

Economy This Week (24th Feb to 8th Mar 2020)

1. Unease of doing business (BS 26/2/20)

- The Ease of Doing Business Report published annually by the World Bank has placed India at the 63rd rank out of 190 countries. India has jumped 14 places in the recent report.
- In the 2019 report, it was noted that in recent years, some of the reforms have helped India to improve its performance. The reforms that were noted are:
 - Simplification in the norms for starting a business
 - Dealing with construction permits
 - Facilitation in doing trade across borders
 - Resolving insolvency
- However, the report also highlighted certain areas of concern:
 - India has been ranked 163rd out of 190 countries under enforcing contracts and 153rd in registration of property.
 - It takes 58 days and costs 8% of the value of property to register.
 - It takes around 1445 days to resolve a commercial dispute at a lower court (3 times the average time taken in developed countries).
- On the one hand, there are certain areas where India's performance has improved reflecting in the ranking under the index and on the other hand, it is important to note whether the current economic policy is conducive for further improvement in the coming years. The latter question is very important in the context of some of the recent events.
 - Events in the telecom sector.

2. Discoms need more than smart metering (BS 1/3/20)

- The government, in the recently concluded budget, has allocated ₹ 22000 Cr for the power sector and emphasis was laid on smart metering. All the states and UTs have been asked to replace the conventional meters with prepaid smart meters in the next three years.
- This will provide a choice to consumers to choose among the retail suppliers. However, the idea that this will help in reducing the AT&C (Aggregate Technical and Commercial Losses) and make discoms financially sustainable is doubtful.
- The AT&C losses are because of technical losses (because of dissipation, which is 5 to 8% of the losses) and commercial losses (because of poor billing and collection, power theft, etc. ranging between 5 to 40%).
- The prepaid smart meters can only address the collection efficiency; however, most of the discoms suffer from billing efficiency which the smart meters cannot address. Furthermore, the discoms need to incorporate appropriate features in smart meters and develop resource capabilities to process the information generated to plug the revenue leakages, and most utilities lack this kind of technological and data handling experience.
- The total expenditure related to smart metering for 260 million consumers would be around ₹ 1 tn and the allocation done has been around ₹ 22000 Cr for the power sector. This could be used for ongoing schemes which means the expenditure burden would be falling on the state owned discoms.
- It is also worthwhile to conduct cost to benefit analysis of replacing traditional meters with smart meters. This would cost the consumers in case of low end consumption where the cost of installation would outweigh the benefits and the discoms would simply transfer this cost to the consumers in the form of higher tariffs.
- To address some of the challenges, the newly formed National Electricity Distribution Company (NEDCIL) could be leveraged. It is a joint venture between NTPC and PGCIL.

- Another option would be that states could encourage PPP (Public Private Partnership) to ensure that there is a turnaround of the ailing utilities.

3. Income scheme to cover fewer farmers (TH 25/2/20)

- Last year, the government had launched the [Pradhan Mantri Kisan Samman Nidhi \(PM-KISAN\)](#) scheme. Under this, the land owning farmers would be provided with an income support of ₹ 6000 per annum.
- The government has reduced the beneficiary target from 14 Cr to 12 Cr.
- The evidence shows that saturation level will reach at around 10 Cr families and so far, 8.5 Cr farmers have benefited.
- West Bengal has refused to join the scheme and in the case of Bihar, the government is waiting for the applicants (60% of the potential beneficiaries are yet to register).
- The initial estimate of the Central Government of 14 Cr beneficiaries was based on the number of landholdings recorded in the agriculture land census. The revised estimates are based on the estimate that Bihar and West Bengal have 2.13 Cr farmer beneficiaries and so far, 9.84 Cr are registered on the portal.

4. RBI bails out Yes Bank (TH 7/3/20)

- The RBI has announced a draft reconstruction scheme for Yes Bank.
- As per the plan:
 - The authorized capital for the bank will be ₹ 5000 Cr (with 2400 Cr equity shares of ₹ 2 each).
 - SBI will be picking up 49% of the stake. The bank cannot reduce its stake to below 26% before the completion of three years from the date of infusion of capital.
- This follows the moratorium put by the government followed by the [RBI](#) superseding the board of Yes Bank to appoint an administrator.
- The new board would consist of at least six members:
 - MD & CEO
 - Non-executive chairman
 - Two non-executive directors
 - Two nominee directors would be appointed by the SBI