ETW 16th to 22nd Nov 2018

- **Has Indian growth been jobless? (LM 16/11/18)**
  - The criticism against the government has been that the policies have not been able to generate the jobs
  - As per the World Bank, this is an unfair and fair criticism - economic growth has been able to generate jobs but just not enough or of the right quality
  - As per a report published by the authority, employment in india for 2015 was around 50% and this has increased with the economic growth. A 1% increase in growth materialises into 540000 more jobs on an average for India. These jobs are insufficient in terms of quantity and quality
  - In case of quality they point to
    - Predominant agriculture labour
    - Modest growth in the regular wage employment
  - In case of quantity they point to
    - The employment rate is significantly below the rate in countries with similar income per capita. To catch up with these countries, India will have to create 13.5 mn jobs each year with a GDP growth of 18%, both of which are significantly higher than the present numbers
  - The report establishes a strong link between growth and employment generation and the link can be strengthened by improvements in infrastructure, increased integration with the global markets etc

- **IBC and delays caused (BL 16/11/18)**
  - The government recently has amended the IBC and as a result of it the threshold requirement for passage of any of the decisions in the CoC (Committee of Creditors) has been reduced from 75% to 51% of the financial creditors (for strategic decisions such as appointing an insolvency resolution professional, passing the resolution plan etc, it has been reduced from 75% to 66%)
  - 12 cases were shortlisted by RBI and sent to NCLT for a speedy resolution. In many of these cases, the time taken has been more than the mandated 270 days (it's more than 400 days on an average)
  - It's because many dissenting financial/operational creditors (either abstained during voting or voted against) have been approaching NCLT/NCLAT one after another
  - This has negative impact on other financial creditors especially the banks. The computation of interest stops once the case has been accepted by NCLT and more the delay in insolvency resolution, more the loss of interest for the banks
  - Way out
    - Once the resolution plan has been approved, NCLT should not entertain any objections by the creditors
    - Even if the objections are allowed then they should be dealt with in a fixed time frame

- **Multi-modal transportation (BL 16/11/18)**
  - After the passage of National Waterways Act 2016 (111 waterways were declared as national waterways), the government launched Jal Marg Vikas (JMV) to boost the carrying capacity of NW-1 i.e. river Ganga
  - The objective of JMV is to facilitate the movement of 1500 to 2000 tonnes vessels along the Allahabad-Haldia stretch
  - The potential through the inland waterways is huge as only 3.5% of trade is done through this against

        - 47% in China
        - 40% in Europe
        - 44% in Japan and Korea
        - 35% in Bangladesh
    - While the fuel efficiency is a big advantage for this mode, the cost involved in dredging will be a big problem. Having said so, the cost has to be looked with a context of larger savings that could be done and also the economic gains that could be achieved
    - This project has received the support from the World Bank
    - This multi-modal project will address the infrastructure issues in this region and lead to attracting investments in this region
    - The profits of the 12 major ports will be channelized to provide financing for these projects and develop an extensive inland waterway system
    - The experts have raised issues such as
        - The deforestation that could be caused because of such projects
        - The displacement of people and acquisition of the land
        - The impact of movement of larger vessels on aquatic life and riverbed
        - River flow concerns and impact of river flows on hydel projects
    - In order to address these issues, there is a need of consultative, interdisciplinary approach as opposed to techno-centric one to reduce the negative consequences

- **<u>Hidden costs related to Solar energy (BL 16/11/18)</u>**
    - The government aims to achieve 100 GW of solar energy by 2022. In the recent past, the scenario for solar energy has also been improving for example the tariffs have plummeted from ₹ 14 per unit to ₹ 2.44 per unit
    - Some of the questions need to be answered before we can conclude that solar energy/green energy is the future for India
        - What are the direct and indirect costs of the focus on the renewable energy?
        - Who bears this cost?
        - What about the sustainability of the measures used by the government to roll out the solar energy mission
    - There is no denying that India is a sun rich country (has more than 300 solar days) but
        - Demand for the electricity is higher during the evenings during which the sunlight is not available. On the other hand, the storage technology and cost related to it will be the key
        - During evenings there is a need of another source to supply electricity and during noon, this source has to be backed down. Both of these will involve costs (i.e. grid parity will involve costs)
        - Though hydro power generation is a good complement, the potential
            - Has not been developed
            - There have been huge delays in the completion of the projects which has made these projects unviable
            - Issue with the environment
        - It may lead to 'Utility death spiral' - the rooftop solar power plants will supply electricity at a time when generation is more and demand will be lesser (compared to evenings)
        - India has to step up in estimating/predicting accurately on the variables (such as monsoon, sun setting etc), for this there is a requirement of dynamic market, whereas in India the prices are determined by PPAs (Power Purchasing Agreements)
        - The PLF for the solar power plants is about 20%

        - Quality of the solar panel
        - Maintenance of the solar panels in terms of cleaning the dust, pollution etc

- **<u>Australia challenges cane subsidy given by the Indian government (IE 17/11/18)</u>**
    - In September the government has approved a ₹ 5538 Cr package for the sugar industry
    - Australian government has decided to approach WTO on the cane subsidies given by the government of India
    - This comes after November 12 filing by US alleging that India has given out higher subsidies to the cotton producers than the rules of WTO permit
    - This presents a very concerning situation for India as many other trade partners have approached and won cases over various issues against India (US, Japan etc) and if the trend continues then it will be more problematic for India, as India has imposed/increased tariffs on more than a dozen tariffs on more than 400 imports/items in the last two years
    - Prior to these tariffs in the last two years, the tariffs on agri imports had come down from
        - 150 per cent in 1991-92
        - 40 per cent in 1997-98
        - 20 per cent in 2004-05
        - 10 per cent in 2007-08
    - Australia claims that the subsidies given by the GoI has led to creation of a global surplus which is affecting the farmers of Australia. India's claim is that the subsidy given to the sugar cultivators is a production subsidy and not export subsidies, hence these subsidies are in compliance with the WTO guidelines

- **<u>Disinvestment and divestment by the present government (TH 19/11/18)</u>**
    - As per the data released by DIPAM, the present government accounts for 58% of the total disinvestment done since 1991. For this fiscal the government has set a target of ₹ 80000 cr of which so far it has achieved ₹ 15247 Cr. If it achieves the target, then it would account for 65% of the total disinvestment since 1991
    - Since 1991, disinvestment worth ₹ 3.63 lakh cr has been conducted of which ₹ 2.1 lakh Cr has been collected in the last 4 years
    - The disinvestment done by the present government is almost twice of what was done by the previous UPA government in tenure of ten years
    - Though government has been the target of disinvestments, the methodology which has been used by it have ben questionable. For example, ONGC has purchased shares worth ₹ 36000 Cr from HPCL but both of them are government owned companies. Earlier also in January this year, ONGC has purchased 51.1% of the stake in BPCL for ₹ 36915 Cr

- **<u>GST a game changes for logistics sector (TH 19/11/18)</u>**
    - One of the issues in achieving price competitiveness for exporters has been that of higher logistics cost. These costs amount to 13 to 14% of GDP, whereas in developed economies it is about 8%. The central government has announced to bring it down to less than 10%
    - The government
        - Has set up a new division in commerce ministry to deal with integrated development of this sector
        - Has implemented GST, which is expected to benefit this sector hugely

    - Soon a new system will be launched wherein the multi-modal logistic players need to provide a single document for paperwork rather than the present practice of about six (as they have to deal with six different ministries)
    - Logistics sector has been awarded with infrastructure status in 2017 (this is expected to help the sector in getting access to cheaper credit) for its warehousing and cold storage needs
  - The logistics market is expected to grow in double digits to reach a value of $250 bn in next two years
  - This sector provides livelihood for 22 mn people, which is going to increase to 40 mn by 2020
  - **Benefits from GST**
    - GST has abolished the concept of check posts at the border
    - It has subsumed around 7 indirect tax heads
    - It has reduced the need of having multiple warehouses across the states
    - The turnaround time of the trucks has reduced by 12 to 15%
    - All of the above will lead to better utilisation of resources, assets etc. this will lead to better supply chain systems, contribute to the growth of the sector, and to the growth of the economy
  - Post the implementation of GST, there has been a marked improvement in usage of technology and digitisation by players in this sector