

## Economy This Week (20th Feb to 26th Feb 2021)

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### 1. Challenges to conclusive titling (TH 21/2/21)

- NITI Aayog has initiated land reforms. The Centre has sent a model Conclusive Land Titling bill to the states.
- India currently follows presumptive titling, which means the ownership is established based on current possession and holding the registration does not necessarily guarantee ownership title of the land.
- On the other hand, in conclusive titling, ownership will be guaranteed by the government. Govt will be taking the responsibility for the accuracy of the title, if there is any dispute then the claimant will have to settle it with the govt.
- What is the need?
  - The litigation will be drastically reduced.
    - As per a World Bank study (2007), land disputes/cases accounted for about two-thirds of the pending court cases in India.
    - As per [NITI Aayog](#), disputes on land take an average of about 20 years in courts to be resolved.
  - Businesses/investors who wish to purchase land can do so without any concern over titling. It will promote an active land market.
  - Land disputes and unclear titles will also create hurdles for infrastructure development and housing construction leading to higher costs and delays.
  - Urban local bodies which are dependent on property taxes can impose and collect higher revenue when there are clear land titles.
  - In the case of rural India, these can be pledged to get access to credit.
- What does the bill propose?
  - Land Authorities to be set up by each state.

- Appointment of Title Registration Officer (TRO) to prepare and publish a draft list of land titles based on existing records and documents (claimants can file their objections within a specific period of time).
- If disputes are there, TRO shall refer the case to the Land Dispute Resolution Officer (LDRO) (Disputes pending in courts cannot be resolved this way).
- Orders of TRO and LDRO can be challenged before Land Titling Appellate Tribunals.
- Three years after the entry in the Record of Titles, it will be considered as conclusive proof of ownership. Any further appeals can only take place in High Courts.
- Difficulties:
  - Land records have not been updated for decades.
  - Land records in many cases are in the names of grandparents and there is no proof of inheritance.
  - There is a need for comprehensive village-level surveys with community involvement.

## 2. Govt puts on hold changes to fertilisers and food subsidies (LM 23/2/21)

- The farmers' protests have prompted the govt to postpone the changes to food and fertiliser subsidies in the fear that it may further alienate the farmers and poor.
- Govt has not been able to revise the prices of subsidised food grains since the launch of [NFSA 2013](#) and not much headway has been made in the direct transfer of fertiliser subsidy to farmers.
- The issue with food and fertiliser subsidy programmes is that these are becoming increasingly unsustainable.
- For FY22, the govt has allocated ₹ 2.4 tn for food subsidy and ₹ 80000 Cr for fertiliser subsidy.
- Both the [Economic Survey](#) and 15th FC have raised concerns over the rising burden of food and fertiliser subsidies.
  - 15th FC has pointed out that:
    - The expenditure related to food subsidy is increasing.
    - It is difficult to reduce the economic cost of food management as the commitment towards food security is increasing, rather the Central Issue Price (CIP) needs to be revised.
    - The e-POS has improved targeting and the benefits from this have been offset by the inclusion of new beneficiaries; hence there has been no reduction in allocation nor any savings in the budgeted expenditure on a net basis.
    - This increasing expenditure must be partially offset by increasing the issue prices which is allowed under the NFSA.
  - DBT:
    - In 2016, Direct Benefit Transfer (DBT) for fertiliser on a pilot basis was proposed and implemented in 16 districts.

- At present, the fertiliser subsidy is transferred to the manufacturers based on the sales data.
- The identification of real beneficiaries has also delayed the implementation of the scheme.

### 3. Centre may go Canada way to set up land monetisation SPV (BS 23/2/21)

- In the recent budget speech, the govt has proposed to incorporate an SPV (Special Purpose Vehicle) that would be carrying out monetisation of the surplus land that is there with the government, departments and PSUs.
- This can be either through direct sale or through concession or through similar means.
- Govt is looking into various models of sovereign run land banks and seems to settle with the model similar to the one used in Canada for setting up a Special Purpose Vehicle for the monetisation of the assets of state-run companies.
- Over a period of time, the PSUs have not been able to sell their assets because of litigation and lease terms.
- Canada model:
  - Canada Lands company was established in 1956.
  - Is a self-financing federal govt corporation.
  - It receives no funding from the govt but pays a dividend to the govt.
  - It works with communities and the local govt to create projects which are financially viable.
  - When this was set up the govt had incentivised the PSUs to give away the assets which had no immediate benefits to these companies, this provided an opportunity for the private sector to make better use of these assets.

### 4. Private gencos seek sops on electricity export (BS 23/2/21)

- Private sector electricity generation companies have sought relaxation from duties and incentives from the central govt for exporting electricity to neighbouring countries.
- This has been sought to make electricity exports competitive.
- Govt imposes duties on the coal (customs duty on imported coal) used to produce thermal energy, as a result of this, the power sector is rendered uncompetitive.
- Govt may also improve the competitiveness by providing a 50% discount on Indian transmission charges.
- The exemptions provided by the govt would be offset by the foreign exchange earnings made by these gencos.

- Govt in 2018 has issued guidelines for import/export of electricity and provided a policy framework for cross border electricity trade.

#### **5. Sudan devalues currency to revive the economy (BS 23/2/21)**

- The central bank in Sudan has steeply devalued its currency to get access to debt relief and revive the struggling economy.
- The country has a debt of around \$60 bn.
- This was demanded by international lenders but this is expected to increase the hardship for the economy with the inflation rate already topping 300% in January.
- The move is expected to address the issue of the black market and control currency volatility.

#### **6. Going easy on inflation now is risky (LM 24/2/21)**

- Chief Economic Adviser (CEA) has recommended targeting core inflation rather than having a target of 4% headline inflation.
  - The monetary tools address the demand side factors, the inflation in India is largely attributed to supply-side factors and inflation tends to track the food prices.
  - A tighter monetary policy would not help in controlling inflation caused by the short supply of edibles.
- It is true that the supply side constraints play an important role in influencing the inflation rate, it has been true all along and does not warrant a shift in the targeting. After staying in double digits a decade ago, inflation has been under control with the introduction of the inflation target in 2016.
- Provided this is not the time for introducing a policy tweak that would allow [RBI](#) to ease off on price stability.
- The fiscal and monetary policy has been loosened to revive the economy which means there will be higher liquidity in the market.

#### **7. Borrowing costs go up for states despite RBI efforts (LM 25/2/21)**

- The State Development Loans (SDL) auction, which is the borrowing programme for the states, was conducted by RBI and the cost of borrowing has gone up for the states.

- The weighted average securities issued came at around 7.19%, which is 18 bps higher than the last auction which was conducted on 16th February 2021. This cost of borrowing is at an 11-month high.
- The states are expected to borrow more from the market this fiscal along with the centre and the investors in the market are worried about the oversupply of debt papers. The states have already borrowed ₹ 6.9 tn in FY21 (33% higher than the previous fiscal for the same time period).
- Though there has been some rise in demand in recent days, there isn't sufficient demand to meet such a huge supply of debt papers.
- To reduce or control the yields on the SDLs, the central banker should conduct an Open Market Operations (OMO), this will narrow the spread between the yields on SDLs and 10-year G-sec of central govt (currently the gap is 113 bps).

#### **8. Cabinet approves PLI plan for pharmaceuticals and IT hardware (TH 25/2/21)**

- The union cabinet has approved a Production Linked Incentive (PLI) scheme for the pharmaceuticals and the IT industry.
- The incentive outlay stands at ₹ 15000 Cr and ₹ 7350 Cr respectively.
- Pharma:
  - The scheme for pharma will be effective from FY21 and FY29.
  - Create employment, increase the availability of a wider range of medicines for consumers.
  - It's expected to bring investments of ₹ 15000 Cr.
  - Is expected to garner incremental sales of ₹ 2.94 lakh Cr and incremental exports worth ₹ 1.96 tn in the six years (FY23 to FY28).
  - Is expected to generate skilled and unskilled personnel; and 20000 direct and 80000 indirect jobs.
- IT hardware:
  - Manufacturers of laptops, tablets, all-in-one personal computers and servers will enjoy the benefits for a period of four years
  - Build a production capacity of ₹ 3.26 tn of which 75% or ₹ 2.45 tn will be for the promotion of exports.

#### **9. Solar outshines wind power in total capacity (BL 22/2/21)**

- Solar capacity has overtaken wind power in terms of the total installed capacity.
- A decade ago, the solar capacity was at 18 MW and wind had an installed capacity of 13000 MW.

- As of January 31 in 2021, the total solar installed capacity comes at around 38794 MW and that of wind power comes at around 38684 MW.
  - Solar energy has become a major drive for additional capacity in the last few years and in the next three years, 10 to 12 GW of capacity addition is expected.
  - As of March 2016, wind power installed capacity stood at 26744 MW and solar power at 6763 MW.
  - In the next three years, 10 to 12 GW of capacity addition is expected.
  - The recently announced PLI is expected to further boost the solar energy capacity addition.
  - Govt has provided for an additional capital infusion of ₹ 1000 Cr in SECI, this will enable SECI to float 15000 MW of tenders on a yearly basis.
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