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Govt can save Rs 50,000 crore by reforming country's grain management system

Ashok Gulati | January 6, 2020

THE FINANCIAL EXPRESS

Reforming the country's grain management system could save the govt Rs 50,000 crore annually, allowing the FM to fund infra investments while maintaining fiscal deficit

The moot question being asked is whether the Indian economy can be put back on its 7-8% growth track and whether agri-GDP can grow at least at 4%, if not more

With growth rates plummeting to 4.5% for overall GDP and 2.1% for agricultural GDP (GDPA) in the second quarter of this fiscal year, everyone concerned with the economy is anxious and a bit worried. The moot question being asked is whether the Indian economy can be put back on its 7-8% growth track and whether agri-GDP can grow at least at 4%, if not more.

It may be noted that while the average rate of GDP growth in the UPA-2 and Modi 1.0 periods was 7.2% and 7.5%, respectively, GDPA growth slowed down in the latter to 2.9%, way below the 4.3% achieved during UPA-2. And, now that quarterly GDPA growth is hovering around 2%, it is cause for greater concern. As agriculture still engages about 44% of India's workforce—and if masses do not gain from the growth process, their incomes remain subdued—the demand for manufactured goods as well as for housing etc will remain low. This low demand in the economy is one of the prime reasons behind India's great slowdown today.

Interestingly, during this slowdown, inflation has started surging after a long period of low inflation under Modi 1.0. Inflation is led by different components of the food basket—cereals, pulses, and vegetables—in the Consumer Price Index (CPI).

So, everyone is waiting to see how finance minister Nirmala Sitharaman can prop up the economy by boosting demand, without causing undue inflation (beyond the threshold level of 6% observed by RBI). Also, there is the challenge of not slipping on the fiscal deficit target of 3.3%, although the Comptroller and Auditor General (CAG) of India has already indicated that the real fiscal deficit in the country, if one accounts for the increasing loans being undertaken by many PSUs, is much more than this number.

Sitharaman has already announced an infrastructure investment package of about Rs. 102 lakh crore for the next five years, which implies more than doubling the growth in infra-investments from its current levels. The legitimate question being asked is from where the resources will come. The announcement does not unveil any clear strategy on the resource mobilisation front.

Here are my two cents on raising (saving) about Rs. 50,000 crore per annum to finance infrastructure projects without causing high inflation and without breaching fiscal deficit targets. I would submit that the FM and PM kindly look at the massive inefficiencies in the grain management system under the National Food Security Act (NFSA) to find the required resources.

The NFSA gives certain quantities of wheat and rice to 67% of the population at Rs. 2/kg and Rs. 3/kg, respectively, while these cost the Food Corporation of India about Rs. 25/kg and Rs. 35/kg, respectively. This led to a provision of food subsidy worth Rs. 184,000 crore in the Union Budget for FY20. Not many people know that FCI has pending bills of Rs. 186,000 crore, and FCI has been asked to borrow more and more to finance its operations. The grain stocks with FCI are more than even double of the buffer stock norms as on January 1 every year.

The massive grain stock accumulation is the result of a highly inefficient food management strategy, wherein the procurement of wheat and rice (paddy) remains open ended, but disbursal is largely restricted to public distribution system (PDS). The open market operations (OMO) are much lower compared to what is needed to liquidate excessive stocks. We don't have a clear strategy. And now, if the rabi procurement is good, FCI may not have ample storage space to accommodate this. The money locked in these excessive stocks (beyond the buffer norm) is more than Rs. 1 lakh crore. Even if the government decides to liquidate half of it, it can garner Rs. 50,000 crore to finance at least half of its infrastructure projects! We need a bolder move to reform our grain management system. There is no need to set up another expert committee for this. The blueprint for reforming grain management was presented to PM Modi by the Shanta Kumar Panel, whose report is on FCI's website. Only three points from this report need reiteration:

1. While the poor under the Antyodaya category should keep getting the maximum food subsidy, the issue price for the others should be fixed at, say, 50% of the procurement price (as was done under former PM Atal Bihari Vaypayee for the BPL category).

2. Limit subsidised grain distribution under NFSA to 40% of the population rather than the current 67%. After all, we must ask: what is the poverty ration that cannot afford even basic food? Since 2011, when the number of poor as per the Tendulkar poverty line was 21%, the Indian government has not updated this figure. Time for the Modi government to tell the nation what the level of extreme poverty in India is.

3. Limit procurement of rice, particularly in the north-western states of Punjab and Haryana, where the groundwater table is depleting fast, and invite the private sector in grain management. If the government can implement just these points, it can save another Rs. 50,000 crore annually! Additionally, this will help the government reduce the fiscal deficit. And, if it liquidates stocks fast, it can contain inflation too.

Can the Modi government focus on reforms and implement them? Only time will show.

Black money probe: Tax haven trusts come under scanner for Swiss bank accounts

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THE HINDU BusinessLine

Trusts, especially those set up in jurisdictions like Cayman Islands, Panama and British Virgin Islands, have often been seen as routes for evading taxes

A number of trusts set up in overseas tax havens using a complex maze of entities have come under the scanner of Indian and Swiss authorities for suspected tax evasion by parking of illicit funds in Switzerland-based banks, as per notices issued to those entities.

In addition, several individuals who are suspected to have moved abroad after evading taxes back in India are also being probed and their banking details are in the process of being shared by the Swiss authorities with their Indian counterparts.

As per the notices published in Switzerland's federal gazette over the past one month, these individuals, including some businessmen, as also trusts based in Cayman Islands and companies have been asked to appoint their nominees in case they want to appeal against sharing of their banking details with India.

Trusts, especially those set up in jurisdictions like Cayman Islands, Panama and British Virgin Islands, have often been seen as routes for evading taxes.

Those named in these notices include businessman Atul Punj, Gautam Khaitan, Satish Kalra, Vinod Kumar Khanna, Dullabhbhai Kunverji

Vaghela, Revaben Dullabhai Kunverji Vaghela and Balwantkumar Dullababhai Vaghela.

In some cases, the persons named in the notices are reported to have died already and their heirs have been asked to respond to the notices.

The Cayman Islands-based trusts named in such notices include The P Devi Children's Trust, The P Devi Trust, The Dinod Trust and The Agarwal Family Trust.

Similar notices have also been issued in the names of Cayman-based Devi Limited and India-based Aadhi Enterprises Pvt Limited, among others.

Some of these entities are suspected to have been used by politicians to park their illicit wealth, including through instruments to sectors like real estate, gems and jewellery and financial services.

These notices have been issued after India's request for "administrative assistance" in respective probes into each of the case and are different from the automatic exchange of information framework that has become effective between India and Switzerland since last year. The first set of data under the automatic exchange was shared in September 2019 and would be followed by an annual exercise every September.

Some of the accounts being tackled through the 'administrative assistance', which can be tapped only after submission of prima facie evidence of wrongdoings, might have been closed before 2018, the cut-off year for the automatic exchange.

Issuance of notices

Issuance of notices is typically the first step towards sharing of information by Swiss authorities with the requesting jurisdiction under Switzerland's regulations about sharing of financial information in tax matters.

These notices do not disclose much details, besides the names and dates of birth (or date of incorporation in case of companies or trusts) of the noticees.

Some of these names had come out in the leaked lists like Panama Papers and HSBC lists and several of them at that time had denied any wrongdoing, but Indian authorities had launched their investigations soon after.

The Swiss authorities have been issuing such notices regularly to Indian residents having accounts in Switzerland-based banks on receipt of requests accompanied with prima facie evidence of financial wrongdoings, including stashing of suspected illicit funds.

More than 100 such notices have been issued in recent months, including against people already facing black money probe back in India. In case of Gautam Khaitan, an accused in the AgustaWestland chopper scam case, and Chennai-based real estate firm Aadhi Enterprises, similar notices have been issued in the past as well.

While Swiss bank accounts have been a matter of heated political debate for many years in India due to suspicion that they were being used to hoard black money, it has also been suspected that people linked to the erstwhile princely states had stashed some funds in banks in Switzerland.

The Swiss government has also been making details of dormant accounts public since 2015 to allow their claimants to submit necessary proof to get access to those funds, which included at least 10 accounts linked to Indians.

Possible Indian accounts

These included some accounts linked to Indian residents and nationals from the British era. However, not a single dormant account linked to an Indian has been successfully claimed in the last six years, as per the records available with the Swiss authorities.

The list included close to 2,600 dormant accounts when it was first made public in December 2015, which had around 45 million Swiss francs (over Rs 300 crore) lying unclaimed since at least 1955. There were also nearly 80 unclaimed safety deposit boxes when the list was first made public for claims from the real owners or their heirs.

More accounts are being added every year since then after they become dormant under the Swiss banking laws. The list now includes nearly 3,500 accounts.

Generally, the deadline for submitting requests is one year from the date of such dormant accounts being made public, but a larger time-frame of five years has been given for accounts that had the last customer contact in 1954 or earlier.

The claims can be submitted by the original account owner as also by his or her legal heirs.

If no request is received within the deadline, or if the bank finds the claims unjustified, the bank needs to hand over the assets to the Federal Finance Administration of Switzerland, thus making all rights of former customers null and void.

BSNL has identified properties worth over Rs 20,000 cr for monetisation: CMD

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THE HINDU BusinessLine

State-owned Bharat Sanchar Nigam Ltd has submitted details of 14 properties worth Rs 20,160 crore to the Department of Investment and Public Asset Management (DIPAM) as part of the telecom corporations' ambitious asset monetisation plans, according to its Chairman.

Meanwhile, a government source told PTI that the Ministry of Skill Development is looking for a land parcel and the Department of Telecom (DoT) has offered BSNL land in Ghaziabad to the ministry. The estimated value of that land is Rs 2,000 crore.

When contacted, BSNL Chairman and Managing Director P K Purwar said, "The corporation is making all out efforts to monetise its assets and has identified 14 assets worth over Rs 20,000 crore through the DIPAM route”. Purwar said these land parcels are spread across India in locations like Mumbai, Thiruvananthapuram, Chennai, Ghaziabad and other places.

In October last year, the government had approved a Rs 69,000 crore revival package for BSNL and MTNL that includes merging the two loss-making firms, monetising their assets and giving VRS to employees so that the combined entity turns profitable in two years.

The Union Cabinet headed by Prime Minister Narendra Modi had approved a plan to combine Mahanagar Telephone Nigam Ltd (MTNL) -- which provides services in Mumbai and New Delhi -- with Bharat Sanchar Nigam Ltd (BSNL) that services the rest of the nation.

Over the last few weeks, both the companies have launched their VRS plans and thousands of employees of BSNL and MTNL have opted for voluntary retirement. The scheme will help reduce BSNL’s wage bill by 50 per cent and MTNL’s by 75 per cent. The two firms will also monetise assets worth thousands of crores in the next three years. MTNL has reported losses in nine of the past 10 years and BSNL too has been in the red since 2010.

BSNL has initiated discussions with the Central Board of Secondary Education for sale of specific land parcels. Moreover, the DoT has also sounded out the Ministry of Finance about BSNL’s plans to issue sovereign guarantee bonds. These could be floated as early as February, once the requisite approvals come in.

‘Rumours’ of Air India’s shutdown are baseless, says CMD Ashwani Lohani

PTI
NEW DELHI, JANUARY 04, 2020
THE HINDU

He told the Civil Aviation Ministry that the carrier’s financial situation was “grossly untenable” for sustaining operations

Air India chief Ashwani Lohani on Saturday said that “rumours” of the disinvestment-bound airline’s shutdown are “all baseless”, weeks after he told the Civil Aviation Ministry that the carrier's financial situation was "grossly untenable" for sustaining operations.

"Rumours regarding Air India shutting down or closing operations are all baseless. Air India would continue to fly and also expand and there should be no cause for concern whatsoever to travellers, corporates or agents. Air India the national carrier is still the biggest airline of India," the Air India Chairman and Managing Director tweeted.

In a letter to the ministry last month, he had said, "It also needs appreciation that the overall financial situation is grossly untenable and the airline may not be able to sustain physical operations in the absence of immediate government intervention and support that we have been repeatedly requesting for in the recent past."

Government unlikely to announce capital infusion for PSU banks in Budget

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NEW DELHI, JANUARY 05, 2020
THE HINDU

Besides, sources said, banks may also look for divesting or selling their non-core business as part of fund raising exercise during 2020-21

The government is unlikely to announce capital infusion for the public sector banks (PSBs) in the upcoming Budget and will rather encourage them to expedite recovery of bad loans and raise funds from the market.

Besides, sources said, banks may also look for divesting or selling their non-core business as part of fund raising exercise during 2020-21.

Finance Minister Nirmala Sitharaman is expected to present the second budget of the Modi 2.0 government on February 1.

According to sources, banks have robust pipeline of recovery from the resolution of both NCLT and non-NCLT cases during this calender year and also headroom for raising capital from the market.

The provision coverage ratio of public sector banks is at a 7-year high of 76.6%.

In some of the non-performing assets, banks have done provisions up to 100%, sources said, adding that recovery from those account will straightaway form part of the bottomline.

Share price of some of the banks are firming up which provide them opportunity to dilute government holding, sources said.

The country’s largest lender State Bank of India (SBI) has already initiated the process of diluting its stake in its subsidiaries SBI Cards and Payment Services Ltd and UTI Mutual Fund.

It is looking to sell 50 lakh shares representing 1.01% stake in the National Stock Exchange (NSE).

Similar exercise is being undertaken by other State-owned lenders as well in an effort to raise capital.

In addition, the government has already front loaded ☐68,855 crore, out of ☐70,000 crore earmarked for capital infusion for the current fiscal, to take care of the mega-merger plan announced in August, 2019.

Among all four anchor banks -- Punjab National Bank was given ☐ 16,091 crore, Union Bank of India ☐ 11,768 crore, Canara Bank ☐ 6,571 crore and Indian Bank ☐ 2,534 crore.

Merging entities like Allahabad Bank was provided ☐ 2,153 crore, United Bank of India ☐1,666 crore and Andhra Bank ☐ 200 crore.

Besides, Bank of Baroda got a capital infusion of Rs 7,000 crore, Indian Overseas Bank Rs 4,360 crore, UCO Bank Rs 2142 crore, Punjab & Sind Bank 787 crore and Central Bank of India Rs 3,353 crore.

LIC-controlled IDBI Bank too received additional capital of ☐ 4,557 crore through the first supplementary demands for grants approved by Parliament last month.

With the deadline of March 31 to complete other regulatory requirements, the merged entity will come into existence beginning next fiscal.

Alternative Mechanism of Government of India gave in-principle approval for the merger of United Bank of India and Oriental Bank of Commerce with Punjab National Bank, making the proposed entity the second largest public sector bank (PSB).

Syndicate Bank will be merged with Canara Bank, while Allahabad Bank will be amalgamated with Indian Bank.

Similarly, Andhra Bank and Corporation Bank will be consolidated with Union Bank of India.

The government remains committed to maintain financial health of public sector banks and it will provide capital in case if the need arises in the future, sources added.

Niti Aayog moots Rs 22,500-crore plan for 150 private trains on 100 routes

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NEW DELHI, JANUARY 03, 2020
THE HINDU

The routes included Mumbai Central-New Delhi, New Delhi- Patna, Allahabad-Pune, Dadar-Vadodara, Howrah-Chennai and Secunderabad-Guwahati.

Niti Aayog and Indian Railways have come out with a discussion paper for running 150 trains on 100 routes by private operators, envisaging an investment of ☐22,500 crore.

The discussion paper titled “Private Participation: Passenger Trains” has identified 100 routes, including Mumbai Central-New Delhi, New Delhi-Patna, Allahabad-Pune and Dadar-Vadodara.

Other prominent routes include Howrah-Chennai, Howrah Patna, Indore-Okhla, Lucknow-Jammu Tawi, Chennai-Okhla, Anand Vihar-Bhagalpur, Secunderabad-Guwahati and Howrah-Anand Vihar.

The paper, prepared for discussions with stakeholders, has split the 100 routes into 10-12 clusters. As per the paper, the private operator will have the right to collect market-linked fares and will be provided flexibility of class composition and halts.

The privatisation of train operation, the paper said, will help in introducing modern technology and rolling stocks with reduced maintenance. Besides, it would provide world-class service experience to passengers and also help in reducing the supply demand deficit.

The operators could be domestic or international entities, the paper said. Each bidder would eligible for award of maximum three clusters, it added.

The Tejas Express on the Lucknow-Delhi route, which was flagged off on October 4, is the railways' first experience of letting a non-railway operator run a train. The Tejas Express is run by railways' subsidiary IRCTC.

IRCTC has a slew of benefits worked out for its passengers — combination meals, free insurance of up to ☐25 lakh and compensation in case of delays.

The Railway Board in October 2019 formed an empowered group of secretaries, headed by Niti Aayog CEO Amitabh Kant, to chalk out the modalities of the bidding process and take other decisions to fast-track awarding of bids to private players.