ETW 9th to 15th November 2018

- **Centre plans ease of doing agri business (BS 10/11/18)**
  - NITI Aayog in 2016 had developed the first ever Agriculture Marketing and Farmer Friendly Reforms Index. In this it identified three areas where the states need to implement reforms
    - Agriculture Market Reforms
    - Land lease reforms
    - Reforms related to forestry on private land - felling of trees and transit of trees

    As per the index, Maharashtra was ranked 1st
  - The proposed index would rank the states on six parameters and 22 sub parameters out of a total score of 100
    - Marketing reforms (25 marks)
      - Adoption of model 'Agriculture Produce and Livestock Marketing Act 2017 by the states
      - Establishing electronic national agriculture market network
      - Development of rural haats
      - Post harvesting infrastructure
    - Reducing cost of inputs (20 marks)
    - Governance and land reforms (20 marks)
    - Risk mitigation (15 marks)
    - Increasing production and productivity (10 marks)
    - Investment in agriculture (10 marks)
  - The concept note has mentioned that the ministry of agriculture may also start awarding the best performing states in the future
  - The performance of the state would be evaluated every year

- **Recapitalisation of the banks by the centre (BL 10/11/18)**
  - The centre has earmarked ₹ 65000 of capital in this fiscal. Last year it had infused ₹ 88000 Cr into 20 PSBs
  - Of this it has already infused ₹ 11300 Cr into 5 PSBs - IOB, Allahabad bank, Corporation Bank, PNB and Andhra Bank - in July. As per the recent estimates it has crossed ₹ 20000 Cr
  - The issues related to finances of these banks have eaten into the banks' capital, leading to higher requirement of capital
    - Centre infused ₹ 1500 Cr into Allahabad bank (twice of the amount infused between FY15 to FY17). Despite this the Tier 1 Capital stood at 6.7% (threshold to be maintained by March 2018 was 7%). By the end of June quarter, it has fallen down further to 4.9%. Following this the centre infused ₹ 1790 Cr in July and ₹ 3054 Cr in recent days, which means the performance of the bank is getting worse
    - In case of PNB also the government was forced to infuse capital for the second time taking the total to ₹ 5431 Cr. Despite this, the tier 1 capital is 7.7% (just above the mandated 7%)
  - Some banks - OBC, Dena Bank, UCO bank etc - have their Tier 1 capital at just over 7% and have not been considered so far for the infusion of the capital in this fiscal
  - If the situation continues then the centre may find it very difficult to find the capital to infuse into these banks

- **Cotton prices MPS (market Price Support) - US counter notification (LM 12/11/18)**
    - US has argued that India has given subsidies to cotton sector which is more than the 10% slab decided for a developing country under the de-Minimis principle for the last seven years
    - US has stated that the subsidies given are 53% to 81% of the value of production in each of the years between 2010 to 2017
    - This is the second such counter notification after a similar notification on India's rice and wheat several months ago
    - MPS for agricultural commodities is arrived at by taking the difference between the applied administered price and external reference price prevailing in 1986-88 multiplied by eligible production
    - India along with more than 45 countries (of G-33 farm coalition) have demanded that the MPS must be calculated by taking an external reference price of the recent period compared to 1986-88 prices that was built into the agreement as a result of Uruguay round of negotiations
    - But US along with Norway, Japan, Switzerland, EU have blocked India's efforts in changing the methodology

- **Credit rating norms (TH 14/11/18)**
    - After the issue of IL&FS which has affected the liquidity in the market and NBFCs, SEBI has tightened norms relating to the disclosures for the CRAs (Credit Rating Agencies)
    - The CRAs have to take into account the Asset Liability Mismatch, liquid investments, cash flows, capital infusion by the parent company etc while giving any credit rating
    - The list of subsidiaries has to be disclosed if they form part of the consolidated ratings
    - Whenever CRA takes into consideration infusion by parent/group/government to ensure timely debt servicing, the names of such entities and the rationale for it has to be provided (if the rating is assigned based on the cash flow then the CRA has to disclose the source of funding)
    - If subsidiaries or group companies are consolidated, then the rationale of such consolidation may be provided

- **UDAY evaluation (BS 12/11/18)**
    - SC will hear the case filed by the power producers against the February 12 circular of RBI
    - The circular if implemented in the power sector will lead to large number of banks taking a large amount of haircut
    - The government in order to achieve "power for all" has implemented a large number of reforms and chief amongst them is UDAY (Ujjwala Discom Assurance Yojana). The objective of the scheme was to ensure the financial viability of the power discoms. It was needed as
        - The discoms were suffering from losses
        - The cost associated with procurement/Average Cost of Supply (ACS) and distribution/ Average Revenue Realized (ARR) of electricity was higher than cost charged and collected from the consumers
        - Many a times the discoms had to reduce the purchase of electricity in order to reduce the losses. This affected the power producers as well as the consumers
        - The AT&C losses (Aggregate Technical and Commercial) were very high
    - Under UDAY, the state government was to take up the debt of the discoms and introduce the financial and operational reforms in the discoms to ensure

a turn around. But the recent analysis done by NIPFP (National Institute of Public Finance and Policy) has found that
- UDAY has created pressure on the states' finances
- The situation of losses and operational efficiency has not improved
- The AT&C losses at present are at 25.4% on an average (for many states such as UP, Bihar, J&K, Chhattisgarh etc the AT&C losses re still on the rise)
- The gap between ACS and ARR has also increased

- **PMFBY losing steam (TH 14/11/18)**
  - 84 lakh farmers, which is around 15% of the total farmers insured in the first year (FY17) of PMFBY have withdrawn from the scheme in FY18
  - The crop insurance companies have registered a profit of ₹15795 Cr since the launch of the scheme
  - In the first year, 5.72 Cr had enrolled (of which there were 4.35 Cr loanee and 1.36 cr non-loanee farmers), which has come down to 4.87 Cr (of which there were 3.51 Cr loanee and 1.36 cr non-loanee farmers)
  - Under the scheme, crop loans either under Kisan Credit card or other means are covered compulsorily

- **GST revenue shortfall (BS 13 nov 18)**
  - The target of GST collection for this fiscal has been set at overall ₹ 12.3 lakh Cr which means a monthly target of ₹ 1 lakh Cr. from April to October the average monthly collections have been ₹ 970 billion (6% short of target)
  - In the last seven months, the GST revenues have crossed ₹ 1 lakh Cr only twice. At this pace the experts have opined that there could be a shortfall of around ₹ 500 bn in this fiscal. If the expected tax revenues have to be garnered in this fiscal, there is a need of increasing the tax collections to an average of 14% in the next five months compared to the average of last seven months (the government will have to collect ₹ 1.11 lakh cr on an average for the next five months, this amount has not been collected so far in a month)
  - Though the collections crossed ₹ 1 lakh Cr in October, the understanding is that it is because of higher expenditure during the festive season and not because of higher compliance
  - The IGST collected is distributed among the centre and states in two ways (as per the amendments to IGST done in the month of august 2018)
    - Regular settlement - distribution is determined between centre and states based on supply
    - Ad hoc settlement - some amount is distributed between centre and states equally
  - So far in the last three months, the centre has got 53% and states 47% of the IGST distributed under regular settlement
  - The share of IGST under regular settlement and amount which remains undistributed under the compensation cess may help the finances of the centre (earlier the funds unutilised under the compensation cess fund was supposed to be untouched until 2022 but the government through the amendment has allowed its usage in the same fiscal)
  - The centre aims to collect ₹ 90000 cr in the compensation cess fund and the amount which will remain unutilized is expected to be ₹ 20000 Cr, it means centre would garner ₹ 10000 Cr from this (as remaining half will go to the states)
  - The returns filed has increased form 6.05 mn in April to 6.75 mn by October this year and the average GST collected per month has increased from ₹ 140000 to ₹ 150000 from august to October

- The E-waybills have increased from 1.56 mn per day to 1.73 mn per day (June to November)