILLION STIMULUS: GOVT TO PRIVATISE PUBLIC SECTOR ENTITIES

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

NEW DELHI: Finance Minister Nirmala Sitharaman on Sunday announced a new public sector enterprise (PSE) policy under which there will at least one such entity in strategic sectors while those in non-strategic sectors will be privatised.

In the fifth and final tranche of announcement of the stimulus and reform measures under the 20 trillion package, Sitharaman said India and the world have changed in the last few decades and the country needs a coherent policy with all sectors are open to private players while PSEs play an important role in defined areas.

Sitharaman said government will soon announce list of strategic sectors requiring presence of PSEs in public interest will be notified. “In strategic sectors, at least one enterprise will remain in the public sector but private sector will also be allowed. In other sectors, PSEs will be privatized," she added. The timing of privatisation of such PSUs will be based on feasibility.

To minimise wasteful administrative costs, number of enterprises in strategic sectors will ordinarily be only one to four, she said. “Others will be privatised or merged or brought under holding companies."

This opens up possibility of further consolidation among the 12 public sector banks at present. The government had started the first round of consolidation of Bank of Baroda with Dena and Vijaya Bank in 2018, which was followed by merger of 10 banks into four starting April 1.

A senior official at a state-owned bank said that there are five banks--Bank of Maharashtra, Bank of India, UCO Bank, Indian Overseas Bank and Punjab and Sind Bank--that were not a part of the consolidation plan.

"Looks like the government is keen to continue with its consolidation plan in the banking sector, though there has been no official word on it. Lenders such Bank of India is reasonably big and can absorb smaller or weaker banks," the official said.

Dipti Lavya Swain, corporate M&A lawyer & partner at HSA Advocates, said while the announcements certainly mark the advent of a new disinvestment policy, however, since the disinvestment department is already behind its target, it will be important to see what is the mechanism used under the new privatisation policy and how soon can it be achieved. “What will be strategic and what not, will be a key decision that the government will have to take since there are many sectors where PSEs continue to be financially distressed. The banking sector may see maximum consolidation and mergers with a cap of four PSEs being announced," he added.

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Source : www.pib.gov.in Date : 2020-05-18

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

Finance Minister Ms. Nirmala Sitharaman today announced the fifth and last tranche of stimulus package under the Aatm Nirbhar Bharat towards building a self-reliant India.

7 Focus areas of the last tranche :

1. MGNREGA, 2. Health, 3. Education, 4. Business and Covid-19, 5. Companies Act, 6. Ease of Doing Business and 7. Central and State PSUs.

Key announcements are

Sector wise details

MGNREGS

Health

Government has committed Rs. 15,000 crore for health related measures so far for containment of Covid -19 which includes Rs 50 lakh insurance per person for health professionals under #PMGKY. Rs 4,113 crores released to states. Leveraging technology, eSanjeevani telemedicine service and Aarogya Setu self care and contact tracing App launched. Domestic production of PPE has taken off. Today there are more than 300 PPE manufacturers in the country.

Education

Government ensured that education of students does not suffer during the lockdown period. Since not all students have access to internet, teaching programmes were broadcast through Swayam Prabha DTH channels.

Business and Covid-19

Companies Act – decriminalization of certain offences

Ease of Doing Business

Further key reforms for Ease of Doing Business are in the pipeline:

Public Sector Enterprises

State finances

PS : Detailed Press Release will follow.

MD/PK

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Finance Minister Ms. Nirmala Sitharaman today announced the fifth and last tranche of stimulus package under the Aatm Nirbhar Bharat towards building a self-reliant India.

7 Focus areas of the last tranche :

1. MGNREGA, 2. Health, 3. Education, 4. Business and Covid-19, 5. Companies Act, 6. Ease of Doing Business and 7. Central and State PSUs.

Key announcements are

Sector wise details

MGNREGS

Health

Government has committed Rs. 15,000 crore for health related measures so far for containment of Covid -19 which includes Rs 50 lakh insurance per person for health professionals under #PMGKY. Rs 4,113 crores released to states. Leveraging technology, eSanjeevani telemedicine service and Aarogya Setu self care and contact tracing App launched. Domestic production of PPE has taken off. Today there are more than 300 PPE manufacturers in the country.

Education

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Source : www.indianexpress.com Date : 2020-05-19

COVID LESSONS FOR ECONOMY

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

A raging debate is underway in India — and indeed in other emerging markets — about what the appropriate fiscal response to COVID-19 should be. Monetary policy has moved swiftly and aggressively in many economies but questions remain on its incremental efficacy. Concerns abound that highly risk-averse financial systems will thwart the efficacy of lower rates and higher liquidity. So, while monetary policy may have space, how much efficacy will it have? Fiscal policy can have much efficacy. But how much space does it have? Therein lies the debate.

Thus far the “fiscal space” debate in India has centred exclusively on this year’s deficit and how it will be financed. How much will the deficit go up? How much can it go up? Who will absorb the extra issuance? But a more holistic assessment of fiscal space — and one that ratings agencies and foreign investors will eventually focus on — is the government’s inter-temporal budget constraint and how India’s debt/GDP evolves in the coming years. How much will India’s debt/GDP jump up this year? More importantly, what happens thereafter? Will debt/GDP keep rising year after year? Or will it start declining? As research has found, it’s typically the trajectory of debt/GDP — more than the level — that impacts future growth.

The evolution of debt is essentially a function of three variables: The primary deficit (fiscal deficit net of interest payments) and the relationship between nominal GDP growth and the government’s cost of borrowing. The higher is the difference between growth and cost of borrowing, the greater is the depreciation of the existing debt stock. High growth allows countries to “grow out” of their debts. In contrast, high primary deficits worsen the debt burden.

India comes into COVID-19 with a debt/GDP of about 70 per cent, a primary deficit across the Centre and states of about 2.5 per cent of GDP (including the Centre’s extra-budgetary resources) — based on the Revised Estimates for 2019-20 — a weighted average sovereign borrowing cost of about 7.5 per cent (on the stock of debt) and an estimated pre-COVID nominal GDP growth of 7.5 per cent in 2019-20. In other words, the favourable gap between growth and borrowing costs had closed. With this backdrop, one can simulate what happens to debt/GDP in the coming years under different growth, fiscal and interest-rate scenarios.

What do we find? That even under relatively benign scenarios (nominal GDP growth of 4 per cent and a fiscal expansion of 3 per cent of GDP this year) India’s debt/GDP will balloon towards 80 per cent by the end of the year. But India will not be alone. Public debt is expected to balloon all over the world. Instead, what will matter for sustainability is the trajectory of debt thereafter. Does debt/GDP come down or keep going up in subsequent years?

In turn, the subsequent trajectory depends overwhelmingly on medium-term growth. Consider this: Even if this year’s combined fiscal deficit widens by 6 per cent of GDP (but the primary deficit is then consolidated back to 2 per cent of GDP in 3 years) as long as nominal GDP is 10 per cent in the medium term (which corresponds to real GDP growth of 7 per cent), debt/GDP gets on to a constantly declining path after the third year. This suggests a bigger fiscal intervention is sustainable but only if medium-term growth prospects are lifted in tandem.

In contrast, if this year’s deficit widens by “just” 3 per cent of GDP but if medium-term nominal GDP growth settles at 8 per cent (that is, real GDP growth of 5 per cent), debt/GDP rises relentlessly for the next decade towards 90 per cent of GDP. This suggests even a relatively-conservative fiscal response this year becomes unsustainable if medium-term growth prospects are diminished. Small changes in medium-term growth have large implications for fiscal sustainability.

The main takeaway: How much fiscal space India has to respond in the crisis year will depend crucially on what potential growth is likely to be in the coming years. The more that India's policy response can preserve, protect and boost medium-term growth — both through the nature of the policy intervention this year and the accompanying reforms — the larger the fiscal response India can mount. Put more starkly, the fiscal debate between "need" and "affordability" is endogenous. The medium-term sustainability of any fiscal package this year will depend on the nature of growth-enhancing interventions and reforms that accompany it.

What could these interventions potentially comprise? First, policy must ensure that all viable enterprises can survive the pandemic. If economically-viable but illiquid small and medium enterprises go under, the implications both for unemployment and India's underlying production capacity could be severe. The government's credit-guarantee scheme is, therefore, very important and should hopefully induce banks to provide much-need working capital to keep small businesses afloat.

It will be equally important, however, to jumpstart a risk-averse financial sector into funding an economic recovery, more broadly. Last week's bond market interventions (special liquidity and partial guarantee funds) are important to ease conditions at the financial periphery. Over time, however, liquidity must give way to capital and reform. Pre-emptively recapitalising public sector banks for growth and resolution capital, conducting an AQR for the NBFC sector (once the dust settles from the panic), then converting well-run NBFCs into banks to avail of a stable deposit franchise, and modifying the incentives under which public sector banks operate will be crucial to strengthening the financial sector. Higher potential growth is only feasible if the financial sector is able to fund it.

But real reforms must accompany those in the financial sector. The government's announcement on unshackling agriculture — if carried through to its logical conclusion — is potentially game-changing for farmers and will be a landmark reform for the sector. But reforms are a process, not an event. What else can we contemplate? As COVID-19 hastens the reorganisation of supply-chains within Asia, India must seize the moment to integrate into the Asian supply chain. Why not revisit a Special Export Zone (SEZ) model (with the appropriate regulatory environment to avoid the pitfalls of the past) to help create discrete ecosystems within the country that enable globally-competitive export production? Path dependence will be key. If the first one or two SEZs succeed, it would create a powerful demonstration effect both externally (to help attract more firms into India) and internally (inducing different states to compete to create their own SEZs to drive jobs and investment).

Finally, if the virus has taught the world anything, it's the criticality of social infrastructure. India will not be able to fundamentally alter its growth potential without crucial investments in health and education. The government's announcement to boost health spending is, therefore, very welcome. But how will this be paid for? This is where policy must get creative. Existing assets on the public sector balance sheet must be aggressively monetised to fund growth-enhancing investments in physical and social infrastructure. This will simultaneously take the pressure off the fiscal and financial sectors, and deliver a productivity-enhancing swap on the public sector balance sheet.

Higher potential growth is the antidote to many pressures, from incomes to jobs to debt sustainability. To the extent this unprecedented crisis creates political space and capital to reform, the opportunity must be seized.

The writer is Chief India Economist at J P Morgan

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Source : www.thehindu.com Date : 2020-05-19

A JOLT TO NATIONAL ENERGY SECURITY

Relevant for: Indian Economy | Topic: Infrastructure: Energy incl. Renewable & Non-renewable

Finance Minister **Nirmala Sitharaman's proposal for reform of power tariff policy** — **announced as part of the stimulus package** following the pandemic — is of a piece with the recent comprehensive proposal to amend the Electricity Act 2003; put together, they erode the concurrent status accorded to electricity in the Constitution. If implemented, they will not only weaken the control of States over an industry supplying a basic human necessity such as electricity but also arm the Centre with a pincer-like weapon which could choke the distribution utilities/companies (DISCOM) and jeopardise the country's energy security.

These proposals have to be seen in the context of a continuing centralisation of control over the sector whose main impact in the last 25 years has been to drive up the cost of power purchase to 80% of the total costs of State DISCOMs. At the core of DISCOM woes is the two-part tariff policy, mandated by the Ministry of Power in the 1990s at the behest of the World Bank. As more private developers came forward to invest in generation, DISCOMs were required to sign long-term power purchase agreements (PPA), committing to pay a fixed cost to the power generator, irrespective of whether the State draws the power or not, and a variable charge for fuel when it does.

Tranche 1: Business including MSMEs (May 13, 2020)

The PPAs signed by DISCOMs were based on over-optimistic projection of power demand estimated by the Central Electricity Authority (CEA), a central agency. The 18th Electric Power Survey (EPS) overestimated peak electricity demand for 2019-2020 by 70 GW. The 19th EPS published in 2017, by 25 GW, both pre-Covid 19. In the event, DISCOMs locked into long-term contracts end up servicing perpetual fixed costs for power not drawn. NTPC Limited's Kudgi, in Karnataka, alone received 4,800 crore as idle fixed costs during 2018-19, operating at a plant load factor of only 22%. Due to the CEA's overestimates, the all-India plant load factor of coal power plants is at an abysmal 56% even before COVID-19.

From 2010, solar and wind power plants were declared as "must-run", requiring DISCOMs to absorb all renewable power as long as there was sun or wind, in excess of mandatory renewable purchase obligations. This means backing down thermal generation to accommodate all available green power, entailing further idle fixed costs payable on account of two-part tariff PPAs.

Second, power demand peaks after sunset. In the absence of viable storage, every megawatt of renewable power requires twice as much spinning reserves to keep lights on after sunset. DISCOMs, especially in the southern region, have had to integrate large volumes of infirm power, mostly from solar and wind energy plants which enjoy must-run status irrespective of their high tariffs (5/kwh in Karnataka and 6/kwh in Tamil Nadu for solar power) even as the demand growth envisaged in the 18th EPS failed to materialise.

Tranche 2: Poor, including migrants and farmers (May 14, 2020)

Third, in 2015 the Centre announced an ambitious target of 175 gigawatts of renewable power by 2022, offering a slew of concessions to renewable energy developers, and aggravating the burden of DISCOMs. Incidentally, China benefited by as much as $13 billion in the last five years from India's solar panel imports.

It is against this backdrop that we must examine the proposals in the Electricity Act 2020.

First, the amendment proposes sub-franchisees, presumably private, in an attempt to usher in markets through the back door. Going by past privatisation experiments, private sub-franchisees are likely to cherry-pick the more profitable segments of the DISCOM's jurisdiction. The Electricity Bill 2020 containing the proposed amendments is silent on whether a private sub-franchisee would be required to buy the expensive power (averaging out the idle fixed costs) from the DISCOM or procure cheaper power directly from power exchanges. If it is the first, the gains from the move are doubtful since the room for efficiency improvements is rather restricted in the already profitable regions attractive to sub-franchisees. If it is the second, DISCOMs will then be saddled with costly power purchase from locked-in PPAs and fewer profitable areas from which to recover it.

Tranche 3: Agriculture (May 15, 2020)

Second, the amendment proposes even greater concessions to renewable power developers, with its cascading impact on idling fixed charges, impacting the viability of DISCOMs even more.

Third, and the most controversial amendment proposed, seeks to eliminate in one stroke, the cross-subsidies in retail power tariff. This means each consumer category would be charged what it costs to service that category. Rural consumers requiring long lines and numerous step-down transformers and the attendant higher line losses will pay the steepest tariffs. Disingenuously, the proposed amendments envisage that State governments will directly subsidise whichever category they want to, through direct benefit transfers. Cross-subsidy is a fact of life in even private industries, soap, newspapers, or even utilities such as telecom. There is undoubtedly a case for reducing the steep cross-subsidies in electricity. But eliminating them in one stroke when State governments are already struggling with direct power subsidies is bound to be ruinous to their finances, not to mention the myriad problems with Direct Benefit Transfer. Without going into the political arguments relating to subsidies, and the impact of COVID-19 which has not been factored in, this proposal is practically infeasible; if forcibly implemented, it will lead to chaos.

Tranche 4: New horizons of growth (May 16, 2020)

Fourth, State regulators will henceforth be appointed by a central selection committee, the composition of which inspires little confidence in its objectivity, jeopardising not only regulatory autonomy and independence but also the concurrent status of the electricity sector.

Finally, the last claw in this multipronged pincer is the establishment of a centralised Electricity Contract Enforcement Authority whose members and chairman will again be selected by the same selection committee referred to above. The power to adjudicate upon disputes relating to contracts will be taken away from State Electricity Regulatory Commissions and vested in this new authority, ostensibly to protect and foster the sanctity of contracts. This is to ensure that States saddled with high-priced PPAs and idling fixed costs, yet forced to keep increasing the share of renewables in their basket, have no room for manoeuvre.

Tranche 5: Government reforms and enablers (May 17, 2020)

When the country is reeling under the economic impact of the novel coronavirus crisis, the Electricity Bill 2020 is indeed a disingenuous document drafted to shift the burden imposed by the short-sighted policies of the Centre onto hapless States, with serious consequences for the nation's energy security.

Sudha Mahalingam, Tejal Kanitkar and R. Srikanth are, respectively, Raja Ramanna Chair Professor, Associate Professor and Dean in the Energy and Environment Program at the National Institute of Advanced Studies, Bengaluru

To reassure Indian Muslims, the PM needs to state that the govt. will not conduct an exercise like NRC

END

Source : www.thehindu.com Date : 2020-05-19

A MATTER OF RELIEF: ON ECONOMIC STIMULUS PACKAGE

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

With the **announcement of the final tranche** of **Atmanirbhar Bharat Abhiyan, the COVID-19 relief package**, a pattern to the government's approach is visible. And that is to give a strong supply-side push by boosting availability of capital on easy terms, keep income and wage support schemes to the minimum, empower constituencies ranging from farmers and workers to businesses, and finally, the most important, keep the damage to the fisc as low as possible. **The fiscal impact of the 20-lakh crore package** is estimated by economists at between 2-3% of GDP and that includes drawals from provisions already made in the Budget for this fiscal. The pillar on which the package rests is liquidity support so that businesses can crank up again and set the economic cycle back in motion. The option of a demand-side stimulus through a resort to deficit financing seems to be reserved for a future date if the infection does not subside or a second wave begins prompting another lockdown. The problem with this approach is that there is a desperate need for demand stimulus now. A strategy to drive consumption by, say, suspending GST for a couple of months or at least cutting rates temporarily, combined with a liquidity boost may have worked better under prevailing conditions. The Centre's problem is that its revenues are a fraction of what it would have been in a normal situation but even given this handicap, a fiscal stimulus could have been fitted into the overall package. After all, there is something to be said for the strategy of cutting taxes and riding on the ensuing consumption boost that could bring in revenues to compensate for the cut.

The government has done well in increasing the budget for MGNREGA by two-thirds, adding another 40,000 crore. With migrants now returning to their villages, MGNREGA can be leveraged to keep them occupied with meaningful work. The demand of States for higher borrowings limit has been granted but with clear reform milestones that they have to meet. It remains to be seen if States are enthused to fall in line. The government has also used the opportunity to unleash some much-needed reforms in agriculture marketing, open up more sectors for private participation, enhance foreign direct investment in defence, corporatise the monolith Ordnance Factory Board and so on. How much of these announcements of intent are followed through seriously will have to be watched. In sum, the package has several notable features not all of which are COVID-19 relief. While it is impossible to satisfy all sections of society, especially in a pandemic situation, it has to be said that the government has taken a huge gamble by refusing to borrow and spend more on boosting demand. If the strategy of boosting supply works, it is fine. But if it does not, the government will be faced with a bigger problem down the line.

END

Source : www.economictimes.indiatimes.com Date : 2020-05-19

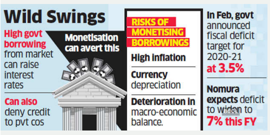
DEBT: GOVERNMENT MAY MONETISE DEBT IF FISCAL OVERSHOOTS: OFFICIAL

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

NEW DELHI: The government may consider monetising its borrowings if the fiscal deficit overshoots expectations sharply, a senior government official told ET.

The government has announced a Rs 20 lakh crore package to support the economy that’s been locked down for nearly two months now, providing support to small businesses, non-banking finance companies (NBFCs), migrant labour and farmers among others. It has also rolled out a series of reforms as part of the programme. “There is no legal bar and there is no conceptual bar either when we have low inflation. We in fact have a situation of deficient demand,” the official said. “So, this is not a situation where monetisation will be inflationary.”

Experts said the impact of the package on government finances will be about 1% of GDP. The government has already raised its borrowing target for the year to Rs 12 lakh crore from 7.8 lakh crore announced in the budget, attributing it to the coronavirus outbreak that’s stalled the economy. FM Nirmala Sitharaman has increased the borrowing limit of states to 5% of gross state domestic product (GSDP) in FY21 from 3%, a move that will make an additional Rs 4.28 lakh crore available to them. This was part of the overall stimulus.



High government borrowing from the market can raise interest rates and deny credit to the private sector. Monetisation can avert this but there are risks of high inflation and currency depreciation apart from a general deterioration in macroeconomic balance. Monetising the debt requires the Reserve Bank of India (RBI) to directly purchase government securities in the primary market to help the central government meet its expenditure, by printing more money. The RBI had ended the practice of direct monetisation in 1997. Economists are divided on the issue – while some have cautioned against the move, others say limited monetisation can be undertaken if needed.

“The government needs to take decisions based on what is the prudent level of spending that it has to incur. And then find money for it either by borrowing for it till the level the money can be sustained and then monetising to the extent it cannot be,” the official said. In February, the government had announced its fiscal deficit target for FY21 at 3.5% but with the Covid-19 crisis, the math needs to be reviewed, experts said. Nomura expects the fiscal deficit to widen to 7% this financial year. A high fiscal deficit supported by borrowings can raise market interest rates. “Go directly to the market— the interest yields will rise, but if you don’t, then interest rate remains the same and it might even fall,” said the official cited above. Debt monetisation improves longterm sustainability as it will keep interest rates in check, he added.

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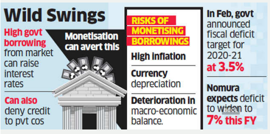

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Source : www.livemint.com Date : 2020-05-19

SOLUTIONS FOR THE JIGSAW PUZZLE THAT IS INDIAN AGRICULTURE

Relevant for: Indian Economy | Topic: Agriculture Issues and related constraints

There are many stylized facts that illustrate the shackles around Indian agriculture. Local solutions need to emerge, and the Centre should undo the shackles

Finance minister Nirmala Sitharaman announced a few farmer-friendly reforms as part of the financial relief package. These included a dilution of the Essential Commodities Act (ECA) by taking some agricultural commodities off a restriction list. Such a reform is always welcome. But, in a way, this is a negative freedom, i.e. freedom from arbitrary interference by the government. The ECA is usually invoked to curb price spikes, because high food inflation hurts consumers. But such intrusiveness hurts farmers, too. For a long time, it has been the contention of farmers that India’s farm and food policies have an urban bias. Even now, the Centre plans to remove food items from the ECA list, but not petrol and diesel. Since fuel is used in trucks to transport farm products, the ECA will still indirectly strangulate the farmer. This is just one example to show that a real unshackling of farmers is still a distant goal.

To understand the challenge of reforming Indian agriculture, it is best to start with some stylized facts. First, most of India’s poor live in rural areas, and hence are connected to farming. Removing poverty in India is almost synonymous with improving the lot of Indian farmers. That is not to ignore the plight of the urban poor, whose distress was only too visible during this pandemic. Second, the most decisive impact on farming will come from actions outside the sector, namely reforms in industry and services. These sectors need to wean farmers away. If their fortunes rise, and jobs boom, farm distress will automatically decline. An all-India survey a few years ago revealed that more than 40% of farmers would gladly leave agriculture, if only they had the option of good-quality, well-paying jobs elsewhere. Take any random survey of the children of farmers who attend schools and colleges. You will be surprised how few of them aspire to continue in farming. Only once the share of manufacturing in India’s gross domestic product rises to near 25%, which is a stated national ambition, will we have effective solutions to the problems of farmers. This is not as non-intuitive as it sounds.

Third, agriculture is a state subject, and for good reason. India has incredible agro-climatic diversity, in addition to diversity in ethnic, cultural and socioeconomic variables. One-size-fits-all policies will not work across the nation. Farm policies have to reflect local needs and exigencies, and the Centre has a limited role in this. Even where we have national policies, their success has been very uneven. Take procurement policy. In a state like Punjab, nearly all of the grain grown is sold to a procurement agency, whereas in a state like Bihar, this figure is not even 5%. It is not as if farmers in Bihar shun government procurement because they get higher prices elsewhere. They often sell well below the government’s Minimum Support Price (MSP). It is suspected that some of Bihar’s production is carted away to Punjab and sold there instead to get the assured MSP. So, farmers of Punjab maximize their benefits, while those of Bihar are left high and dry. This is also seen in fertilizer offtake. The MSP regime works well only in a few states like Punjab and Haryana. Indeed, in these pandemic times, 20 of the 22 crops subject to the MSP regime are being sold below the official minimum prices.

Fourth, the functioning of Agricultural Produce Marketing Committees (APMCs). Sitharaman announced that farmers will have the freedom to bypass state APMCs. But in Punjab, farmers and the state government almost seem addicted to the APMC. The mandi tax is a significant contributor to the state exchequer, and the farmer seems happy to sell his entire produce through the APMC. Bihar repealed the APMC Act in 2006, but the state won't enact a replacement, not even the model Act recommended by the Centre. It is doubtful that repealing the Act has left the state's farmers any better off. The reality is that 94% of farmers in the country do not have access to regulated markets. As pointed out by agricultural commentator Devinder Sharma, what may be needed for better price discovery is a way to supplement the APMC market with many others within close proximity of farms.

A fifth stylized fact is that one third to 40% of farm produce is grown by tenant farmers, who don't own the land. Without collateral, how would they get a loan? Resultantly, despite large volumes of aggregate bank credit flowing into agriculture, less than 50% of farm households have access to it. This is a tough nut to crack, and some states like Andhra Pradesh have adopted innovative ways to ensure credit delivery to tenant farmers. A sixth stylized fact across India is land fragmentation, which gets worse with every generation and no sign of land consolidation. This shows that a poor farmer with a tiny piece of land dare not sell for fear of losing out. Or maybe the laws are stacked against him. Converting land from agricultural to non-agricultural use is usually a process of intrigue and darkness, hindering the functioning of land markets and consolidation. Here too, local experimentation in land pooling and farmer producer companies have shown some success.

There are many such stylized facts that illustrate the plight of and shackles around Indian agriculture. Reforming this is like solving a giant jigsaw puzzle. It cannot be solved in New Delhi alone, but in a thousand places, such as district headquarters and state secretariats, or even village panchayats and talukas. Local solutions need to emerge, and the Centre should undo the shackles.

Ajit Ranade is an economist and a senior fellow at The Takshashila Institution

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Source : www.indianexpress.com Date : 2020-05-20

END OF A MONOPOLY

Relevant for: Indian Economy | Topic: Transport & Marketing of agricultural produce

Agriculture is a state subject under the Constitution, but the Green Revolution wouldn't have happened without the political leadership at the Centre in 1966 approving the import of 18,000 tonnes of seeds of high-yielding semi-dwarf wheat varieties from Mexico. The same goes for the Narendra Modi government's decision now to enact a Central law to **dismantle the monopoly of agricultural produce market committee** (APMC) mandis in the wholesale trading of farm commodities. It's all very well to say that "agriculture" and "markets and fairs" fall under the State List of the Seventh Schedule. However, state governments have done very little all these years to remove barriers to trade in farm produce. Farmers, like any businessmen, should have the freedom to sell their produce to anyone, anywhere and anytime. This, in turn, is also contingent upon processors, traders, retailers or exporters being able to buy directly from them.

Unfortunately, most state APMC laws today permit first sale of farm produce to take place only in notified mandis within the particular tehsils or talukas. Buyers, too, need to obtain individual licenses from each APMC in order to transact. While some states are granting single unified market licenses and allowing direct procurement from farmers, even they require payment of APMC fee — whether or not they are using the infrastructure of the local mandi. Effectively, then, there is no national market for agricultural commodities. What we have, instead, are some 2,500 markets controlled by commission agents, who mediate between sellers and buyers even when not required. This arrangement is anathema to the spirit of liberalisation and also goes against Article 301 of the Constitution, which envisages freedom of trade and commerce "throughout the territory of India". If states haven't really freed agricultural produce trading even within their own territories, the Centre is well within its rights to enact a law using the provisions of entry 33 of the Concurrent List. The latter specifically deals with agricultural produce, including "foodstuffs", "cattle fodder" and "raw cotton".

In an ideal situation, from a cooperative federalism perspective, the initiative for APMC reforms should have come from the states themselves. But there have been times — whether it had to do with the Green Revolution or the nod to Bt cotton cultivation in 2002 — when the Centre had to necessarily take the lead. The Modi government must make it clear that the objective behind its proposed law is not to dismantle APMCs. Farmers will continue to bring their produce to mandis that have good infrastructure (auction platforms, weighbridges, godowns, etc) and where they are likely to find more buyers (Andhra Pradesh's Guntur Mirchi Yard for chilli and the Unjha APMC of Gujarat for jeera are good examples). But that should be a matter of choice, both for farmers and buyers. APMC monopoly has to go.

END

Source : www.pib.gov.in Date : 2020-05-21

CABINET APPROVES PRADHAN MANTRI MATSYA SAMPADA YOJANA FOR BOOSTING FISHERIES SECTOR

Relevant for: Indian Economy | Topic: Economics of Animal-Rearing incl. White, Blue & Pink Revolutions

The Cabinet in its meeting held today has approved the "Pradhan Mantri Matsya Sampada Yojana - A scheme to bring about Blue Revolution through sustainable and responsible development of fisheries sector in India" with highest ever investment of Rs. 20050 crores in fisheries sector comprising of Central share of Rs. 9407 crore, State share of Rs 4880 crore and Beneficiaries contribution of Rs. 5763 crore. PMMSY will be implemented over a period of 5 years from FY 2020-21 to FY 2024-25 in all States/Union Territories.

Aims and objectives of PMMSY

Background

Fisheries and aquaculture are an important source of food, nutrition, employment and income in India. The sector provides livelihood to more than 20 million fishers and fish farmers at the primary level and twice the number along the value chain. Fish being an affordable and rich source of animal protein, is one of the healthiest options to mitigate hunger and malnutrition.

The Gross Value Added (GVA) of fisheries sector in the national economy during 2018-19 stood at Rs 2,12,915 crores (current basic prices) which constituted 1.24% of the total National GVA and 7.28% share of Agricultural GVA. The sector has immense potential to double the fishers and fish farmers' incomes as envisioned by government and usher in economic prosperity.

Fisheries sector in India has shown impressive growth with an average annual growth rate of 10.88% during the year from 2014-15 to 2018-19. The fish production in India has registered an average annual growth of 7.53% during last 5 years and stood at an all-time high of 137.58 lakh metric tons during 2018-19. The export of marine products stood at 13.93 lakh metric tons and valued at Rs.46,589 crores (USD 6.73 billion) during 2018-19.

Foreseeing the immense potential for development of fisheries and for providing focused attention to the sector, the Government in its Union Budget, 2019-20 has announced a new scheme, the Pradhan Mantri Matsya Sampada Yojana (PMMSY).

The scheme intends to address critical gaps in fish production and productivity, quality, technology, post-harvest infrastructure and management, modernization and strengthening of value chain, traceability, establishing a robust fisheries management framework and fishers' welfare. It would also address issues like low productivity in inland Aquaculture, disease, sustainability of marine fisheries, sanitary and phyto-sanitary matters that impact the competitiveness of India's exports along with global bench marking.

Implementation strategy

l. Aquaparks as hub of fisheries and aquaculture activities with assured, affordable, quality inputs under one roof, post-harvest infrastructure facilities, business enterprise zones, logistic support, business incubation centers, marketing facilities etc.

m. Insurance coverage for fishing vessels has been introduced for the first time. Annual Livelihood support for fishers during ban/lean period would be provided.

o. Major investments in construction and modernization of Fishing Harbours and Landing centers for hygienic handling of fish, urban marketing infrastructure to deliver quality and affordable fish, development of state of the art whole sale fish markets, retail markets. E-marketing and E-trading of Fish etc.

Major Impact, including employment generation potential

Intended Beneficiaries:

Fishers, Fish farmers, Fish workers, Fish vendors, SCs/STs/Women/Differently abled persons, Fisheries cooperatives/Federations, FFPOs, Fisheries Development corporations, Self Help Groups (SHGs)/Joint Liability Groups (JLGs) and Individual Entrepreneurs.

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APS/PK/MS/BA

The Cabinet in its meeting held today has approved the “Pradhan Mantri Matsya Sampada Yojana - A scheme to bring about Blue Revolution through sustainable and responsible development of fisheries sector in India” with highest ever investment of Rs. 20050 crores in fisheries sector comprising of Central share of Rs. 9407 crore, State share of Rs 4880 crore and Beneficiaries contribution of Rs. 5763 crore. PMMSY will be implemented over a period of 5 years from FY 2020-21 to FY 2024-25 in all States/Union Territories.

Aims and objectives of PMMSY

Background

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APS/PK/MS/BA

END

Source : www.livemint.com Date : 2020-05-21

CABINET OKAYS 3 TRILLION FUNDING SCHEME FOR MSMES

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

The Union Cabinet on Wednesday approved the 3 trillion emergency credit guarantee scheme for non-banking financial companies (NBFCs) and micro, small and medium enterprises (MSMEs).

The funding is a part of the 20 trillion economic package announced by finance minister Nirmala Sitharaman for the sectors hit hard by coronavirus.

Under the scheme, the entire funding in the form of a guaranteed emergency credit line (GECL) facility will be provided with a 100% credit guarantee by state-owned National Credit Guarantee Trustee Company Limited (NCGTC) to the lenders. Towards this, the Union government will provide 41,600 crore, spread over the current and the next three financial years. NCGTC will not charge any guarantee fee from lending institutions.

The scheme is expected provide an incentive to banks, NBFCs to offer additional funds to MSMEs by providing them 100% guarantee for any losses suffered by the lenders due any default. It will also provide support to small businesses struggling meet their operational liabilities due to the nationwide lockdown.

Interest rates under the scheme will be capped at 9.25% for banks and at 14% for NBFCs. The scheme will cover only existing borrowers with outstanding credit limit of up to 25 crore as on 29 February, and having a turnover of up to 100 crore. The tenor of the loan under the scheme will be four years, with a moratorium period of one year on the principal amount. It will also include borrowers with up to 60 days past dues, and cover working capital and term loan facilities.

“The amount of GECL funding to eligible MSME borrowers either in the form of additional working capital term loans (in case of banks and FIs), or additional term loans (in case of NBFCs) would be up to 20% of their entire outstanding credit up to 25 crore as on 29th February, 2020," an official statement said.

The scheme would be applicable to all loans sanctioned under GECL facility from the date of announcement of the scheme to 31 October, or till an amount of 3 trillion is sanctioned under the scheme, whichever is earlier.

“In view of the critical role of the MSME sector in the economy and in providing employment, the proposed Scheme is expected to provide much needed relief to the sector by incentivizing MLIs (member lending institutions) to provide additional credit of up to 3 trillion to the sector at low cost, thereby enabling MSMEs to meet their operational liabilities and restart their businesses," the statement added.

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END

Source : www.pib.gov.in Date : 2020-05-21

GOVERNMENT OF INDIA LAUNCHES SCHEME FOR 100 % SOLARISATION OF KONARK SUN TEMPLE & KONARK TOWN

Relevant for: Indian Economy | Topic: Infrastructure: Energy incl. Renewable & Non-renewable

The Ministry of New and Renewable Energy (MNRE) has taken up the Complete Solarisation of Konark sun temple and Konark town in Odisha. Speaking about the Scheme, Shri R K Singh, MoS(i/c) for Power and MNRE has said, "Government of India launched the Scheme with an objective to take forward the Prime Minister's vision to develop the historical Sun temple town of Konark in Odisha as 'Surya Nagri', to convey a message of synergy between the modern use of solar energy and the ancient Sun Temple and the importance of promoting solar energy", .

The Scheme envisages setting up of 10 MW grid connected solar project and various solar off-grid applications like solar trees, solar drinking water kiosks, off-grid solar power plants with battery storage etc with a 100% Central Financial Assistance (CFA) support of around Rs. 25 Crores from Government of India through Ministry of New & Renewable Energy (MNRE). Implementation of this Project will be done by Odisha Renewable Energy Development Agency (OREDA).

The Scheme will meet all the energy requirements of Konark town with solar energy.

RCJ/M

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RCJ/M

END

Source : www.pib.gov.in Date : 2020-05-21

CABINET APPROVES "SCHEME FOR FORMALISATION OF MICRO FOOD PROCESSING ENTERPRISES (FME)"

Relevant for: Indian Economy | Topic: Food processing and related industries in India: scope and significance, location, upstream and downstream requirements and supply chain management

The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi, has given its approval to a new Centrally Sponsored Scheme - "Scheme for Formalisation of Micro food processing Enterprises (FME)" for the Unorganized Sector on All India basis with an outlay of Rs.10,000 crore. The expenditure will be shared by GOI and the States in ratio of 60:40.

Details of the Scheme:

Objectives:

Salient features:

Support to Individual micro units:

Support to FPOs/SHGs/Cooperatives:

Implementation schedule:

Administrative and Implementation Mechanisms

State/ UT Nodal Department & Agency

National Portal & MIS

Convergence Framework

Impact and employment generation:

Background:

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VRRK/SH

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Convergence Framework

Impact and employment generation:

Background:

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VRRK/SH

END

Source : www.pib.gov.in Date : 2020-05-21

CABINET APPROVES 'PRADHAN MANTRI MATSYA SAMPADA YOJANA – A SCHEME TO BRING ABOUT BLUE REVOLUTION THROUGH SUSTAINABLE AND RESPONSIBLE DEVELOPMENT OF FISHERIES SECTOR IN INDIA

Relevant for: Indian Economy | Topic: Economics of Animal-Rearing incl. White, Blue & Pink Revolutions

The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi, has given its approval for implementation of the Pradhan Mantri Matsya Sampada Yojana (PMMSY) - A scheme to bring about Blue Revolution through sustainable and responsible development of fisheries sector in India under two components namely, Central Sector Scheme (CS) and Centrally Sponsored Scheme (CSS) at a total estimated investment of Rs. 20,050 crore comprising of (i) Central share of Rs. 9,407 crore, (ii) State share of Rs. 4,880 crore and (iii) Beneficiaries' share of Rs. 5,763 crore.

The Scheme will be implemented during a period of 5 years from FY 2020-21 to FY 2024-25.

The PMMSY will be implemented as an umbrella scheme with two separate Components namely (a) Central Sector Scheme (CS) and (b) Centrally Sponsored Scheme (CSS). The Centrally Sponsored Scheme (CSS) Component is further segregated into Non-beneficiary oriented and Beneficiary orientated subcomponents/activities under the following three broad heads:

a) Enhancement of Production and Productivity

b) Infrastructure and Post-Harvest Management

c) Fisheries Management and Regulatory Framework

Funding Pattern: PMMSY will be implemented with the following funding pattern:

Central Sector Scheme (CS):

a) The entire project/unit cost will be borne by the Central government (i.e. 100% central funding).

b) Wherever direct beneficiary oriented i.e. individual/group activities are undertaken by the entities of central government including National Fisheries Development Board (NFDB), the central assistance will be up to 40% of the unit/project cost for General category and 60% for SC/ST/Women category.

Centrally Sponsored Scheme (CSS):

For the Non-beneficiary orientated sub-components/activities under CSS component to be implemented by the States/UTs, the entire project/unit cost will be shared between Centre and State as detailed below:

a) North Eastern & Himalayan States: 90% Central share and 10% State share.

b) Other States: 60% Central share and 40% State share.

c) Union Territories (with legislature and without legislature): 100% Central share.

For the Beneficiary orientated i.e. individual/group activities subcomponents/activities under CSS component to be implemented by the States/UTs, the Government financial assistance of both Centre and State/UTs governments together will be limited to 40% of the project/unit cost for General category and 60% of the project/unit cost for SC/ST/Women. The Government financial assistance will in turn be shared between Centre and State/UTs in the following ratio:

a) The North Eastern & the Himalayan States: 90% Central share and 10% State share.

b) Other States: 60% Central share and 40% State share.

c) Union Territories (with legislature and without legislature): 100% Central share (No UT Share).

Benefits:

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VRRK/SH

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Benefits:

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VRRK/SH

END

Source : www.pib.gov.in Date : 2020-05-21

CABINET APPROVES SPECIAL LIQUIDITY SCHEME FOR NBFCS/HFCS TO ADDRESS THEIR LIQUIDITY STRESS

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi, has given its approval to the proposal of the Ministry of Finance to launch a new Special Liquidity Scheme for Non-Banking Financial Companies (NBFCs) and Housing Finance Companies (HFCs) to improve liquidity position of the NBFCs/HFCs.

Financial implication:

The direct financial implication for the Government is Rs. 5 crore, which may be the equity contribution to the Special Purpose Vehicle (SPV). Beyond that, there is no financial implication for the Government until the Guarantee involved is invoked. However, on invocation, the extent of Government liability would be equal to the amount of default subject to the Guarantee ceiling. The ceiling of aggregate guarantee has been set at Rs. 30,000 crore, to be extended by the amount required as per the need.

Details of the Scheme:

The Government has proposed a framework for addressing the liquidity constraints of Non-Banking Financial Companies (NBFCs) and Housing Finance Companies (HFCs) through a Special Liquidity Scheme. An SPV would be set up to manage a Stressed Asset Fund (SAF) whose special securities would be guaranteed by the Government of India and purchased by the Reserve Bank of India (RBI) only. The proceeds of sale of such securities would be used by the SPV to acquire short-term debt of NBFCs/HFCs. The Scheme will be administered by the Department of Financial Services, which will issue the detailed guidelines.

Implementation schedule:

A large public sector bank would set up an SPV to manage a stressed asset fund which would issue interest bearing special securities guaranteed by the Government of India, to be purchased by RBI only. The SPV would issue securities as per requirement subject to the total amount of securities outstanding not exceeding Rs. 30,000 crore to be extended by the amount required as per the need. The securities issued by the SPV would be purchased by RBI and proceeds thereof would be used by the SPV to acquire the debt of at least investment grade of short duration (residual maturity of upto 3 months) of eligible NBFCs / HFCs.

Impact:

Unlike the Partial Credit Guarantee Scheme which involves multiple bilateral deals between various public sector banks and NBFCs, requires NBFCs to liquidate their current asset portfolio and involves flow of funds from public sector banks, the proposed scheme would be a one-stop arrangement between the SPV and the NBFCs without having to liquidate their current asset portfolio. The scheme would also act as an enabler for the NBFC to get investment grade or better rating for bonds issued. The scheme is likely to be easier to operate and also augment the flow of funds from the non-bank sector.

Benefits:

It has been announced in the Budget Speech of 2020-21 that a mechanism would be devised to provide additional liquidity facility to NBFCs/HFCs over that provided through the PCGS. This facility would supplement the liquidity measures taken so far by the Government and RBI. The Scheme would benefit the real economy by augmenting the lending resources of NBFCs/HFCs/MFIs.

Background:

It has been announced in the Budget Speech of 2020-21 that a mechanism would be devised to provide additional liquidity facility to NBFCs/HFCs over that provided through the Partial Credit Guarantee Scheme (PCGS). There is an urgency to implement the above Budget announcement to strengthen financial stability on account of the emerging situation of Covid-19.

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VRRK/SH

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VRRK/SH

END

Source : www.pib.gov.in Date : 2020-05-21

CABINET APPROVES ADDITIONAL FUNDING OF UP TO RUPEES THREE LAKH CRORE THROUGH INTRODUCTION OF EMERGENCY CREDIT LINE GUARANTEE SCHEME (ECLGS)

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi, has given the following approvals:

For this purpose, corpus of Rs. 41,600 crore shall be provided by Government of India spread over the current and the next three financial years.

The Cabinet also approved that the Scheme would be applicable to all loans sanctioned under GECL Facility during the period from the date of announcement of the Scheme to 31.10.2020, or till an amount of Rs 3,00,000 crore is sanctioned under the GECL, whichever is earlier.

Details:

The Emergency Credit Line Guarantee Scheme (ECLGS) has been formulated as a specific response to the unprecedented situation caused by COVID-19 and the consequent lockdown, which has severely impacted manufacturing and other activities in the MSME sector. The Scheme aims at mitigating the economic distress being faced by MSMEs by providing them additional funding of up to Rs. 3 lakh crore in the form of a fully guaranteed emergency credit line. The main objective of the Scheme is to provide an incentive to Member Lending Institutions (MLIs), i.e., Banks, Financial Institutions (FIs) and Non-Banking Financial Companies (NBFCs) to increase access to, and enable availability of additional funding facility to MSME borrowers, in view of the economic distress caused by the COVID-19 crisis, by providing them 100 per cent guarantee for any losses suffered by them due to non-repayment of the GECL funding by borrowers.

The salient features of the Scheme include -

Implementation schedule:

The Scheme would be applicable to all loans sanctioned under GECL during the period from the date of announcement of the Scheme to 31.10.2020, or till an amount of Rs three lakh crore is sanctioned under the GECL, whichever is earlier.

Impact:

The Scheme has been formulated as a specific response to the unprecedented situation caused by COVID-19 and the consequent lockdown, which has severely impacted manufacturing and other activities in the MSME sector. In view of the critical role of the MSME sector in the economy and in providing employment, the proposed Scheme is expected to provide much needed relief to the sector by incentivizing MLIs to provide additional credit of up to Rs.3 lakh crore to the sector at low cost, thereby enabling MSMEs to meet their operational liabilities and restart their businesses. By supporting MSMEs to continue functioning during the current unprecedented situation, the Scheme is also expected to have a positive impact on the economy and support its revival.

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VRRK/SH

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VRRK/SH

END

Source : www.pib.gov.in Date : 2020-05-21

COIR GEO TEXTILES GETS NOD FOR RURAL ROAD CONSTRUCTION

Relevant for: Indian Economy | Topic: Infrastructure: Roads

Coir Geo textiles, a permeable fabric, natural, strong, highly durable, resistant to rots, moulds and moisture, free from any microbial attack, has finally been accepted as a good material for rural road construction.

Coir Geo textiles will be used for construction of rural roads under the PMGSY-III says a communication from the National Rural Infrastructure Development Agency under Union Ministry of Rural Development, Govt. of India.

Speaking about the development, Shri Nitin Gadkari, Minister of MSME and Road Transport & Highways, who has been behind the move to explore alternative usage of coir fibre, has said, "This is a very significant development as we have now been successful in deploying coir geo textile in road construction. The decision will give a big boost to the coir industry especially in these difficult times of COVID-19 pandemic."

As per the PMGSY new technology guidelines for road construction, 15% length in each batch of proposals, is to be constructed using new technologies. Out of this 5% roads are to be constructed using IRC accredited technology. The IRC has now accredited coir Geo textiles for construction of rural

roads.

As per these instructions, 5% length of the rural roads under PMGSY-III will be constructed using Coir Geo textiles. Accordingly 164 Kms of road will be constructed using coir geo textiles in Andhra Pradesh, 151 kms in Gujarat, 71 kms in Kerala , 328 kms in Maharashtra,470 kms in Odisha, 369 kms TN and 121 kms in Telengana. Thus 1674 km road will be constructed using Coir Geo textiles in 07 states for which there will be a requirement of One Crore Sq. mtrs of coir Geo-textiles, estimated cost of which would come to Rs.70 Crore.

The decision opens up a huge market potential for Coir Geo-textiles in the Country and will be a boon to the Covid-19 hit Coir Industry.

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RCJ/SKP/IA

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Coir Geo textiles will be used for construction of rural roads under the PMGSY-III says a communication from the National Rural Infrastructure Development Agency under Union Ministry of Rural Development, Govt. of India.

Speaking about the development, Shri Nitin Gadkari, Minister of MSME and Road Transport & Highways, who has been behind the move to explore alternative usage of coir fibre, has said, "This is a very significant development as we have now been successful in deploying coir geo textile in road construction. The decision will give a big boost to the coir industry especially in these difficult times of COVID-19 pandemic."

As per the PMGSY new technology guidelines for road construction, 15% length in each batch of proposals, is to be constructed using new technologies. Out of this 5% roads are to be constructed using IRC accredited technology. The IRC has now accredited coir Geo textiles for construction of rural

roads.

As per these instructions, 5% length of the rural roads under PMGSY-III will be constructed using Coir Geo textiles. Accordingly 164 Kms of road will be constructed using coir geo textiles in Andhra Pradesh, 151 kms in Gujarat, 71 kms in Kerala , 328 kms in Maharashtra,470 kms in Odisha, 369 kms TN and 121 kms in Telengana. Thus 1674 km road will be constructed using Coir Geo textiles in 07 states for which there will be a requirement of One Crore Sq. mtrs of coir Geo-textiles, estimated cost of which would come to Rs.70 Crore.

The decision opens up a huge market potential for Coir Geo-textiles in the Country and will be a boon to the Covid-19 hit Coir Industry.

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RCJ/SKP/IA

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Source : www.livemint.com Date : 2020-05-22

JOB CREATION NUMBER PLUMMETS TO ITS WORST IN FY20 IN MARCH

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

EPFO data says payroll additions in March for the 18-25 age group were about 170,000 less than February figures

NEW DELHI : New jobs in the formal sector plummeted almost 46% in March against February, making it the worst month for job creation in 2019-20, government payroll data shows.

According to data collected through the Employees' Provident Fund Organisation, around 401,949 people joined the formal workforce in March, against 745,655 people in February. The numbers were 833,417 in January, 876,228 in December and 987,668 in November 2019.

The data also indicates that formal sector payroll additions may worsen in April and May when the full impact of covid-19 was felt and businesses were hit hard by the lockdown.

According to EPFO, of the total new payroll additions in March, 222,167 were in the 18-25 age group—considered a key parameter to gauge new job creations— or 170,000 lower than the February numbers.

While 47,016 people in the 26-35 age group joined the workforce in March, 64,697 were above 35 years. The remaining 3,887 were under 18 years. The payroll data of recent months may change slightly due to delays in data collection.

India's economy was slowing even before the lockdown and the covid-19 pandemic has exacerbated the situation, affecting employment generation. Many multilateral organisations said India's growth will slow significantly. The International Monetary Fund has pegged growth at 1.9% for FY21. Goldman Sachs on Sunday said the economy may contract by 45% in Q1FY21.

Experts said micro small and medium enterprises, which contribute significantly to job creation numbers, were most affected. "The impact is increasingly getting visible in job numbers. The full impact of the pandemic on the MSME sector was felt in April and May. Most of them are closed. They are gradually opening, but production has not started in many parts despite relaxation of lockdown norms. Employment generation will take a beating for next six to eight months. By end June, you will get closer to the reality," said K.E. Raghunathan, former president of All Indian Manufacturing Organization.

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Source : www.indianexpress.com Date : 2020-05-22

REFORMS THE FARMER NEEDS

Relevant for: Indian Economy | Topic: Transport & Marketing of agricultural produce

Last week, Finance Minister Nirmala Sitharaman signalled the Union government's intention to enact a new central law that would override existing state regulations that restrict the farmer from legally selling to anyone other than a buyer licensed by the local Agricultural Produce Marketing Committee (APMC). The decision to push for a central law comes after dissatisfaction with two decades of partial and uneven reforms by different states.

In the haste to rid ourselves of old edifices, one must not fail to learn from this long and varied regulatory history and the distinct and diverse realities of agricultural markets on the ground. If this moment is to be a watershed for Indian farmers, we must not begin by overstating the power of legal reform in guaranteeing economic freedom and outcomes. The problems farmers face are not only a result of vested, monopolistic interests, but are rooted in larger structural conditions that significantly weaken their terms of engagement in agricultural markets. The former may be addressed by regulatory intervention. But the latter will need location-specific policies, well-directed investment, and well-functioning agricultural institutions. It is hard to imagine how either can be achieved without a great deal of consensus, coordination and capacity in which the states will need to play a major role.

The dominant narrative laments the fact that farmers are forced to sell their produce only to licensed APMC traders. But the reality is that even today the majority of Indian farmers, especially small and marginal cultivators, sell their produce to small-scale and largely unlicensed traders and intermediaries in the village or in local sites of exchange outside regulated market yards. But, if farmers are bound by law to sell in APMC mandis, why are so many of them selling outside?

At least part of the answer is that India still doesn't have enough mandis. Over the decades, most states in general, and specific regions in particular, have hugely under-invested in the basic infrastructure required to create viable, primary wholesale markets within easy physical reach of farmers. The 2017 Doubling Farmers Income Report estimates that in addition to the current 6,676 principal and sub-market yards under APMCs (also woefully limited in terms of infrastructure) India needs over 3,500 additional wholesale markets. Approximately 23,000 rural periodic markets (or haats) have also suffered long-standing neglect.

So, the new allocation towards market infrastructure must be fully utilised to build up an appropriately designed physical marketing ecosystem, especially in remote regions. Most importantly, unlike in the past, this process should engage deeply with farmers and traders in each location to avoid misdirected and misplaced infrastructure and assets.

Of course, there is no denying that where APMC mandis do exist and have established themselves as dominant market sites, mandi committees have typically done everything in their power to restrict competition. Obtaining a licence for a new entrant — whether a regional trader, processor, national or multinational corporation, or farmer producer organisation — has most often proved to be a bureaucratic nightmare and a costly affair. This is where regulatory reform to remove conflicts of interests, enable the entry of new buyers, and facilitate the flow of trade both within and outside the mandi system is absolutely crucial. No state has done enough in this direction, but here too there are cautionary lessons.

Complete deregulation, as we have seen in the decade following Bihar's repeal of its APMC Act in 2006, does not necessarily transform agricultural markets and spur competition. Even after all restrictions were lifted, there was little uptake in direct procurement by formal players in the state. When corporations entered the maize market in a big way, they chose to buy from larger traders and aggregators and not from farmers. Most farmers have seen little change in marketing practice and continue to sell to village traders as they had done before the repeal. Where private markets have emerged — mainly for horticultural produce — they are constituted and run by local traders and commission agents. But across the system, traders complain about deteriorating infrastructure while the regulatory vacuum has led to the proliferation of brokers to deal with counter-party risk in growing and dynamic commodity markets such as maize.

Where states have undertaken some degree of regulatory reform instead of repeal, for instance in Madhya Pradesh and Karnataka, we do observe, at least to some extent, the fruits of competition. In the early 2000s, when MP granted ITC a licence to set up procurement hubs outside mandi yards, farmers not only gained from price competition, but also from electronic weighing and quick payments, as mandis upgraded in response. But ITC's procurement channel was understandably restricted to select commodities (and qualities), seasons and farms within its own commercial strategy. These limitations revealed the mandi's comparative advantage as a permanent multi-buyer, multi-commodity market for all local producers. The key lesson to draw from studies of direct procurement and contracting is the need for a regulatory architecture that enables both new and existing systems to respond, adapt, and compete.

The same holds true for intermediation. Against the popular demonisation of small traders and intermediaries, over a half-century of scholarship on India's agricultural markets has shown that they exist — and persist — because they are able to respond — in cash, credit, time and place — to the multiple needs of farmers and firms across the interconnected domains of production, marketing, processing and consumption. This is not to say that they do not exploit farmers when the opportunity arises. It is to point out that new, organised and technologically driven procurement and marketing systems will only work as actual options for producers if they manage to address the real constraints that farmers face on the ground, especially access to credit, inputs, storage, transport, and timely payments. Most of these constraints originate in the relations of land ownership and access and the limits and exclusions they impose on smallholding farmers and landless cultivators. Simply put, farmers will not be in a position to exercise any newly granted regulatory freedom in the market if they cannot overcome these constraints. Equally, while increasing competition for intermediaries is desirable, their elimination is a misguided — and indeed dangerous — objective if one does not respect or replace the roles and risks that they cover.

Finally, as we can clearly see today, agriculture is at the very heart of the essential economy and our food system runs on the backs of small-scale producers, traders, commission agents, processors, wholesalers, retailers, and labourers. Regulatory reform to increase competition must not degenerate into re-regulation that unduly favours large-scale consolidation and channel control by erecting new barriers to entry and operation for agro-commercial MSMEs. We must recognise and strengthen the diversity, dynamism, enterprise, and resilience of India's agricultural markets.

Krishnamurthy is a Senior Fellow at the Centre for Policy Research and Associate Professor of Sociology and Anthropology at Ashoka University

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A MOMENT TO REVIVE MGNREGA

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

The lockdown has resulted in a massive loss of livelihoods, and the 400-million strong unorganised workforce is the worst hit. A significant part of this workforce has migrated to cities from rural areas. With the allocation of an additional Rs 40,000 crore as part of the stimulus package, the Union government has finally acknowledged the importance of MGNREGA. The most important part of MGNREGA's design is its legally-backed guarantee for any rural adult to get work within 15 days of demanding it. This demand-based trigger enables the self-selection of workers and gives them an assurance of at least 100 days of wage employment.

The additional financial support for MGNREGA needs to be fully appreciated. But, it is also important to put it in context. Since 2012, an average of 18 per cent of the annual budgetary allocation for MGNREGA has been spent on clearing pending liabilities from the previous years. Even this financial year began with pending wage and material liabilities of Rs 16,045 crore. An allocation of Rs 1 lakh crore for FY 2020-21 would mean that approximately Rs 84,000 crore is available for employment generation this year. This will still be the highest allocation for MGNREGA in any year since the passage of the law. However, the allocation, which amounts to 0.47 per cent of the GDP continues to be much lower than the World Bank recommendations of 1.7 per cent for the optimal functioning of the programme.

Given the scale and depth of the current crisis, this additional allocation too will be under stress, as both the number of people demanding work and the number of days of work they demand will go up dramatically. Nevertheless, since enough funds are now available to meet at least the immediate demands for work, the government must undertake some immediate steps to ensure the MGNREGA lives up to its potential.

First, state governments must ensure that public works are opened in every village. Workers turning up at the worksite should be provided work immediately, without imposing on them the requirement of demanding work in advance.

Second, local bodies must proactively reach out to returned and quarantined migrant workers and help those in need to get job cards.

Third, at the worksite, adequate facilities such as soap, water, and masks for workers must be provided free of cost. For reasons of health safety, MGNREGA tools should not be shared between workers. The government should provide a tool allowance to all workers — some states are already providing such an allowance.

Fourth, procedures for implementing MGNREGA must be simplified but not diluted. The pandemic has demonstrated the importance of decentralised governance. Gram panchayats and elected representatives need to be provided with adequate resources, powers, and responsibilities to sanction works, provide work on demand, and authorise wage payments to ensure there are no delays in payments.

Fifth, as per a study by the RBI, more than half the districts in the country are under-banked. The density of bank branches in rural India is even more sparse. At this time, payments need to not only reach bank accounts on time, but cash needs to reach the workers easily and efficiently. The limited coverage of bank infrastructure in rural areas must not be made a hurdle. Attempts to distribute wages in cash, sans biometric authentication, must be rolled out.

Sixth, there needs to be flexibility in the kinds of work to be undertaken, while ensuring that the community and the workers are the primary beneficiaries. While many governments will possibly prioritise individual land-based works to comply with instructions of physical distancing, it is important to also keep community works going to ensure that landless workers are not crowded out of the programme

Over the last few years, MGNREGA had begun to face an existential crisis, engineered by successive governments capping its financial resources, and turning it into a supply-based programme. Workers had begun to lose interest in working under it because of the inordinate delays in wage payments.

With very little autonomy, gram panchayats had begun to find implementation cumbersome. Barring a few exceptions, state governments were only interested in running the programme to the extent funds were made available from the Centre. Allocating work on demand, and not having enough funds to pay wages on time was bound to cause great distress amongst the workers and eventually for the state too. As a result, state governments had begun to implement MGNREGA like a supply-driven scheme, instead of running it like a demand-based guarantee backed by law. With nearly eight crore migrant workers returning to their villages, and with an additional allocation for the year, this could be a moment for the true revival of MGNREGA. A revival led by workers themselves.

The writer works with the Social Accountability Resource Unit and is associated with the Peoples' Action for Employment Guarantee (PAEG)

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INDIA TESTS GDP NEGATIVE: NOW, RESERVE BANK NUDGES ECONOMY FURTHER

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Inflation & Monetary Policy

RBI governor announces a 40 bps cut in repo and reverse repo rates, while pivoting the regulator’s focus from inflation control to fostering growth

The Reserve Bank of India (RBI) delivered an emergency rate cut for the second time in as many months on Friday as it judged that the coronavirus pandemic poses a grave threat to the country and will lead to the first economic contraction in 40 years.

Central bank governor Shaktikanta Das took to YouTube on Friday to announce a 40 basis points (bps) cut in repo and reverse repo rates, while markedly pivoting the central bank’s focus from inflation control to fostering growth. Das pledged to take whatever “measures are necessary" to meet the challenges posed by the pandemic.

The monetary policy committee’s (MPC’s) shift of focus to reviving growth, prompted by the severe economic stagnation, is borne out by its emphasis on smoothening transmission of lower rates and improving industry’s access to working capital, elongating the borrowers’ repayment curve to ease debt servicing stress and relaxing asset classification norms.

“It is in the growth outlook that the MPC judged the risks to be gravest. The combined impact of demand compression and supply disruption will depress economic activity in the first half of the year," governor Das said in a statement.

The MPC voted five to one in favour of the 40-bps cut in benchmark rates, with member Chetan Ghate voting for a 25-bps cut.

Economists expect more such cuts. Rahul Bajoria, chief India economist at Barclays Bank, said he expects an additional 50 bps of rate cuts, most likely to be delivered by end-June or early July. “This keeps our projection of terminal repo rate at 3.50%, with risks clearly biased towards rates going further lower," said Bajoria.

In another departure from established practice, the central bank refrained from providing a gross domestic product (GDP) growth forecast for the year, or the likely trajectory for inflation. “Given all these uncertainties, GDP growth in 2020-21 is estimated to remain in negative territory, with some pickup in growth impulses from H2: 2020-21 onwards," governor Das said.

Das noted that monetary policy transmission to banks’ lending rates has continued to improve and the one-year median marginal cost of funds-based lending rate declined 90 bps between February 2019 and 15 May 2020. This comes at a time when credit growth is declining as borrowers shun new loans and instead look for repayment deferment on existing debt.

The markets sent mixed signals in response to the RBI rate action. The equity markets displayed its disapproval with the benchmark Sensex losing over 260 points at closing. However, bonds rallied with yields on the benchmark 10-year sovereign bonds falling 7 bps to close at 5.96%. The rupee closed at 75.96 a dollar, 0.44% weaker than its previous close.

The governor and the MPC painted a grim picture of the economy.

According to Das, domestic economic activity has been severely impacted by the ongoing lockdown. The top six industrialised states that account for about 60% of industrial output are largely in red or orange zones. Noting that demand has been severely impacted, the governor pointed out that the biggest blow from covid-19 has been to private consumption, accounting for about 60% of domestic demand.

“Amid this encircling gloom, agriculture and allied activities have provided a beacon of hope on the back of an increase of 3.7% in foodgrain production to a new record," said Das.

The monetary policy committee, Das said, feels that headline inflation may remain firm in the first half of FY21 but should ease in the second half, aided also by favourable base effects. By the third and fourth quarters of the current financial year, the MPC expects that the headline inflation will fall below the target of 4%.

“Thus, the forward guidance of the MPC is directional rather than in terms of levels. Going forward, as and when more data are available, it should be possible to estimate the path of inflation with greater certainty," he said, adding that the inflation outlook has become complicated by the release of partial information on the Consumer Price Index (CPI) by the National Statistical Office (NSO), obscuring a comprehensive assessment of the price situation.

The MPC believes that the macroeconomic impact of the pandemic is turning out to be more severe than initially anticipated, and various sectors of the economy are experiencing acute stress.

Given the economic compulsions and the unfolding financial and economic stress, Das said RBI’s goals are to improve liquidity in the financial system, ensure smooth functioning of financial markets, to deepen financial inclusion and to preserve financial stability.

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Source : www.thehindu.com Date : 2020-05-23

NOTES ON A DIGITAL CURRENCY PLAN, MADE IN CHINA

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

While the world is grappling with the fallout of COVID-19 and speculating on how far China can be blamed for the pandemic, a silent digital revolution is taking place in China. On April 29, 2020, the People's Bank of China (PBoC), the country's central bank, issued a cryptic press release to the general effect: "In order to implement the FinTech Development Plan (2019-2021), the People's Bank of China has explored approaches to designing an inclusive, prudent and flexible trial-and-error mechanism. In December 2019, a pilot programme was launched in Beijing. To intensively advance the trial work of fintech innovation regulation, the PBoC supports the expansion of the pilot program to cover the cities of Shanghai, Chongqing, Shenzhen, Hangzhou, Suzhou, as well as Xiong'an New Area of Hebei, by guiding licensed financial institutions and tech companies to apply for an innovation test."

This expansion of the pilot marks the initiation of China's central bank digital currency (CBDC). Christened Digital Currency Electronic Payment (DCEP), available via a mobile wallet app, pegged 1:1 with fiat currency, and designed to replace M0 (comprising currency issued by the PBoC less the amount held by banking institutions), this is the first such serious initiative in the whole world.

Also read | Is banning cryptocurrencies the solution?

Historically, monetary authorities everywhere have been sceptical of cryptocurrencies. Wild fluctuations in the value of cryptocurrencies, the implied challenge to the monopoly of central banks in issuing fiat currencies, the looming possibility of software bugs, the tainted shadow of the dark web have all been responsible for the unwelcome reception. In contrast, authorities were far more intrigued by CBDCs. In fact, the Basel-based Bank for International Settlement (BIS) has been conducting surveys on this issue for some time. The recent survey of 2019 ("Proceeding with Caution – a Survey on Central Bank Digital Currency", BIS Papers No 101, January 2019) revealed that while in general, central banks have been proceeding cautiously towards introducing central banks digital currencies, some have been planning to issue a fiat digital currency in the short to medium term. In particular, the survey revealed that nearly 25% of central banks have the required authority to issue a CBDC, while a third do not, and 40% remain unsure.

Chinese investors, however, were always enamoured of cryptocurrencies. With the bearish turn in the Chinese stock market in 2015-16, bitcoins became increasingly popular as an alternative asset class in China. As in media reports, in the recent past, China has emerged as the capital of the crypto ecosystem, accounting for nearly 90% of trading volumes and hosting two-thirds of bitcoin mining operations. The PBoC tried hard to curtail this exuberance but achieved limited success. According to the *China Daily*, by the end of 2017, the Chinese Cabinet approved the PBoC's own digital currency development programme, conducted jointly with qualified commercial banks and institutions. The recent move to introduce the CBDC in China is a logical outcome of the efforts to curb and tackle its runaway cryptomarket practices. Or, the philosophy of the PBoC could simply have been, if you cannot beat them, join them.

At a practical level, the benefits of CBDC are manifold. First, paper money comes with high handling charges and eats up 1% to 2% of GDP. Second, by acting as a powerful antidote for tax evasion, money laundering and terror financing, CBDCs can materially boost tax revenues while also improving financial compliance and national security. Third, as a tool of financial inclusion, particularly in emergencies, direct benefit transfers can be instantly delivered by state authorities deep into rural areas, directly into the mobile wallets of citizens who need them. On this count, it is noteworthy that the U.S. Congress recently debated the merits of implementing digital dollars in the context of the COVID-19 stimulus bill. Fourth, CBDCs can provide central banks an uncluttered view and powerful insights into purchasing patterns at the citizen scale. In the long run, it is believed that CBDCs will make cross-border payments fast and frictionless. That said, all these salutary benefits come packaged with a deep and abiding concern about the relentless rise of a surveillance state and the concomitant erosion in citizen privacy and anonymity. If face-recognition technology enables states to spy on the physical movement of citizens, will CBDCs be used to spy on every movement of their money?

Also read | Visa, Mastercard shun Facebook's Libra digital currency plan

What is the design of DCEP, the Chinese CBDC? An earlier research paper by PBoC Deputy Governor Fan Yifei favoured a two-tier CBDC model where instead of directly interacting with the public, the central bank would involve financial intermediaries such as commercial banks. In tier 1, the central bank would interface with financial intermediaries. In tier 2, the financial intermediaries would interface with the general public. Such a model is accretive in that it preserves the power of existing financial systems and extends their influence further. It is believed that the DCEP uses a DLT architecture (with central controls) which preserves the primacy of the monetary authority, unlike private cryptocurrencies such as Bitcoin (BTC) and Ethereum (ETH) that are truly decentralised.

What may China be signalling with the launch of DCEP? It is possible that China has decided to use DCEP as its silver bullet to slay three dragons. First, on the world economic stage, it may want DCEP to challenge the hegemony of the U.S. dollar as the default global reserve currency. Second, in its war with American BigTech, it may want to showcase DCEP as its weapon of choice to counter FB or Facebook’s Libra, which is planning to offer a common cryptocurrency to 2 billion-plus FB users across the world. Third, and still in the realm of speculation, it may wish to use the DCEP to clip the wings of AliPay and WeChatPay, gigantic fintech duopolies that control 90% of the China’s domestic digital payments, and whose ambitions may one day pose a threat to the aura and authority of the central bank.

From gold to silver to paper to digital, the march of currencies goes on. China has rolled the dice on central bank digital currencies, challenging other nations to follow. Welcome to the future of money.

Partha Ray is Professor of Economics at the Indian Institute of Management Calcutta. Santanu Paul is Co-founder and CEO of TalentSprint, an edtech company

To reassure Indian Muslims, the PM needs to state that the govt. will not conduct an exercise like NRC

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Source : www.pib.gov.in Date : 2020-05-23

RBI ANNOUNCES NINE ADDITIONAL MEASURES FOR STRENGTHENING THE ECONOMY

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

Mumbai | May 22, 2020

"It is when the horizon is the darkest and human reason is beaten down to the ground that faith shines brightest and comes to our rescue."

RBI Governor Shaktikanta Das drew hope and inspiration from the 1929 statement of the Father of the Nation, as he announced yet another set of nine measures to smoothen the flow of finance and preserve financial stability in the turbulent and uncertain times ushered in by the COVID-19 pandemic. This follows the earlier sets of measures announced by RBI on April 17, 2020 and on March 27, 2020.

Making the announcements through an online address, the Governor stated that we must have faith in India's resilience and capacity to overcome all odds. Expressing the confidence that we will together triumph over today's traumatic trials, the Governor spoke with a sense of calling. He noted that the situation warrants that "central banks have to answer the call to the frontline in defence of the economy".

Repo rate reduced by 40 basis points

The Governor has announced a reduction in major policy rates, in order to revive growth and mitigate the impact of COVID-19, while ensuring that inflation remains within the target. The repo rate has been reduced by 40 basis points from 4.4% to 4.0%. The Marginal Standing Facility rate and the Bank rate have been reduced from 4.65% to 4.25%. The reverse repo rate has been reduced from 3.75% to 3.35%.

"Judging that the risks to growth are acute, while the risks to inflation are likely to be short-lived, the Monetary Policy Committee believes that it is essential now to instil confidence and ease financial conditions further. This will facilitate the flow of funds at affordable rates and rekindle investment impulses. It is in this context that the MPC voted to reduce the policy repo rate by 40 basis points from 4.4 per cent to 4.0 per cent" the Governor said.

Shri Das also announced a set of regulatory and developmental measures which he said complement the reduction in the policy rate and also strengthen each other.

He reiterated that the goals of the measures being announced are:

Measures to Improve the Functioning of Markets

In order to enable increased supply of affordable credit to small industries, the RBI had, on April 17, 2020, announced a special refinance facility of 15,000 crore to SIDBI at RBI's policy repo rate for a period of 90 days. This facility has now been extended by another 90 days.

The VRR is an investment window provided by RBI to Foreign Portfolio Investors, which provides easier rules in return for a commitment to make higher investments. The rules stipulate that at least 75% of the allotted investment limit be invested within three months; considering the difficulties being faced by investors and their custodians, the time limit has now been revised to six months.

Measures to Support Exports and Imports

The maximum permissible period of pre-shipment and post-shipment export credit sanctioned by banks to exporters has been increased from the existing one year to 15 months, for disbursements made up to July 31, 2020.

The Governor has announced a line of credit of 15,000 crore to the EXIM Bank, for financing, facilitating and promoting India's foreign trade. The loan facility has been given for a period of 90 days, with a provision to extend it by one year. The loan is being given in order to enable the bank to meet its foreign currency resource requirements, especially in availing a US dollar swap facility.

The time period for import payments against normal imports (i.e. excluding import of gold/diamonds and precious stones/jewellery) into India has been extended from six months to twelve months from the date of shipment. This will be applicable for imports made on or before July 31, 2020.

Measures to Ease Financial Stress

The RBI has extended the applicability of certain regulatory measures announced earlier, by another three months from June 1, 2020 till August 31, 2020. These measures will now be applicable for a total period of six months (i.e. from March 1, 2020 to August 31, 2020). The aforesaid regulatory measures are: (a) 3-month moratorium on term loan instalments; (b) 3-month deferment of interest on working capital facilities; (c) easing of working capital financing requirements by reducing margins or reassessment of working capital cycle; (d) exemption from being classified as 'defaulter' in supervisory reporting and reporting to credit information companies; (e) extension of resolution timelines for stressed assets; and (f) asset classification standstill by excluding the moratorium period of 3 months, etc. by lending institutions. The lending institutions have been permitted to restore the margins for working capital to their original levels by March 31, 2021. Similarly, the measures pertaining to reassessment of working capital cycle are being extended up to March 31, 2021.

Lending institutions have been allowed to convert the accumulated interest on working capital facilities over the total deferment period of 6 months (i.e. March 1, 2020 up to August 31, 2020) into a funded interest term loan, to be fully repaid during the course of the current financial year, ending March 31, 2021.

The maximum credit which banks can extend to a particular corporate group has been increased from 25% to 30% of the bank's eligible capital base. This has been done in order to enable corporates to meet their funding requirements from banks, in view of the current difficulties being faced by corporates in raising money from the markets. The increased limit will be applicable up to June 30, 2021.

Measures to ease financial constraints faced by State Governments

The Consolidated Sinking Fund is being maintained by state governments as a buffer for repayment of their liabilities. The rules governing withdrawal from this Fund have now been relaxed, in order to enable states to enable them to repay their borrowings from the market, which become due in 2020-21. The change in withdrawal norms will come into force with immediate effect and will remain valid till March 31, 2021. The Governor added that the relaxation is being done, while ensuring that depletion of the Fund balance is done prudently.

Assessment of Economy

Presenting an assessment of the global economy, the Governor said that the macroeconomic and financial conditions are austere by all counts. He stated that the global economy is headed inexorably into a recession.

The domestic economy too has been severely impacted by the two-month lockdown, said the Governor. "The top 6 industrialised states that account for about 60 per cent of industrial output are largely in red or orange zones." Demand has collapsed, production has come down, taking a toll on fiscal revenues. Private consumption has been dealt a severe blow.

The Governor said that agriculture and allied activities have provided a beacon of hope, amidst this encircling gloom. A ray of hope also comes from the forecast of a normal southwest monsoon in 2020 by the India Meteorological Department.

The Governor recalled that based on the incomplete data made available, food inflation, which had come down from its January 2020 peak for the second successive month in March, suddenly reversed and increased to 8.6% in April as supply disruptions took their toll, despite the current reduction in demand. India's merchandise exports and imports suffered their worst slump in the last 30 years as COVID-19 paralysed world production and demand.

The Governor informed that the Monetary Policy Committee assessed that the inflation outlook is highly uncertain. The supply shock to food prices in April may persist for the next few months, depending upon the state of lockdown and the time taken to restore supply chains after relaxation. The elevated level of pulses inflation is worrisome, and warrants timely and swift supply management interventions, including a reappraisal of import duties.

Speaking of the road ahead for the economy, the Governor noted that the combined impact of demand compression and supply disruption will depress economic activity in the first half of the year. Assuming that economic activity gets restored in a phased manner, especially in the second half of this year, and taking into consideration favourable base effects, it is expected that the combination of fiscal, monetary and administrative measures being currently undertaken would create conditions for a gradual revival in activity in the second half of 2020-21.

Given all these uncertainties, GDP growth in 2020-21 is estimated to remain in negative territory, with some pick-up in growth impulses from H2: 2020-21 onwards. Much will depend on how quickly the COVID curve flattens and begins to moderate.

The full statement by the Governor can be read here.

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MD/DJM

Mumbai | May 22, 2020

"It is when the horizon is the darkest and human reason is beaten down to the ground that faith shines brightest and comes to our rescue."

RBI Governor Shaktikanta Das drew hope and inspiration from the 1929 statement of the Father of the Nation, as he announced yet another set of nine measures to smoothen the flow of finance and preserve financial stability in the turbulent and uncertain times ushered in by the COVID-19 pandemic. This follows the earlier sets of measures announced by RBI on April 17, 2020 and on March 27, 2020.

Making the announcements through an online address, the Governor stated that we must have faith in India's resilience and capacity to overcome all odds. Expressing the confidence that we will together triumph over today's traumatic trials, the Governor spoke with a sense of calling. He noted that the situation warrants that "central banks have to answer the call to the frontline in defence of the economy".

Repo rate reduced by 40 basis points

The Governor has announced a reduction in major policy rates, in order to revive growth and mitigate the impact of COVID-19, while ensuring that inflation remains within the target. The repo rate has been reduced by 40 basis points from 4.4% to 4.0%. The Marginal Standing Facility rate and the Bank rate have been reduced from 4.65% to 4.25%. The reverse repo rate has been reduced from 3.75% to 3.35%.

"Judging that the risks to growth are acute, while the risks to inflation are likely to be short-lived, the Monetary Policy Committee believes that it is essential now to instil confidence and ease financial conditions further. This will facilitate the flow of funds at affordable rates and rekindle investment impulses. It is in this context that the MPC voted to reduce the policy repo rate by 40 basis points from 4.4 per cent to 4.0 per cent" the Governor said.

Shri Das also announced a set of regulatory and developmental measures which he said complement the reduction in the policy rate and also strengthen each other.

He reiterated that the goals of the measures being announced are:

Measures to Improve the Functioning of Markets

In order to enable increased supply of affordable credit to small industries, the RBI had, on April 17, 2020, announced a special refinance facility of 15,000 crore to SIDBI at RBI's policy repo rate for a period of 90 days. This facility has now been extended by another 90 days.

The VRR is an investment window provided by RBI to Foreign Portfolio Investors, which provides easier rules in return for a commitment to make higher investments. The rules stipulate that at least 75% of the allotted investment limit be invested within three months; considering the difficulties being faced by investors and their custodians, the time limit has now been revised to six months.

Measures to Support Exports and Imports

The maximum permissible period of pre-shipment and post-shipment export credit sanctioned by banks to exporters has been increased from the existing one year to 15 months, for disbursements made up to July 31, 2020.

The Governor has announced a line of credit of 15,000 crore to the EXIM Bank, for financing, facilitating and promoting India's foreign trade. The loan facility has been given for a period of 90 days, with a provision to extend it by one year. The loan is being given in order to enable the bank to meet its foreign currency resource requirements, especially in availing a US dollar swap facility.

The time period for import payments against normal imports (i.e. excluding import of gold/diamonds and precious stones/jewellery) into India has been extended from six months to twelve months from the date of shipment. This will be applicable for imports made on or before July 31, 2020.

Measures to Ease Financial Stress

The RBI has extended the applicability of certain regulatory measures announced earlier, by another three months from June 1, 2020 till August 31, 2020. These measures will now be applicable for a total period of six months (i.e. from March 1, 2020 to August 31, 2020). The aforesaid regulatory measures are: (a) 3-month moratorium on term loan instalments; (b) 3-month deferment of interest on working capital facilities; (c) easing of working capital financing requirements by reducing margins or reassessment of working capital cycle; (d) exemption from being classified as 'defaulter' in supervisory reporting and reporting to credit information companies; (e) extension of resolution timelines for stressed assets; and (f) asset classification standstill by excluding the moratorium period of 3 months, etc. by lending institutions. The lending institutions have been permitted to restore the margins for working capital to their original levels by March 31, 2021. Similarly, the measures pertaining to reassessment of working capital cycle are being extended up to March 31, 2021.

Lending institutions have been allowed to convert the accumulated interest on working capital facilities over the total deferment period of 6 months (i.e. March 1, 2020 up to August 31, 2020) into a funded interest term loan, to be fully repaid during the course of the current financial year, ending March 31, 2021.

The maximum credit which banks can extend to a particular corporate group has been increased from 25% to 30% of the bank's eligible capital base. This has been done in order to enable corporates to meet their funding requirements from banks, in view of the current difficulties being faced by corporates in raising money from the markets. The increased limit will be applicable up to June 30, 2021.

Measures to ease financial constraints faced by State Governments

The Consolidated Sinking Fund is being maintained by state governments as a buffer for repayment of their liabilities. The rules governing withdrawal from this Fund have now been relaxed, in order to enable states to enable them to repay their borrowings from the market, which become due in 2020-21. The change in withdrawal norms will come into force with immediate effect and will remain valid till March 31, 2021. The Governor added that the relaxation is being done, while ensuring that depletion of the Fund balance is done prudently.

Assessment of Economy

Presenting an assessment of the global economy, the Governor said that the macroeconomic and financial conditions are austere by all counts. He stated that the global economy is headed inexorably into a recession.

The domestic economy too has been severely impacted by the two-month lockdown, said the Governor. “The top 6 industrialised states that account for about 60 per cent of industrial output are largely in red or orange zones.” Demand has collapsed, production has come down, taking a toll on fiscal revenues. Private consumption has been dealt a severe blow.

The Governor said that agriculture and allied activities have provided a beacon of hope, amidst this encircling gloom. A ray of hope also comes from the forecast of a normal southwest monsoon in 2020 by the India Meteorological Department.

The Governor recalled that based on the incomplete data made available, food inflation, which had come down from its January 2020 peak for the second successive month in March, suddenly reversed and increased to 8.6% in April as supply disruptions took their toll, despite the current reduction in demand. India’s merchandise exports and imports suffered their worst slump in the last 30 years as COVID-19 paralysed world production and demand.

The Governor informed that the Monetary Policy Committee assessed that the inflation outlook is highly uncertain. The supply shock to food prices in April may persist for the next few months, depending upon the state of lockdown and the time taken to restore supply chains after relaxation. The elevated level of pulses inflation is worrisome, and warrants timely and swift supply management interventions, including a reappraisal of import duties.

Speaking of the road ahead for the economy, the Governor noted that the combined impact of demand compression and supply disruption will depress economic activity in the first half of the year. Assuming that economic activity gets restored in a phased manner, especially in the second half of this year, and taking into consideration favourable base effects, it is expected that the combination of fiscal, monetary and administrative measures being currently undertaken would create conditions for a gradual revival in activity in the second half of 2020-21.

Given all these uncertainties, GDP growth in 2020-21 is estimated to remain in negative territory, with some pick-up in growth impulses from H2: 2020-21 onwards. Much will depend on how quickly the COVID curve flattens and begins to moderate.

The full statement by the Governor can be read here.

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MD/DJM

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MUST START RS 1,000 PER MONTH TRANSFER NOW: ABHIJIT BANERJEE AND ESTHER DUFLO

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

New Delhi: India should immediately begin cash transfers of 1,000 per person per month as universal ultra-basic income (UBI) and implement the one-nation, one ration card scheme urgently, to tide over the crisis caused by the Covid 19 pandemic, Nobel Laureates Abhijit Banerjee and Esther Duflo have said.

In a conversation with each other at online version of Jaipur Literature Fest on Sunday, Banerjee said that India could help in mass production of the Covid 19 vaccine, when it is developed, but cautioned that in the absence of one, India is set to see another lockdown since cases were only rising. India’s strength as a vaccine producer could be leveraged further, but it will have to work with other nations to iron out the distribution, funding and intellectual property rights battles. “It will be a good training for nations to work together,” he added.

Cash transfers

“1000 per person per month would make a huge difference, that's probably too much. Even 500, so for a family of five 2,500, I think that makes a big difference. It would pay for all the emergency things,” Banerjee said.

“India is going to face a massive demand shock so pumping money in the hands of people might actually be the way to save the economy,” Banerjee said, underlining the solution for addressing the demand gap issue in India.

Banerjee appreciated the government’s efforts of providing one nation, one ration card, but stressed that the implementation needs to done “now… urgently.”

Duflo said that India could immediately start with UBI, as it was “very close” with the pipelines through JAM (Jan Dhan-Aadhaar-Mobile) trinity already in place. She flagged that the government’s thinking that the grant or aid should not reach the undeserving poor, needs to change.

She added that the Covid 19 situation may have pushed people back into a “poverty trap,” which is where UBI could help, and that the government could not just use UBI for aiding people, but keep it as social security option for those who may need, even after the crisis tides over. “We have to reassure people that next lockdown will be much better and that’s going to be the key for recovery,” Banerjee said.

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STATES MUST SEEK U.P. NOD TO HIRE ITS WORKERS: ADITYANATH

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

Yogi Adityanath

If any State wants migrant workers from Uttar Pradesh, it would have to first seek the permission of the U.P. government, Chief Minister Yogi Adityanath announced on Sunday.

Mr. Adityanath said that the migrant workers from the State had not been taken care of in some States.

“Because of the kind of behaviour and misery [migrant workers had to face] in some States, we are going to take their social security guarantee in our own hands,” Mr. Adityanath said in a web interaction with presspersons.

While admitting that the return of migrant workers had led to a surge in COVID-19 cases in U.P., Mr. Adityanath said that since they [labourers] “have more strength to fight COVID-19 and also recover quickly”.

He went on to claim that while an ordinary person took 14 to 20 days to recover from the virus, migrant labourers were turning “corona negative” on the sixth or seventh day.

A “Migration Commission” would be constituted in Uttar Pradesh to link migrant workers with the State’s economy and provide them employment within the State, the government said.

So far, around 23 lakh migrant workers have returned to U.P., said Awanish Awasthi, Additional Chief Secretary, Home Department.

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Source : www.thehindu.com Date : 2020-05-25

FAILING TO PERFORM AS A CONSTITUTIONAL COURT

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

As India, along with the rest of the world, grapples with the public health crisis caused by COVID-19, it faces many unique challenges. The most acute problem is faced by migrant labourers: they have no work, no source of income, no access to basic necessities, no quality testing facilities, no protective gear, and no means to reach home. Every day, we hear of migrant labourers walking hundreds of miles, many dying in the process. The saddest is the apathy shown by the institutions meant to look out for their interests. I refer here to the Supreme Court, which has failed to satisfactorily acknowledge that the fundamental rights of migrant labourers have been violated, and ignored these workers when they most needed protection.

Full coverage: Lockdown displaces lakhs of migrants

Undeniably, the state must ensure that adverse consequences of this pandemic are minimised. But any duty performed by the arms of the state, even during emergency, must always be bounded by constitutional propriety, and respect fundamental rights. The judiciary becomes the all-important watchdog in this situation.

In this lockdown, enough and more evidence points to fundamental rights of citizens having been grossly violated, and especially those of vulnerable populations like migrant labourers. But instead of taking on petitions questioning the situation, the Supreme Court has remained ensconced in its ivory tower, refusing to admit these petitions or adjourning them. By effectively not granting any relief, the Court is denying citizens of the most fundamental right of access to justice, ensured under the Constitution. In doing so, it has let down millions of migrant workers, and failed to adequately perform as a constitutional court.

Also read: Migrant workers in U.P. find meagre solace in shovels

In one of the strictest lockdowns in modern India, the Centre issued many directives, but designated the States as the implementing authorities. But the issue of migrant labourers is inherently an inter-State issue, and States have had to tackle it both internally as well as inter-se. Who will guarantee safe transport for the return of migrant workers? When in quarantine, who will grant them a sustenance allowance, or look after their health issues, or look after needs besides food? Who will ensure job loss compensation? Who will conduct regular and frequent testing? Only the Supreme Court can enforce accountability of the Centre in these matters.

In rejecting or adjourning these petitions, the Court has made several questionable remarks: the condition of migrant labourers is a matter of policy and thus, does not behove judicial interference; or, governments already provide labourers with two square meals a day, so what more can they possibly need (surely, ‘not wages’); or, incidents like the horrific accident where migrant labourers sleeping on railway tracks were killed cannot be avoided because ‘how can such things be stopped’. Equally, lawyers have been castigated for approaching the Court ‘merely’ on the basis of reports. But the Court has rarely insisted on such formality: its epistolary jurisdiction (where petitions were entertained via mere letters) is the stuff of legend, so its reaction here, during an emergency, seems anomalous.

Also read: Coronavirus package | Will migrant workers benefit from the Centre’s measures?

Many of the so-called excuses of the Court have been tackled by previous judgments, notably the question of policy and non-judicial interference. There are numerous judgments where it has laid out matters of policy: for instance, the Vishaka guidelines on sexual harassment in the workplace; the right to food; and various environmental protection policies. In these cases, the Court formulated policies and asked the States to implement them. Today, there is an unfortunate presumption discernible in the Court's response that the government is the best judge of the situation. In believing thus, the Court seems to have forgotten that the Constitution does not fall silent in times of crises. Similarly, nothing prevents the Court from monitoring the situation itself directly, especially regarding the state's obligations: it could easily direct bureaucrats to collect empirical data on the ground, as it has done before.

One is struck immediately by the lack of compassion or judicial sensitivity in handling this situation, and it prompts two observations. First, the Court is not merely rejecting or adjourning these petitions; it is actively dissuading petitioners from approaching the courts for redress because the Court determines that it is the executive's responsibility. Ordinarily, the Court would have at least nudged petitioners towards the High Courts, but here, even that choice is not available — the Court is practically slamming the door shut.

Second, there is the matter of how the Court is treating such public interest litigations. PILs are a specific instrument designed to ensure the protection of the rights of the poor, downtrodden and vulnerable, and "any member of the public" can seek appropriate directions on their behalf. This lies at the heart of the PIL. The concept of a PIL is to be non-adversarial, but the Court is treating these as adversarial matters against the government. PILs, in fact, ought to be a collaborative effort between the court and all the parties, where everyone comes together in seeking a resolution to the problem. Today, we find ourselves with a Supreme Court that has time for a billion-dollar cricket administration, or the grievances of a high-profile journalist, while studiously ignoring the real plight of millions of migrants, who do not have either the money or the profile to compete for precious judicial time with other litigants.

At this stage, I must acknowledge the stellar role being played by some High Courts, even though governments have tried to discourage them on grounds that since the Supreme Court is not interfering, High Courts need not do so either. At least four High Courts (Karnataka, Madras, Andhra Pradesh and Gujarat) have started asking questions about migrant rights. This is almost a replay of what happened during Emergency, where High Courts boldly stood up and recognised violations, but were overruled eventually by the Supreme Court. The Madras High Court, for example, has quashed criminal defamation cases against media houses, stating that democracy cannot be throttled this way. Contrast this with the Supreme Court's reaction to the bizarre claim of the Solicitor-General who argued that the exodus of workers was due to fake news: the Court seemed to have accepted this, and media houses were advised to report more responsibly.

In such times, High Courts come across as islands of rationality, courage and compassion. However, in truth, the subject matter of migration is inherently an inter-State issue, not an intra-State one. This is a time when the apex court must intervene and monitor the calamitous situation, instead of taking the government's word as gospel. Justice Brandeis' words quoted by Justice H.R. Khanna in *ADM Jabalpur* ring especially true in these times: "Experience should teach us to be most on our guard to protect liberty when the Government's purposes are beneficent … [the] greatest danger to liberty lies in insidious encroachment by men of zeal, well-meaning but lacking in due deference for the rule of law."

Ajit Prakash Shah is former Chief Justice, Delhi and Madras High Courts and former Chairperson, Law Commission of India

To reassure Indian Muslims, the PM needs to state that the govt. will not conduct an exercise like NRC

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Source : www.thehindu.com Date : 2020-05-25

HARDLY THE 1991 MOMENT FOR AGRICULTURE

Relevant for: Indian Economy | Topic: Transport & Marketing of agricultural produce

The **announcement of reforms in agricultural marketing by Finance Minister Nirmala Sitharaman,** in May, has been hailed by some as the "1991" moment for agriculture. While it does not mean much on the ground, it has successfully managed to deflect attention from the pittance offered by way of fiscal support to the agricultural sector, as a part of the grand fiscal package announced by the Prime Minister. Even then, the reforms are no more than reiterations of earlier announcements.

The three reforms regarding agricultural marketing were the reforms in the Agricultural Produce Marketing Committee (APMC) Act, the Essential Commodities Act, and on contract farming. All of these have been in discussion for almost two decades, with the APMC Act having already seen substantial reforms in many States. The first comprehensive model act on APMC was proposed during 2003, and since then, similar efforts to push for more reforms have been proposed in 2007, 2013, and as late as 2017 by the present government.

The main argument against the APMC Act is that it creates barriers to the entry and exit of traders and makes the sale and purchase of agricultural produce compulsory for farmers as well as traders. Some of the criticism regarding the functioning of the APMC is valid, to which State governments have been responsive; as many as 17 State governments having amended the APMC Act to make it more liberal. In fact, the regulations and the functioning of *mandis* vary a great deal across States. Kerala does not have an APMC Act and Bihar repealed it in 2006. But several others such as Maharashtra, West Bengal, Odisha, Gujarat, and Andhra Pradesh deregulated fruits and vegetables trade, allowed private markets, introduced a unified trading licence and have introduced a single-point levy of market fee. Tamil Nadu has already reformed its APMC with no market fee. Several others such as Jharkhand, Himachal Pradesh, Uttarakhand, Haryana and Rajasthan have undertaken one or more of these reforms. Many States have introduced direct marketing of farm produce, examples being the Uzhavar Sandhai (Tamil Nadu), the Rythu Bazaar (Andhra Pradesh and Telangana), the Raitha Santhe (Karnataka), the Apni Mandi (Punjab) and the Krushak Bazaar – Odisha).

Despite these reforms, APMC *mandis* continue to be vilified for all the ills plaguing marketing infrastructure and the low prices received by the farmers for their produce. The problem with *mandis* is not the regulation per se and the structure of *mandis* but the political interference in the functioning of the markets. These are more obvious in case of large *mandis* specialising in commercial crops and fruits and vegetables, where production is regionally concentrated. But even with these deficiencies, APMC *mandis* continue to play an important role in providing access to market for farmers.

Also read: Economic stimulus package | Details of 20-lakh-crore package announced by Union Finance Minister Nirmala Sitharaman in five tranches

But did the reforms lead to a better outcome for farmers in those States where the reforms were undertaken? The best example is Bihar. The general argument in favour of reforms is that it will allow private investment in marketing infrastructure as well as provide more choices to farmers, leading to better prices received by farmers. In the case of Bihar, while no investment came in building market infrastructure, the loss of revenue due to the repeal of the APMC also led to deterioration of existing infrastructure (of the 54 market yards) in the State. The revenue collected from the APMC earlier was used not only for the modernisation of these market yards but also for the laying of roads and construction of other infrastructure to provide farmers better access to markets. But after the repeal, there have been no takers for these market yards, with no investment in creating private *mandis*. On the other hand, it has led to proliferation of private unregulated markets which charge a market fee from traders as well as farmers, and without any infrastructure for weighing, sorting, grading and storage. Even in other States where there is deregulation to allow private traders, there is hardly any investment to create market spaces let alone provide other facilities. There is also no evidence that farmers have received better prices in private *mandis* outside the APMC.

While there have been instances of collusion and corruption in the running of the APMC, they continue to provide essential services to farmers. However, the vilification of APMCs has allowed the government to escape the responsibility of creating marketing infrastructure for millions of farmers. As against the recommendation that a regulated market should be available to farmers within a radius of 5 km (a corresponding market area of about 80 sq. km), currently regulated markets cover 457 sq. km. There are more than 7,000 regulated markets and 20,000 rural markets when the need is at least twice these figures. Most of the existing ones require investment in upgradation of infrastructure.

Even the argument that the only bottleneck for farmers not receiving remunerative prices is due to the APMC Act is flawed. More than 80% of farmers, most of whom are small and marginal farmers, do not sell their produce in the APMC *mandis*. For a majority of farmers, prices received are more a function of the demand for agricultural commodities than access to markets.

A good example is the case of decline in milk prices, pointed out by the Finance Minister herself. Despite the presence of cooperatives and private dairies, the collapse of milk prices reflects the decline in demand in the economy, not the distortions in private markets. While it may have exacerbated during the national lockdown following the COVID-19 pandemic, the fact that demand was declining even before the lockdown is now well known.

For much of the period during the last two years, terms of trade have moved against agriculture, with agricultural commodity price inflation actually being negative for a large part of the last two years. With underlying weakness in demand and obsession with inflation targeting through fiscal and monetary policies, most agricultural commodities have seen a sharp decline in demand and, consequently, prices received by farmers. The argument for choice of markets is only valid as long as there are buyers with purchasing power in the market. No amount of marketing reforms will lead to higher price realisation for farmers if the underlying macroeconomic conditions are unfavourable to agriculture and farmers.

Even before the lockdown, the primary task of the government, especially the Finance Ministry should have been to increase fiscal spending to revive demand in the economy. This has become even more necessary after the sharp decline in incomes, job losses and decline in demand following the lockdown and expected contraction in economic activity for the year ahead. With international prices also showing declining trend, the urgency is to protect the farmers from the decline in commodity prices.

As against these, the announcement of these reforms without a draft and without proper consultation with States or other stakeholders is nothing but a smokescreen to deflect attention from the core issue of fiscal support by the government to support farmers' income. If the government is serious in providing remunerative prices to farmers, it needs to increase fiscal spending to create demand in the economy. These, rather than the hollow announcements of reforms, will go a long way in ensuring higher incomes to farmers.

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To reassure Indian Muslims, the PM needs to state that the govt. will not conduct an exercise like NRC

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Source : www.thehindu.com Date : 2020-05-25

THE NEED FOR A MILLION WORKSITES NOW

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

The abominable plight of migrant workers in recent weeks has invaded television screens and stirred the nation's conscience. Alas, this is just the tip of the wave of hardships that is sweeping through the country. The situation looks increasingly alarming in the light of a series of surveys conducted by Azim Premji University (APU) and other institutions. The APU survey, for instance, found that 74% of the respondents (thousands of poor households scattered over many States) were "consuming less food" today than before the lockdown. Another survey, conducted by Farzana Afridi and her colleagues in low-income neighbourhoods of Delhi, found that 80% of the respondents had not earned any income during the lockdown, 90% reported "financial stress", and about half were too anxious to sleep at night.

Full coverage: Lockdown displaces lakhs of migrants

Thankfully, the Public Distribution System (PDS) is preventing the worst. The same surveys show that an overwhelming majority of poor households (86% according to the APU survey) are currently receiving food rations. The doubling of food rations for three months was a good move on the part of the central government — there is every reason to extend it beyond the end of June. The PDS, however, leaves out 500 million people, including many who live in poverty. Further, even for those who are covered, the PDS is little more than a protection against hunger. It cannot ensure adequate nutrition, let alone a decent standard of living.

Also read: Coronavirus lockdown | Image of a weeping Rampukar Pandit becomes symbol of India's migrant worker tragedy

To cope with the crisis, poor households urgently need a chance to earn cash beyond small mercies. Unconditional cash transfers are not easy to use for this purpose, because there is no simple way of identifying those in need, and covering everyone would amount to spreading the money very thin. Universal basic income is a nice idea, but when you do the maths, anything practical tends to reduce the "basic income" to a pittance. India's National Rural Employment Guarantee Act (NREGA) offers an obvious alternative, at least for rural areas: employment on demand at basic wages.

The demand for NREGA work is stronger than ever. This is not surprising: most people would prefer to do some work and earn a little than to sit idle with empty pockets. This huge demand contrasts with the resilient indifference of rural workers towards NREGA in recent years, due to low wages and erratic payments. Wages are still low, and payments are still far from timely and reliable; what has changed is that for most workers today, there is nothing better on the cards.

We had a telling experience of this renewed demand for NREGA work in a number of deprived villages of Latehar district (Jharkhand) in the last few days. In this area, the idea of work on demand is still alien to most rural workers, so few of them take the initiative of applying for NREGA work. But whenever we helped people to prepare work applications, men and women from almost every household in the village flocked to the spot with their job cards to fill the forms.

Watch | How can migrant workers be protected?

Without assistance, however, most workers would find it difficult to submit work applications.

The sad truth is that except in areas where rural workers are relatively empowered, work applications (reflected in "e-muster rolls") are not generally initiated by the workers themselves. Instead, they are initiated on their behalf by others, who have a stake in activating NREGA works: for instance, landowners who want some work done on their land, middlemen who take cuts at various steps, government officials who are under pressure to meet targets, and village heads who wish to please or serve their constituency. In other words, NREGA works attract the workers, and not the other way around. That, at any rate, is how it tends to work in the poorer States.

In the old days (good or bad), workers were allowed to turn up at the worksite and enrol on the spot. That made things easier for them: applying for work was a right, not an obligation. But now, it has become an obligation: no-one can be employed unless his or her name has been entered in advance in the e-muster rolls. Most workers have no idea how to go about this.

Also read: Coronavirus package | Will migrant workers benefit from the Centre's measures?

This is one reason why the scale of NREGA works remains very low in many States in spite of a huge demand for employment. This situation calls for large-scale opening of NREGA works on a proactive basis. Every village needs at least one major worksite, where a good number of people can work at short notice (with adequate distancing precautions). Ideally, workers should be allowed to enrol at the worksite. Further, large-scale employment generation should continue throughout the monsoon, the hardest period of the year for poor people in large parts of rural India. Averting a humanitarian disaster in the next few months calls for a veritable explosion of NREGA work.

Much can be done to facilitate this: expanding the list of permissible works, hiring more *gram rozgar sevaks* (employment assistants), simplifying the implementation process, mobilising para-teachers for work application drives, and so on. And of course, top-down orders to expand the scale of works could work wonders. NREGA is not supposed to be top-down, but it does have a long history of top-down orders, and after all, this is an emergency.

It is also worth considering a return to cash payment of NREGA wages, at least as an option for the duration of the crisis. This would not only help to ensure timely and reliable payment of wages, but also spare workers the ordeal of extracting their wages from overcrowded banks or business correspondents. Further, cash payment of wages would act as a tremendous incentive for rural workers to demand NREGA work, whatever it takes.

The idea of a return to cash payment of wages is likely to horrify those who trust digital payments to eliminate corruption. But recent experience suggests that this trust is misplaced. The digital payment system has merely changed the modalities of corruption in NREGA: the crooks used to fudge the paper records, now they fudge the electronic records. The latter may or may not be harder to fudge than the former depending on the circumstances. Even if cash payments are a little more vulnerable to leakages, that may be a tolerable price to pay in an emergency, to protect workers from the hazards of NREGA's byzantine payment system. These include a payment rejection rate of 4%, according to official data, and the tyranny of "Qwicy", as the Know Your Customer (KYC) process is known in rural Jharkhand. Of course, the possible hazards of a hasty switch to cash payments also need to be considered.

Funds are not an immediate concern since the NREGA budget for 2020-21 has been raised to 1-lakh crore or so. But more is likely to be required to meet the tremendous demand for NREGA work. It is important to ensure that funds never dry up: this happened every year in the last few years, leading to huge wage arrears. NREGA is supposed to be a demand-driven programme with an open-ended budget; nothing in the Act authorises the government to impose a budget cap.

These are some of the issues that arise in activating NREGA for crisis relief. The main thing is to provide work aplenty and pay wages at speed. This is a matter of life and death.

Jean Drèze is Visiting Professor at the Department of Economics, Ranchi University

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Source : www.livemint.com Date : 2020-05-26

THE ILO TAKES NOTE

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

ILO urges PM Modi to remind state governments of India’s international commitments on labour rights

Geneva-based International Labour Organization (ILO) has urged Prime Minister Narendra Modi to remind state governments of India’s international commitments on labour rights. The appeal came after various labour unions sought the ILO’s intervention in the suspension or amendment of labour laws by some states.

Those actions, critics argue, expose workers to exploitation at a time of crisis. Supporters say that Indian labour laws were much too restrictive for business, and they only kept formal employment low. Easier terms for investors, the latter believe, could attract global companies looking to shift production out of China. These moves await the President’s approval, though. The Centre’s stance has been a study in caution; it has not yet signalled a go-ahead. Reports suggest that the proposed changes could fall afoul of ILO’s Convention 144, which calls for consultations among government, workers and employers. If the country is judged to be in violation of it, an ILO rebuke may put some foreign investors off. They prefer business regulations to be minimal, but signs of policy instability caused by a public controversy could deter them, too.

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Source : www.indianexpress.com Date : 2020-05-27

A PORTABLE WELFARE

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

The economic crisis precipitated by COVID-19 has focussed the country's attention on inter-state migrants. Millions of Indians in this diverse, complex group have crossed state borders in search of better economic opportunities. The crisis, however, has highlighted their precarious socio-economic condition.

Historically, governments have made several attempts to bridge the gap. A key part of that roadmap is the idea of portable welfare benefits, that is, a citizen should be able to access welfare benefits irrespective of where she is in the country. In the case of food rations, the idea was first mooted under the UPA government by a Nandan Nilekani-led task force in 2011. The current government had committed to a national rollout of One Nation, One Ration Card (ON-ORC) by June 2020, and had initiated pilots in 12 states. While intra-state portability of benefits has seen good initial uptake, inter-state portability has lagged. The finance minister has now announced the deadline of March 2021 to roll out ON-ORC.

To ensure a smooth rollout, we would benefit from reviewing the challenges thus far. First, the fiscal implications: ON-ORC will affect how the financial burden is shared between states. Second, the larger issues of federalism and inter-state coordination: Many states are not convinced about a "one size fits all" regime because they have customised the PDS through higher subsidies, higher entitlement limits, and supply of additional items. Third, the technology aspect: ON-ORC requires a complex technology backbone that brings over 750 million beneficiaries, 5,33,000 ration shops and 54 million tonnes of food-grain annually on a single platform.

These barriers might seem daunting, but the country has previously dealt with an equally complex situation while rolling out the GST, which was widely touted as "one nation, one tax".

Just like with ON-ORC, fiscal concerns had troubled GST from the start. States like Tamil Nadu and Gujarat that are "net exporters" were concerned they would lose out on tax revenues to "net consumer" states like UP and Bihar. Finally, the Centre had to step in and provide guaranteed compensation for lost tax revenues for the first five years. The Centre could provide a similar assurance to "net inbound migration" states such as Maharashtra and Kerala that any additional costs on account of migrants will be covered by it for the five years.

GST also saw similar challenges with broader issues of inter-state coordination. In a noteworthy example of cooperative federalism, the central government created a GST council consisting of the finance ministers of the central and state governments to address these issues. The government could consider a similar national council for ON-ORC. To be effective, this council should meet regularly, have specific decision-making authority, and should operate in a problem-solving mode based on consensus building.

Finally, GST is supported by a sophisticated tech backbone, housed by the GST Network (GSTN), an entity jointly owned by the Centre and states. A similar system would be needed for ON-ORC. The Nilekani-led task force recommended setting up of a PDS network (PDSN) to track movement of rations, register beneficiaries, issue ration cards, handle grievances and generate analytics. Since food rations are a crucial lifeline for millions, such a platform should incorporate principles such as inclusion, privacy, security, transparency, and accountability. The IM-PDS portal provides a good starting point.

At the same time, we should learn from the shortcomings and challenges of the GST rollout. For example, delay in GST refunds led to cash-flow issues. Similar delays in receiving food rations could be catastrophic. Therefore, ON-ORC should create, publish and adhere to time-bound processes, like right to public services legislation that have been adopted by 15 states, and rapid grievance redress mechanisms.

MSMEs also complained about the increase in compliance burden especially for those who had to digitise overnight. Similar challenges could arise in ON-ORC. PDS dealers will need to be brought on board, and not assumed to be compliant. Citizens will need to be shielded from the inevitable teething issues by keeping the system lenient at first, providing different ways of authenticating oneself, and publicising a helpline widely.

If done well, ON-ORC could lay the foundation of a truly national and portable benefits system that includes other welfare programmes like LPG subsidy and social pensions. It is an opportunity to provide a reliable social protection backbone to migrants, who are the backbone of our economy.

The writers work at Omidyar Network India

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Source : www.thehindu.com Date : 2020-05-27

HOW INDIA CAN BECOME SELF-RELIANT

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

Addressing the nation on the COVID-19 pandemic, Prime Minister Narendra Modi emphasised the necessity of a self-reliant India. He said the need was brought home by the absence of domestic production of personal protective equipment (PPE) when COVID-19 struck, but India initiated and quickly ramped up PPE production. Mr. Modi said there needs to be improvement in quality and domestic supply chains going forward. If this is to happen though, India will have to make major course changes in development strategies.

Much has changed since the self-reliance model of the Nehruvian era, so a perspective for Indian self-reliance in science and technology (S&T) and industry in a globalised world is long overdue.

Editorial | Local motif: On Modi’s call for self-reliance

Self-reliance in state-run heavy industries and strategic sectors in the decades following independence had placed India ahead of most developing countries. In the 1970s and 80s, however, India did not modernise these industries to climb higher up the technological ladder. The private sector, which had backed the state-run core sector approach in its Bombay Plan, stayed content with near-monopoly conditions in non-core sectors in a protected market. Little effort was made to modernise light industries or develop contemporary consumer products. India’s industrial ecosystem was thus characterised by low productivity, poor quality and low technology, and was globally uncompetitive.

India completely missed out on the ‘third industrial revolution’ comprising electronic goods, micro-processors, personal computers, mobile phones and decentralised manufacturing and global value chains during the so-called lost decade(s). Today, India is the world’s second largest smartphone market. However, it does not make any of these phones itself, and manufactures only a small fraction of solar photovoltaic cells and modules currently used, with ambitious future targets.

At the turn of the millennium, when India embarked on liberalisation, privatisation and globalisation, the very concept of self-reliance was rubbished, in the belief that it was tantamount to reinventing the wheel when advanced technologies could simply be bought from anywhere at lower costs. Two related ideas have prevailed since then, and neither delivered the desired results. The first was that public sector undertakings (PSUs) are, by definition, inefficient and sluggish for the competitive globalised scenario. No effort was made to engender either real autonomy or a transition to new technological directions. Instead, PSUs with capability and scale for the task were undermined or abandoned, along with many nascent research and development (R&D) efforts (for instance, in photovoltaics, semiconductors and advanced materials). On the other hand, the private sector displayed little interest in these heavy industries and showed no appetite for technology upgradation. With entry of foreign corporations, most Indian private companies retreated into technology imports or collaborations. Even today, most R&D in India is conducted by PSUs, and much of the smaller but rising proportion of private sector R&D is by foreign corporations in information technology and biotechnology/pharma. Given the disinclination of most of the private sector towards R&D and high-tech manufacturing, significant government reinvestment in PSUs and R&D is essential for self-reliance.

News Analysis | Vocal about local, but no snub to globalisation

The second idea was that inviting foreign direct investment and manufacturing by foreign majors would bring new technologies into India’s industrial ecosystem, obviating the need for indigenous efforts towards self-reliance. However, mere setting up of manufacturing facilities in India is no guarantee of absorption of technologies (the ability to independently take them to higher levels). There is no evidence from any sector that this has taken place or has even been attempted. The fact is, foreign majors jealously guard commercially significant or strategic technologies in off-shore manufacturing bases. The key problem of self-reliance is therefore neither external finance nor domestic off-shore manufacturing, but resolute indigenous endeavour including R&D.

Experience and achievements in other countries in Asia attest to this, and also contradict the notion that self-reliance is a hangover from Nehruvian ‘socialism’. Learning from Japan’s post-war success, countries like South Korea, Taiwan, Singapore and Hong Kong took huge technological and industrial strides in the 1970s and 80s. South Korea, in particular, climbed determinedly up the technology ladder and value chains in electronic goods, consumer durables, automobiles, micro-processors, personal computers and heavy machinery. It emerged as a global powerhouse in manufacturing, but also in indigenously developed technologies. Taiwan developed technologies and manufacturing capacities in robotics and micro-processors, while Singapore and Hong Kong adapted advanced technologies in niche areas. These self-reliant capabilities were enabled, among other factors, by planned state investments in R&D including basic research (3-5% of GDP), technology and policy support to private corporations, infrastructure and, importantly, education and skill development (4-6% of GDP).

Also read | RSS pitches for swadeshi model of development

Countries like Thailand, Malaysia, Indonesia and Vietnam have focused on off-shore manufacturing lower down the value chain and without the thrust on self-reliance. This is useful for job creation but is an unsuitable model for a country of India’s size and aspirations.

China is, of course, unique in scale and in its determination to become a superpower not just geopolitically but also in self-reliant S&T and industrial capability. China advanced purposefully from low-end mass manufacturing to a dominant role in global supply chains. It has now decided on shifting to advanced manufacturing and has set itself a target of becoming a world leader by 2035 in 5G, supercomputing, Internet of Things, artificial intelligence (AI), autonomous vehicles, biotech/pharma and other technologies of the ‘fourth industrial revolution’.

Unfortunately, India may well have missed the bus in many of these technologies in which the U.S., Europe and China have established perhaps insurmountable leads. Yet self-reliant capabilities in electric and fuel cell vehicles, electricity storage systems, solar cells and modules, aircraft including UAVs, AI, robotics and automation, biotech/pharma and others are well within reach.

Large-scale concerted endeavours would, however, be required, since self-reliance will not happen by itself. State-funded R&D, including in basic research, by PSUs and research institutions and universities needs to be scaled-up significantly, well above the dismal 1% of GDP currently. Upgraded and reoriented PSUs would also be crucial given their distinctive place in the ecosystem. Private sector delivery-oriented R&D could also be supported, linked to meaningful participation in manufacturing at appropriate levels of the supply chain.

Finally, India’s meagre public expenditure on education needs to be substantially ramped up (as against current trends of privatisation which would only shrink access), including in skill development. No country has achieved self-reliance without mass quality public education. And no country has developed without a much stronger public health system than what we have in

India.

D. Raghunandan is with the Delhi Science Forum, affiliated to the All India People's Science Network

To reassure Indian Muslims, the PM needs to state that the govt. will not conduct an exercise like NRC

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Source : www.livemint.com Date : 2020-05-27

THE GANDHIAN ECONOMIC MODEL COULD SEE US THROUGH THIS CRISIS

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

Ideas that seemed antiquated for about half a century are ironically relevant to a post-covid world

Mahatma Gandhi has not been taken very seriously as an economic thinker. His forte was moral ideas. But, in a post-covid world, economic ideas must have an ethical quotient. The way the world economy is crumbling and inequities rising, we should give his ideas a second look. We may find some answers to our current situation in his ideas, even if he arrived at those conclusions intuitively rather than through empirical observations.

Core Gandhian ideals include swadeshi, self-reliance at the individual and village community levels, an abhorrence of mass production and mindless industrialization, a dislike for the amoral extremes of capitalism and communism, and a reduction of mutual antagonisms between the rich and poor. He believed that wealth must be held in trust by the rich on behalf of the poor. Unlike Marx, who saw the interests of workers and capitalists as irreconcilable, Gandhi sought a new convergence of interests. Marx saw labour handicapped as it did not own the means and tools of production; Gandhi’s charkha visualized the opposite reality. A worker can and should be able to provide for his or her basic needs through his or her own tools and ability to earn a living.

Gandhi’s vision did not materialize during his lifetime, and his instincts on technology were overly negative. But today, as we adopt work-from-home norms and refocus on basics, we find that digital technology has enabled what Gandhi envisioned: empowerment at the individual and village level.

While we are unlikely to revert to the village republics he would have liked, we can see that web-linked villages can indeed earn enough for themselves by offering goods and services from remote places. If you can work from home, you can work from your village too. As the world de-globalizes partially, countries are going for self-sufficiency; local supply chains are less likely to be disrupted by global events. As renewable energy sources grow, a country endowed with sun and wind can produce power locally; today, even housing colonies feed solar power to grids. Much else can be decentralized.

Gandhi was right to take a dim view of both capitalism and communism. Today, the middle path is looking increasingly attractive, not only in welfarist Scandinavia, but also in the US, where redistributive justice is being sought to counter-balance the excesses of unbridled capitalism. As wealth gets more concentrated, wealthy capitalists are displaying new concern for the poor, from Warren Buffett and Bill Gates to Azim Premji and Shiv Nadar. The Tatas, of course, arrived here much earlier. They are giving up a large part of their wealth for social causes, even though they will stay wealthy. Gandhi got it right again, and Marx wrong. “No doubt capital is lifeless," said Gandhi, “but not the capitalists, who are amenable to conversion."

Many entrepreneurs are developing and offering software for free, even as they use other means to make money off their inventions (consider Linux, Google Docs, etc). The “Collaborative Commons" will drive a lot of innovation in the future. One should not be surprised if the discoverer of a covid-19 vaccine offers it for a very low licensing fee, or even free.

Even at the macro level, high income inequalities and growth without jobs are forcing economists to think whether an obsession with gross domestic product (GDP) is healthy. The quality of growth matters. An understanding of who benefits or loses from globalization is becoming a critical issue for policy-makers everywhere.

Gandhi's maxim that there is enough for everybody's need but not for everybody's greed makes a lot of sense today, as we focus on what is truly important to live a dignified life and what we can do without. Once we have seen the back of covid-19, maybe some of the old greed will return. But it's a fair bet that it will not be the sort of unbridled greed that caused the dotcom bust of 2000 and the 2008 global financial crisis.

Gandhi did not have much to say about the excessive financialization of the global economy, for it did not exist when he was around. But it's more than likely that he would have criticized it as excess greed. Nor would he have liked the speculation and debt-fuelled spending by governments and individuals that brought the house down in 2000 and 2008. His advice for economic adversity would have been to limit your needs. Parsimonious to a fault, his message would have been commonsensical: If you want to spend more, save first. Gandhi valued thrift, and a post-covid world will have to relearn its virtues.

A counter-point: If today Gandhian virtues are looking distinctly achievable, we have to acknowledge that this has happened only because we went in the opposite direction and saw both its benefits and costs. Today's digital economy and remote-working would not have been possible if we had remained village republics and millions had not congregated in cities to earn and innovate. Nor would food and energy have been available in plenty without opting for polluting technologies (inorganic fertilisers, solar photo-voltaics, storage batteries, and so on).

Gandhi has come good today because over the last half-century, he turned out to be wrong.

R. Jagannathan is editorial director, 'Swarajya' magazine

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Source : www.pib.gov.in Date : 2020-05-27

PRADHAN MANTRI MATSYA SAMPADA YOJANA (PMMSY) AIMS TO ENHANCE FISH PRODUCTION TO 220 LMT WITH AN INVESTMENT OF OVER RS.20,000 CRORES IN NEXT FIVE YEARS

Relevant for: Indian Economy | Topic: Economics of Animal-Rearing incl. White, Blue & Pink Revolutions

The Pradhan Mantri Matsya Sampada Yojana (PMMSY) aims to enhance fish production to 220 lakh metric tons by 2024-25 from 137.58 lakh metric tons in 2018-19 at an average annual growth rate of about 9%. The Union Minister for Fisheries, Animal Husbandry and Dairying, Shri Giriraj Singh, today said the ambitious scheme will result in doubling export earnings to Rs.1,00,000 crore and generate about 55 lakhs direct and indirect employment opportunities in fisheries sector over a period of next five years. Dedicating the PMMSY to fishers, fish farmers, fish workers, fish vendors and other stakeholders associated with the fisheries sector, Shri Giriraj Singh said that insurance coverage for fishing vessels is being introduced for the first time.

Addressing a press conference on the “PMMSY - A scheme to bring about Blue Revolution through sustainable and responsible development of fisheries sector in India”, approved by the Union Cabinet chaired by the Prime Minister Shri Narendra Modi on 20th May, 2020, Shri Giriraj Singh said that the scheme envisages an estimated investment of Rs. 20,050 crores comprising Central share of Rs. 9,407 crore, State share of Rs 4,880 crore and Beneficiaries contribution of Rs. 5,763 crore. He added that the PMMSY will be implemented over a period of 5 years from FY 2020-21 to FY 2024-25 in all States/Union Territories.

Shri Giriraj Singh said that under the PMMSY thrust will be given towards enhancement of fish production and productivity, quality, sustainability, technology infusion, post-harvest infrastructure, modernisation and strengthening of value chain, standards and traceability in fisheries sector from ‘catch to consumer’, establishing a robust fisheries management framework, fishers’ welfare, enhancement of fisheries export competitiveness. He further mentioned that PMMSY will create a conducive environment for private sector participation, development of entrepreneurship, business models, promotion of ease of doing business, innovations and innovative project activities including start-ups, incubators etc. in fisheries sector. The Minister further mentioned that PMMSY being a fisher centric umbrella scheme, fishers, fish farmers, fish workers and fish vendors are the key stakeholders in the developmental activities envisaged and enhancement of their socio-economic status is one the core objectives of this scheme.

The Fisheries Minister said that about 42% of the total estimated investment of the PMMSY is earmarked for creation and upgradation of fisheries infrastructure facilities. Focus areas include Fishing Harbours and Landing Centers, Post-harvest and Cold Chain Infrastructure, Fish Markets and Marketing Infrastructure, Integrated Modern Coastal Fishing Villages and Development of Deep-sea Fishing. Besides creating critical fisheries infrastructure by attracting private investments in fisheries sector, the scheme plans to reduce post-harvest losses from the present high of 25% to about 10% by modernizing and strengthening value chain. Under the *Swath Sagar* plan, activities envisaged with a view to modernize the fisheries sector include promotion of Bio-toilets, Insurance coverage for fishing vessels, Fisheries Management Plans, E-Trading/Marketing, Fishers and resources survey and creation of National IT-based databases.

Underlining the need to enhance domestic fish consumption with corresponding health benefits, the Minister said that the Government will register "*Sagar Mitra"* and encourage formation of Fish Farmers Producer Organizations (FFPOs) to help achieve the PMMSY goals. Youth will be engaged in fisheries extension by creation of 3477 *Sagar Mitras* in coastal fisher villages. Large number of Fisheries Extension Services Centers will be set up in private space to create job opportunities to young professionals.

The scheme will also focus on several new activities and areas such as Traceability, Certification and Accreditation, Aquaculture in saline/alkaline areas, Genetic improvement programmes and Nucleus Breeding Centres, Fisheries and Aquaculture start-ups, promotional activities for fish consumption, branding, GI in fish, Integrated Aqua parks, Integrated coastal fishing villages development, State-of-art wholesale fish markets, Aquatic Referral Laboratories, Aquaculture Extension Services, Biofloc, support for new/upgradation of fishing boats, disease diagnostic and quality testing labs, Organic Aquaculture Promotion and Certification and Potential Fishing Zone (PFZ) devices.

Shri Giriraj Singh said that the PMMSY provides thrust for infusing new and emerging technologies like Re-circulatory Aquaculture Systems, Biofloc, Aquaponics, Cage Cultivation etc. to enhance production and productivity, productive utilization of wastelands and water for Aquaculture. He added that some activities like Mariculture, Seaweed cultivation and Ornamental Fisheries having potential to generate huge employment especially for rural women will be promoted.

Stressing on attaining self-sufficiency in availability of quality seed at affordable price, Shri Giriraj Singh said that the scheme will result in increasing aquaculture average productivity to 5 tons per hectare from the current national average of 3 tons per hectare. This will be achieved through promotion of high value species, establishing a national network of Brood Banks for all commercially important species, Genetic improvement and establishing Nucleus Breeding Centers for self-reliance in Shrimp Brood stock, accreditation of Brood banks, Hatcheries, Farms and also addressing diseases, antibiotics and residues issues, aquatic health management. These steps are likely to ensure quality, higher productivity, improve export competitiveness and fetch higher prices to fishers and farmers.

Constituting about 7.73% of the global fish production and export earnings of Rs.46,589 Crores (2018-19), India today has attained the status of the second largest aquaculture and 4th largest fish exporting nation in the world. Shri Giriraj Singh that the country has high potentiality to attain the 1st highest fishing producing and exporting nation in the world in the coming years, and his Ministry is committed to take the fisheries sector to newer heights. The Minister said that the Fisheries sector has shown an impressive growth in terms of fish production and export earnings during the past five years. The sector recorded an Average Annual Growth Rate of 10.88% during 2014-15 to 2018-19, 7.53% average annual growth in fish production and 9.71% average annual growth in export earnings, with 18% share in agricultural exports. He further added that the Gross Value Added (GVA) of Fisheries sector in the national economy during 2018-19 stood at Rs 2,12,915 crores which constituted 1.24% of the total National GVA and 7.28% share of Agricultural GVA.

Foreseeing the huge scope for development of fisheries, the Prime Minister Shri Narendra Modi, in December, 2014, had called for “a revolution” in the Fisheries sector and named it as “Blue Revolution”. The Union Government has taken several initiatives to harness the potential of the Fisheries sector in a sustainable and responsible manner towards ushering the Blue Revolution in Fisheries as envisioned by the Prime Minister. Some of the major reforms and steps taken by the Union Government include (i) Creation of a separate Ministry of Fisheries, Animal Husbandry and Dairying in the Union Government, (ii) Setting up a new and dedicated Department of Fisheries with independent administrative structure, (iii) Implementation of the Centrally Sponsored Scheme on Blue Revolution: Integrated Development and Management of Fisheries during the period 2015-16 to 2019-20 with a central outlay of Rs. 3,000 crore, (iv) Creation of Fisheries and Aquaculture Infrastructure Development Fund (FIDF) during 2018-19 with a fund size of Rs. 7,522.48 crore, and (v) Launching of PMMSY with an investment of Rs. 20,050 crore, the scheme with highest ever investment for fisheries sector.

The Ministers of State for Fisheries, Animal Husbandry and Dairying, Shri Sanjiv Kumar Baliyan and Shri Pratap Chandra Sarangi, and Secretary, Department of Fisheries, Dr. Rajeev Ranjan, were present during the press conference. On the occasion, the dignitaries released a booklet on the PMMSY.

[Click here to view booklet on PMMSY](#)

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[Click here to view booklet on PMMSY](#)

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Source : www.thehindu.com Date : 2020-05-28

HELPING SUPPLY CHAINS RECOVER

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

A vegetable seller at Azadpur Mandi in New Delhi on April 29, 2020. | Photo Credit: Sushil Kumar Verma

The Indian government has announced a sizeable fiscal stimulus, which some commentators believe can help revive the economy. There are, however, good reasons to doubt this belief. Much of the decline in output is due to supply chain disruptions generated by the lockdown. Government spending can do little to alleviate this. Putting money in the hands of people can increase the demand for goods but cannot increase the supply of goods and services.

In modern economies, the production of goods happens through complex supply chains that traverse geographical boundaries. Upstream sectors like ‘mining’ produce metals that are in turn used to produce machines. These machines are used to sow seeds, harvest crops, and transport fuel. Finally, the harvested crops are used by downstream sectors to produce flour and bread. At each step, machines and labour combine to produce goods which are the inputs for sectors further downstream.

Also read | Coronavirus to hit movement-driven sectors, disrupt supply chains: Moody’s

Under the lockdown, numerous inputs have not moved from their producers to their users. These disruptions may not at first generate a reduction in consumer goods like bread. However, the availability of consumer goods will begin to decline as bakers run out of flour, and mills exhaust their stocks of wheat. And there is no way to guarantee the flow of essential goods while suspending the production of non-essential goods. Automotive spare parts may be non-essential in the short run, but become essential as food-carrying trucks begin to break down. How far is the long run? This is difficult to say; there may be some variation across goods.

The supply chain disruptions are going to be amplified by labour shortage as workers remain at home. Countries like India are likely to experience a greater reduction in output on this count than, say, Europe or the U.S. because of the higher labour intensity of production (think of the difference in unloading of goods in the port at Rotterdam and the port at Kochi). Poorer countries are less likely to be able to substitute locked down labour with capital because of the dearth of capital in these nations.

Also read | Movement of essential goods hit by disruptions

As economies emerge out of the lockdown, entrepreneurs, workers, and consumers must adjust to the new reality. The world supply chain must adapt. Firms may, for instance, choose to source inputs from suppliers in their geographical proximity to minimise the risk of future disruptions. This involves building productive capacity at new locations, all of which requires investments fuelled by savings. Furthermore, the investments must be guided by price signals. Within a market economy, the movement of prices provides the incentive and information needed to adapt and grow. As economist Ronald Coase put it, prices are bundles of information wrapped in an incentive. As the prices of some inputs rise, the buyers of these inputs look for alternate suppliers, and firms which did not hitherto produce the good have an incentive to do so. The key to economic recovery lies in millions of such adjustments through which firms locate new providers of inputs, new buyers of their output, and build factories at new locations.

Unfortunately, market adjustment processes are likely to be disrupted by government stimulus packages. Governments spend by printing money, raising debt, or increasing taxes. Irrespective of the way in which the expenditure in funded, resources are transferred from private entrepreneurs to government bureaucrats. When governments print money, they draw resources through inflation. Bureaucrats tend to be less efficient than profit-motivated firms in allocating scarce resources. Bureaucrats have little incentive or information to bring about the granular supply chain adjustments necessary to revive growth. As the stimulus package kicks in, economic efficiency is likely to decline and so are the chances of a timely recovery of output.

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So what can the government do? The experience of West Germany after World War II has a useful lesson. Beginning mid-1944, Allied bombing disrupted the German supply chain by targeting bottleneck sectors like electric power generation. This destruction of the supply chain devastated the German economy. Per person food production fell to about half of its pre-war level. Two years later, this changed after Chancellor Ludwig Erhard lifted price controls and cut taxes. West German entrepreneurs re-established a thriving supply chain through which goods went from upstream sectors to final consumers. By 1950, per capita income in West Germany had reached its pre-war level.

The recent supply chain disruptions are likely to last long. The path to recovery lies in cutting government expenditure, removing price controls, and opening up trade.

Vipin P. Veetil is Assistant Professor at IIT-Madras and Kumar Anand is an economist based in Delhi misinformation, and keep apace with the happenings, we need to commit greater resources to news gathering operations. We promise to deliver quality journalism that stays away from vested interest and political propaganda.

To reassure Indian Muslims, the PM needs to state that the govt. will not conduct an exercise like NRC

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ENJOYING THE FRUITS OF THEIR LABOUR

Relevant for: Indian Economy | Topic: Transport & Marketing of agricultural produce

“Farmers are the cornerstone of food security of our country.” Farmers harvest rice in a field on the outskirts of Bhubaneswar. AP

Today, India is a leading producer of a variety of agricultural and allied produce and exporter of some of them. This is due to the relentless hard work and efforts of our farmers against the odds. They are the epitome of the *Nishkam Karma* philosophy taught by Krishna to Arjuna during the Kurukshetra War: “*Karmanye Vadhikaraste Ma Phaleshu Kada Chana* (Do your duty without expecting the fruits of your labour)”. Farmers toil day and night, through winter and summer, whether or not they get adequate returns. But they are not the masters of the price of their toil. As the son of a farmer, I have been witness to the trials and tribulations of farmers.

If any class of economic agents of our country has been denied the constitutional right of freedom of trade, it is farmers. They don’t have the freedom of selling their produce even in their neighbourhood. Remunerative price is still a mirage for them. Their farm incomes are at the mercy of markets, middlemen and money lenders. For every rupee that a farmer makes, others in the supply chain get much more. Both farmers and consumers are the sufferers of the exploitative procurement and marketing of farm produce. Despite increasing public investments in irrigation and other infrastructure, the steadily rising institutional credit given to farmers, and minimum support price due to the efforts of various governments over the years, farmers are shackled when it comes to selling their produce.

This exploitation has its roots in the Bengal famine of 1943, World War II, and the droughts and food shortages of the 1960s. The Essential Commodities Act, 1955, and the Agricultural Produce Market Committee (APMC) Acts of the States are the principle sources of violation of the rights of farmers to sell their produce at a price of their choice. These two laws severely restrict the options of farmers to sell their produce. Farmers continue to be the victims of a buyers’ market. This is the principal cause of their exploitation. Renowned farm scientist M.S. Swaminathan has for long argued for the right of farmers to sell their produce as they deem fit.

The country is still far from ensuring efficient value chains for farm produce for want of required infrastructure like cold storage, stocking facilities, and transport of perishable commodities. Often, farmers are forced to dump their produce on the roads or offer it to cattle.

Farmers are the cornerstone of food security of our country. We have come a long way from the ship-to-mouth existence under the PL480 programme of the U.S. to being the leading producer of many kinds of farm produce. But farmers have not got their due. All that they have been getting are platitudes on ceremonial occasions and in the legislatures during the customary debates on their plight. Farmers were assured that restrictions on the freedom of marketing would be removed, but that assurance was never kept. Despite that, farmers never stopped work and continued to feed the nation.

Given the economic disparities in the country, the interests of consumers need to be protected. But should that be at the cost of the producers of the very commodities that the consumers need? For various reasons, a balance in this regard could not be struck. The restrictive trade and marketing policies being practised with respect to agricultural prices have substantially eroded the incomes of farmers. A study on agricultural policies in India by the Indian Council for Research on International Economic Relations-Organisation for Economic Co-operation and Development (2018), co-authored by the renowned farm economist Ashok Gulati, was published with startling revelations. It concluded that the restrictions on agricultural marketing amounted to 'implicit taxation' on farmers to the tune of 45 lakh crore from 2000-01 to 2016-17. This comes to 2.56 lakh crore per year. No other country does this.

While all and sundry have reiterated over the years that *something* must be done for farmers, the first formal actionable announcement on doing away with restrictions on the marketing freedom of farmers came only now. Further to Prime Minister Narendra Modi's announcement of a 20 lakh crore stimulus to rev up the economy, Finance Minister Nirmala Sitharaman unveiled the details of a package for the agriculture and allied sectors.

Apart from the approximately 4 lakh crore support package for farming and allied sectors, aimed at improving infrastructure and enhancing credit support, the most welcome feature of this package is the firm commitment to rewriting the Essential Commodities Act and the APMC laws. The revision of these restrictive laws is long overdue and will remove the hurdles that farmers face in getting a remunerative price for their produce by giving them more options to sell. This long-awaited revision needs to be undertaken with care and responsibility so that no space or scope is left for farmers to be exploited yet again. And this rewrite should be done at the earliest. While allowing several buyers to directly access the produce from the farmers, a strong and effective network of Farm Producers' Organisations should be created to enhance the bargaining power of farmers. This will ensure that individual farmers are not exploited. An effective law on contract farming is also the need of the hour, to secure incomes of farmers besides enabling private investments. Dr. Gulati, in a recent article, termed this announcement as "a 1991 moment for agriculture". I can't agree more with him. It is a major reform.

Yet another unique feature of this package has been its comprehensiveness towards improving the incomes of farmers through a range of activities. A study by the National Institute of Agricultural Extension Management has revealed that of the 3,500 farmers' suicides examined, there was no farmer who had supplementary incomes from dairy or poultry. The huge support to animal husbandry and fisheries in the stimulus package underlines the need for diversifying the income sources of farmers.

I recall that in 1977, the entire country was declared as one food zone. This benefited both farmers and consumers. It is time to allow our farmers to sell their produce anywhere for their benefit. All stakeholders should be taken on board while revising restrictive agri-marketing laws.

During the pandemic, many are working from home. But farmers have no such option as they have to work in their fields. Despite the lockdown, they continue to sow wheat, paddy, pulses, etc. In fact, farm output is greater than what it was last year. Our farmers, the pride of our country, deserve the long-awaited freedom to market their produce at a place of their choice. It should become a reality at the earliest.

M. Venkaiah Naidu is the Vice-President of India

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BRINGING THE FOCUS BACK TO THE INFORMAL SECTOR

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

These are truly extraordinary times. It is also clear that the world and India need to put all their resources – financial, material, intellectual, psychological — into first saving lives and then containing the spread of Covid-19.

However, this pandemic has underlined one important feature of the economy, which has been there for some time, but had not become so stark. This feature is the different worlds that the formal and the informal sector inhabit. This pandemic has affected the two sectors in quite different ways.

Just going over the background, the informal sector employs more than 90 per cent of the population and contributes around 45 per cent of the output.

The first difference is with respect to the impact on the labour. The profit margins in the informal sector are very thin as the businesses themselves are small in size. So, the employees are paid quite less, on a daily or weekly basis and many laws are not followed. By and large, the informal sector employs the migrants.

With the pandemic, it became difficult for the owners to pay wages to them. The migrants with their abysmal wages stay in very cramped housing. So, on one hand there was loss of wages and on the other hand, physical conditions made them more prone to the virus. Since there was no guarantee of food, they wanted to go back to the villages from where they came. With the rabi crop coming in, and possibly with their names on the ration cards in the village itself and their families stationed there, they felt more food-secured as well as psychologically secure back home.

On the other hand, in the formal sector, the employees can be locals or migrants. However, the remuneration is quite reasonable in the formal sector. So even the migrants in the formal sector are likely to have reasonable housing. Many of them are still getting full or a part of their wages (like government servants) and most would have some savings to tide over next three to four months. They, at the minimum, do not fear hunger.

The second impact is with respect to the capital. The informal financial sector (IFS) consists of moneylenders, chit funds, traders, wholesalers and non-banking financial intermediaries. The IFS, by and large supports the informal sector and consequently, the employment in it. Even with the limited data that we have on this sector, it seems more likely that the IFS will come out better after this crisis than the formal sector.

This is because, first of all, to the extent we know, the IFS was not suffering from any NPA crisis (by their very nature they will not) when the COVID-19 crisis set in. Secondly, even then the IFS will require rescheduling of loans as the demand has fallen. But unlike the formal financial sector, this sector has good information systems, no moral hazard and trust. All these are the backbone of any financial system. The IFS is spread all over India but is local in nature and has relatively smaller loan sizes per creditor. It will be far easier to reschedule the loans with a higher or same rate of interest. But, of course, the time horizon involved will play a crucial role.

The formal financial system, on the other hand, has been in grave crisis for some time now. With the formal sector debtors not being able to repay the loans, one can expect the situation to get worse. The capacity of the banks and other lenders with respect to gauging who are worthy of a bail-out and who are not, is highly questionable. To say the least, it is going to be very difficult for the formal sector to get back on its feet.

But for our purposes now, what are the links between formal and informal financial sectors? Not much data is available about it at the official level. But people in the field would have an understanding and insights about the situation. The fear is that the sick formal financial sector should not pass on its sickness to the IFS. If the under-researched links between the formal and the informal financial sectors are not disturbed by policy errors, then it is our contention that the IFS will bounce back faster. It would be a good situation if the formal financial sector has a minimal negative effect on the informal financial sector.

The informal sector (manufacturing, services and agriculture) would get on its feet depending upon how fast the migrants return to the urban areas and also to rural areas. But the links between the formal and informal economy are very much there, though we do not know the exact extent of the links.

So, we propose that after the crisis is over the government needs to make the informal sector and employment in it as the centre of its future policies, starting with getting reliable data on it. It is a no-brainer that the ultimate aim should be to convert the entire economy into formal economy. But India's resource advantage lies in cheap labour and will remain so for some time to come. This advantage needs to be leveraged without exploiting the labour.

Is it possible? Various ways could be thought of. Possibly, the rights of contractual workers can be straightened. Existing low wages but with better social security can be attempted. It has been suggested that the employers be allowed to "hire and fire". Probably, an entity in-between formal and the informal sector needs to be devised.

In 1991, a step-by-step approach was followed in case of the foreign exchange market. Something that original needs to be worked on. This requires deep understanding of the economy and lot of hard work. The economy needs to get out of the schizophrenia of very high wages in the formal sector (with workers flexing their organised power to get them) and unpardonably low wages in the informal sector.

The time of crisis gives an opportunity to go in for paradigm shift. A vision for the economy that maximises employment (even if it means at times lower rate of growth of GDP) would mean a paradigm shift. Well, such shifts do come out of crises as the examples of the welfare state emerging out of World War II and the Great Depression show.

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