Economy This Week (26th Oct to 1st Nov 2020)

TABLE OF CONTENTS

1. Centre may rethink sovereign overseas borrowing proposal (LM 26/10/20)
2. India's refining capacity to be increased (LM 27/10/20)
3. Worsening skewed gender workforce (LM 27/10/20)
4. Higher crop sowing this fiscal may raise the fertiliser subsidy bill (BL 27/10/20)
5. Kerala govt fixes base price for 16 agriculture commodities (TH 28/10/20)
6. NITI Releases draft Act, rules for states on land titling (IE 30/10/20)
7. Mega food park scheme - centre blames states (BL 30/10/20)

1. Centre may rethink sovereign overseas borrowing proposal (LM 26/10/20)

- The government had proposed external borrowing in the budget 2019-20 and is expected to announce it in the upcoming budget.
- This would ensure cheaper borrowing for the government and higher borrowing by the government would not drive up the interest rates.
- The government borrows heavily from the domestic market to finance its social welfare and infrastructure. Such higher borrowing would be crowding out the private sector.
- The sovereign external debt to gross domestic product stands at less than 5% and is one of the lowest in the global market. Hence the supporters argue that it would be easier for the government to service this debt.
- Currently, the government debt that matures extends up to 2055 and some of this has been borrowed at a higher cost. External borrowing would be reducing the interest burden.
- The forex reserves for the month of October stood at $555.12 bn and the external debt stood at $558.5 bn (for September). The argument is that the forex reserves are sufficient to service the debt.
- The government is expected to borrow higher next year with the rolling out of the immunisation programme.

2. India's refining capacity to be increased (LM 27/10/20)

- India plans to increase the refining capacity from 250 million tonnes per annum (MTPA) to 400 MTPA by 2025.
- This jump is in the view of India becoming one of the major refining hubs in Asia with 23 refineries.
- In addition, the PM also urged for responsible pricing.
- India is the third and fourth-largest importer and buyer of oil and natural gas respectively. 80% of the imports are accounted for from OPEC and OPEC accounts for 40% of the global production.
- This year has seen a fall in demand, volatility in pricing, investment decisions being impacted. The overall global demand is set to contract for the next couple of years but that of India is expected to increase.
- The government in 2015 had set a target of reducing crude oil import dependency by 10% to 67% (FY15 it was 77%) by 2022.

3. Worsening skewed gender workforce (LM 27/10/20)

- The Indian economy has been facing a problem of lower women working participation. It was not high, to begin with, but what’s worse is that it has been declining in the last one and half decades.

    - As per World Bank data, the female labour force participation rate (F-LFPR) was around 30% after economy opened up in 1991, then it peaked to 31.8% in 2005 and has fallen down to 20.3% this year.
    - This rate is one of the lowest in the world.
    - The loss because of lower women participation has been quantified by McKinsey Global Institute and as per that, the Indian economy would be gaining about $770 bn in output if the participation of Indian women was on par with that of men.
- Issues:
    - Much of this can be explained by the socio-cultural attitudes of the families which do not allow the women to adopt the modern work culture. India is still a country with huge poverty numbers, substantial numbers of women go out to work out of necessity and when the family incomes rise, they drop out of the labour market.

4. Higher crop sowing this fiscal may raise the fertiliser subsidy bill (BL 27/10/20)

- A good monsoon has brought to the fore another problem for the Finance Ministry - subsidy on fertilisers - is expected to increase. On the other hand, the fertiliser producers are worried that the government may roll over some of these subsidies by six to eight months into the next fiscal.
- For the current month, the budget estimates for fertiliser subsidy is ₹ 71309 Cr, of this the government has already exhausted 60% in the first five months itself (April to August).
- There are two mechanisms for providing subsidy for the fertilisers:
    - In the case of Urea:
        - Government fixes the MRP
        - The difference between the cost of production and MRP is paid in the form of subsidy
    - In the case of P&K:
        - The private sector companies fix the MRP based on market dynamics.
        - The government pays a fixed amount of subsidy on annual basis to these producers based on the nutrients used for manufacturing these fertilisers - Nutrient Based Subsidy (introduced in 2010).
    - The demand for fertilisers has gone up by 20 to 25% and after June, the dues are yet to be paid to these producers.
    - To manage the cash flow, the Ministry of Fertilizers was placed in a category with a quarterly expenditure cap of 20% of the budget estimates. However, this has been moved to no cap category during the October-December quarter.

5. Kerala govt fixes base price for 16 agriculture commodities (TH 28/10/20)

- The state government of Kerala has fixed the base price for 16 agriculture commodities (in the first phase). The objective is to increase the production of these crops by one lakh tonnes in case of vegetables and one lakh tonnes in case of tubers in a year.
- This scheme to protect the farmers from adverse changes in the prices will come into force from 1st November 2020.
- The base price fixed will be 20% above the cost of production. The commodities would be graded on quality and base price fixed will be on this. These base prices would be revised regularly.
- If the market prices of these commodities dipped below the base price then these would be procured at the base price. The money would be transferred into the bank accounts of the farmers. The local governments would be involved in coordinating the procurement and distribution of these.

- The farmers with a maximum of 15 acres in a season will be benefitted. These farmers will have to register on the Agriculture Department portal after insuring the crop to get the benefit of the base price.
- The scheme also envisages setting up of supply chain processes such as cold storage facilities and refrigerated vehicles.

6. NITI Releases draft Act, rules for states on land titling (IE 30/10/20)

- NITI Aayog has released the draft model act and rules for states to provide conclusive land titling.
- It is to reduce land title-related litigation. It would also improve the land acquisition for infrastructure projects.
- State governments to establish title registration for all immovable properties.
- In the case of conclusive titling, the government guarantees the title of the land and in case of any dispute, the government would be providing the compensation.
- In case of any person being aggrieved by the entry in the Record of Titles:
    - He may file an objection before the Title Registration Officer within three years from the date of such notification
    - The officer will enter this in Record of Titles and Record of Disputes
    - Refer this case to the Land Dispute Resolution Officer
    - The aggrieved party can further appeal at Land Titling Appellate Tribunal within 30 days of order
    - A special bench of High Court shall be taking up appeals against the orders issued by Land Titling Appellate Tribunal (the time period of appeal is within 30 days)

7. Mega food park scheme - centre blames states (BL 30/10/20)

- This scheme is being implemented under the Pradhan Mantri Kisan Sampada Yojana (PMKSY).
    - As per guidelines, the project is supposed to be completed within 30 months from the date of approval.
    - The government has connected the grant releases with proportionate physical progress on all project components such as Primary Processing Centres (PPCs), sheds, etc.
- The scheme continues to be plagued with delays in implementation.
- Out of 37 parks which have been given the final approval, only 19 are operational and the remaining 18 are under various stages of implementation.
- Reasons for the delay:
    - Time delays to get statutory clearances from the states
    - Changes in project components midway
    - Change in shareholding patterns
    - Delays in bank approvals