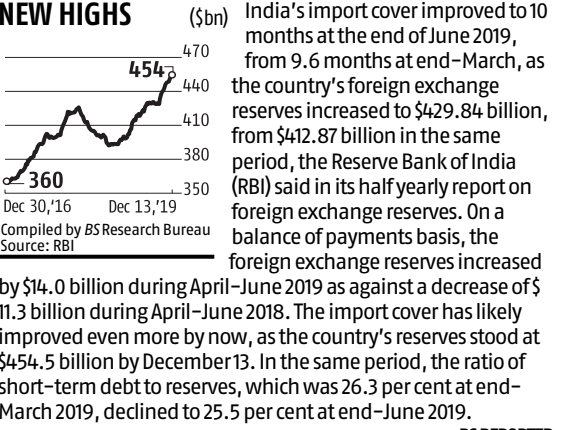


IN BRIEF
Import cover improves to 10 months in June



BS REPORTER

AIIB announces \$210-mn loan for projects in India

Asian Infrastructure Investment Bank (AIIB) announced a total loan of \$210 million for irrigation and solar energy projects in India. The multilateral institution will lend \$145 million to improve irrigation services and strengthen flood risk management in West Bengal, while \$65 million has been set for a solar project in Rajasthan, statements said.

PTI

Investments in P-notes hit 13-month low

Investments in the Indian capital market through participatory notes (P-notes) hit a 13-month low of ₹69,670 crore till November after registering a rise in such fund infusion in the preceding month. P-notes are issued by registered foreign portfolio investors to overseas investors.

PTI

PNB scam: Fresh charge sheet names Nirav's brother

The CBI on Friday filed a supplementary charge sheet in the \$2-billion Punjab National Bank (PNB) scam, naming fugitive diamond merchant Nirav Modi's brother Nehal and four others as accused. It also named suspended deputy general manager at PNB Sanjay Prasad, and Nirav Modi's associates Amit Magia, Sandeep Mistri and Mihir Bhansali.

PTI

Ad-hoc RS panel talks perils of porn with FB, others

An ad-hoc committee formed under the direction of the Chairman of Rajya Sabha met Facebook, TikTok and other government representatives to discuss the issue of "pornography on social media and its effect on children and society as a whole".

BS REPORTER

FinMin wants tax evaders booked via data analytics

To meet the tax target, the finance ministry held a review meeting with tax officials and directed them to make efforts to identify and book tax evaders through data analytics and information sharing.

PTI

Banks' loans rise 7.9% YoY in two weeks to Dec 6: RBI

Banks' loans rose 7.9% in the two weeks to December 6 from a year ago, while deposits rose 10.3%, the Reserve Bank of India's (RBI) weekly statistical supplement showed on Friday. Outstanding loans rose ₹74,437 crore (\$10.46 billion) to ₹9,935 crore in the two weeks to December 6.

PTI

Unnao rape case: Life in jail, ₹25-lakh fine for Sengar



A Delhi court on Friday sentenced expelled BJP MLA Kuldeep Singh Sengar to life imprisonment till last breath in jail for raping a minor girl in Uttar Pradesh's Unnao in 2017, holding that as a public servant he betrayed people's faith. He was also fined ₹25 lakh.

PTI

Govt reforms special economic zones' framework

The government announced reforms to the existing special economic zones' (SEZs) legal framework, whereby provisions for minimum land area and sector-specific and multi-product SEZs have been amended. Now, all existing and new SEZs would become multi-sector SEZs thereby enabling coexistence of a SEZ unit from any sector along with any other SEZ unit.

PTI

IBC revives 160 cos, creditors get 44% of their claims



The Insolvency and Bankruptcy Code (IBC) has helped rescue 160 companies and its creditors have got back 44 per cent of their claim amounting to ₹1.6 trillion, a top government official said. He pointed out that though 44 per cent of recovery may not look very rosy but one should view keeping reality in mind and the present value of the business.

PTI

Rural jobs scheme may get ₹10K cr more in FY21

SANJEEB MUKHERJEE
New Delhi, 20 December

The Union government might announce a 8-10 per cent increase in average wages under the Mahatma Gandhi National Rural Employment Generation Act (MGNREGA) by linking these to an updated inflation index, the revamped consumer price index — agriculture labour (CPI-AL).

This is part of a government plan to consolidate existing welfare schemes for farmers such as PM-KISAN. Sources in the government said it had decided to go for consolidation as it is reeling from dwindling resources.

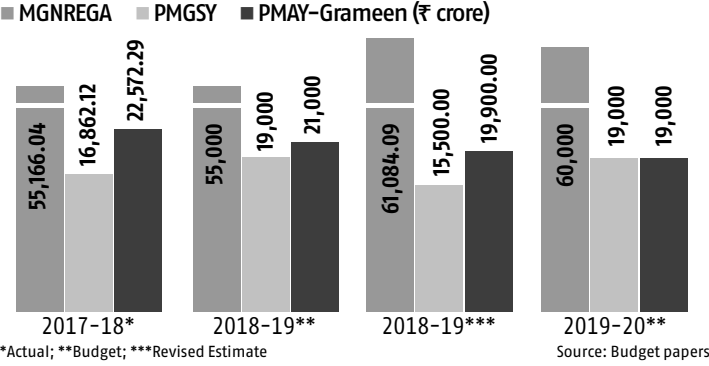
Officials said in agriculture, the thrust would be on expanding the network of cold storages and warehouses by giving them some tax incentives or easy credit facilities. There could also be incentives to farmers to diversify from rice and wheat to more profitable crops.

To boost rural income, the government could raise the total MGNREGA Budget for 2020-21 to ₹70,000 crore. In 2019-20 (FY20), it was ₹60,000 crore.

This fiscal year, the rural development ministry has reportedly sought an extra ₹20,000 crore for MGNREGA. Currently, the national average wage of an MGNREGA worker is ₹178.44 per day — less than the minimum agriculture wage rate in several states. Sources said after several rounds of discussions with industry experts, agriculturists and economists, a consensus seems to be building on



HOW THEY STACK UP



enhancing the allocation for expediting setting up of 22,000 rural markets under the Gramin Agricultural Programme (GrAM) launched in 2018.

So far, officials said, the programme is financed through a ₹2,000-crore dedicated agriculture infrastructure fund created in Nabard. But, it has been found to be inadequate to finance such a large programme.

"A separate budgetary allocation is needed to kickstart the scheme as the current model of a dedicated fund hasn't exactly yielded desired results,"

a senior official said. He said besides GrAMs, some fund allocation is also expected for the Electronic National Agriculture Market (eNAM) scheme.

Under this, the Centre plans to link 1,000 markets through a common pan-Indian electronic trading portal. So far, over 500 mandis or APMC markets are trading online under eNAM.

Officials said there was also a proposal to create a dedicated fund for agriculture start-ups, so that they get a proper ecosystem to grow and develop.

"There is need to attract more private funds in the agriculture sector for which specific steps should be taken," the official said.

Goyal vows steps to boost trade

PRESS TRUST OF INDIA
New Delhi, 20 December

Union Minister Piyush Goyal on Friday asked industry to flag the countries that are placing non-tariff barriers on Indian exports and promised to take retaliatory actions against those countries.

He also countered veteran industrialist Rahul Bajaj's remarks that people are afraid to criticise the government, saying everybody has a say and the government listens to all.

However, Goyal, speaking at a conference organised by ASSOCHAM, said this is a listening government and it wants to engage more and more to understand what is happening on the ground.

At a separate annual Convention of Ficci, the commerce and industry minister said India needs to get more competitive, and stressed on addressing the problems of the entire value chain, be it inverted duties, dumping, or unfair subsidies.

"Our government does not believe in solving issues individually for a company. We believe in doing a root cause analysis, we believe in understanding where the problems are and



"Whatever Rahul bhai may say at the ET Awards, the fact is that everybody has a say. It does not matter even if an Opposition party leader may have given you your name, for us each one of you are equally valuable and equally important"

PIYUSH GOYAL
Commerce and industry minister

we believe in finding a sustainable solution that can outlive an individual's problem," Goyal said. The minister said "a responsible government, a listening govern-

ment" can impact business, can make a change and assured the corporate leaders present at the event that his office and he himself was available 24x7 to address the industries' concerns.

He further said the stakeholders need to tell the government, which country is using any trade remedial measures or non-tariff barriers which impact their exports to that country.

"Our government is willing to stand by you and look at retaliatory actions and impose similar trade remedial measures," Goyal said. Industry and internal trade secretary Guruprasad Mohapatra said that the country's aim to reach \$5-trillion economy will be smooth if India is able to first move into top 50 and then 25 countries on the Ease of Doing Business rankings.

Speaking at the 92nd Annual Convention of Ficci, Mohapatra said, "To realise the dream of a \$5 trillion economy, we have to ensure that the services sector maintains its primacy. We need to encourage agriculture to be more income-oriented, and less farm-oriented, and the manufacturing sector needs to be given emphasis."

Govt plans to take khadi turnover to ₹2 trn: Gadkari

PRESS TRUST OF INDIA
New Delhi, 20 December

Union Minister Nitin Gadkari on Friday said that plans are afoot to take khadi and village industries' turnover to ₹2 trillion in the next five years from ₹75,000 crore at present.

Urging the industry to expand its share in global trade to about 10 per cent, Micro, Small & Medium

Enterprises (MSMEs) Minister Gadkari also urged players to grab the opportunity to expand in the wake of China — that accounts for 17 per cent of the global trade business — battling increased cost and difficulties.

"The turnover of khadi and village industries is ₹75,000 crore at present. Steps are on to take it to ₹2 trillion in five years," Gadkari said while addressing industry

body Ficci's 92nd annual convention. He said infrastructure sectors along with MSME has potential to help India becoming \$5 trillion economy.

No driverless cars

The minister also said he will not allow driverless cars in India, which has a shortage of 22 lakh drivers. Speaking at an ASSOCHAM event, he said, "Many times

Gopinath: Stick to fiscal consolidation

DILASHA SETH & INDIVIAL DHASMANA
New Delhi, 20 December

India must stick to the fiscal consolidation in the medium term, International Monetary Fund (IMF) chief economist Gita Gopinath said on Friday.

This comes amid the rising debate on whether the government should go for fiscal expansion to perk up the economy.

Speaking at the 92nd annual convention of Ficci, Gopinath also said the IMF will revise India's growth projections downwards in January. This is because high frequency indicators are not showing an uptick in the second half. "For India, macro stability is very important as it means stability on the fiscal front. A clear sense of keeping to the target of fiscal consolidation is very important," said Gopinath, adding that would require increasing revenue mobilisation and rationalising expenditure.

Amid severe revenue shortfall under the goods and services tax (GST), several states had on Wednesday asked Finance Minister Nirmala Sitharaman to revise the fiscal deficit target to 4 per cent of gross domestic product (GDP), up from 3.3 per cent. Gopinath added, "When we talk about fiscal consolidation, we think of it as a medium-term target which is something that has to be addressed over a period of time and not necessarily overnight."

India's consolidated deficit (the Centre and states combined) is the highest among G20 nations, she added. "So, it's not a free lunch and this has to be very carefully managed," she said.

On GST, the IMF chief economist said that while reforms were important for formalising the Indian economy, certainty and clarity was needed as far as regulation and tax rates were concerned. "GST, which has been very important for formalising the Indian economy, but again there... certainly more needs to be done on what the rules are, what the rates are going to be." GST rates on over 400 goods and about 80 services had seen a revision since rollout on July 1, 2017. The government is planning an upward revision of certain slabs to compensate for the GST revenue slowdown.

On revision of India's growth outlook, Gopinath said some high frequency indicators did not show an increase in India's growth in the third and fourth quarters as was anticipated earlier.



Gita Gopinath said it was important for India to take up reforms but with greater clarity and certainty

"Our expectation was that the first two quarters of fiscal 2019-20 would be a slowing scenario and then there would be an uptick in the third and fourth quarter. Looking at some of the high frequency indicators, we are not seeing the kind of uptick we were projecting. So, this is why I mentioned that we will be revising the numbers again in January."

She said it was important for India to take up reforms but with greater clarity and certainty. There are important reforms needed with respect to land acquisition and labour laws, she said. "Now, we would like to think that with the government having strong political mandate, this would be the right time to undertake those kind of reforms. In the absence of it, India is missing out on what we assume globally in terms of shifting global supplies," she added.

India's economy growth fell to an over six-year low of 4.5 per cent in the second quarter of the current financial year. Gopinath stressed on the need to revive rural demand and improve health of NBFCs. She pointed out that although the government has taken several measures to revive rural demand but that were not enough. "There is a big need to raise productivity in agriculture in India," she said. Weak monetary transmission by NBFCs was a source of supply problem in 2019.

"Many of us expected that NBFCs will be rectified by itself. But if we look at the data more closely, there still seems to be stress. Some high quality NBFCs are doing fine. But there seems to be a segment of NBFC that used to lend to MSMEs and households, which are still not in best of shape. On the demand side, the demand coming from rural is another factor that matter," she said.

No space for expansionary fiscal policy: Subramanian

PRESS TRUST OF INDIA
New Delhi, 20 December

Former Chief Economic Adviser Arvind Subramanian on Friday said there is no space for expansionary fiscal policy and opined against reducing personal income tax rate.

"...no space to have expansionary fiscal policy. There's a lot of talk about personal income tax cut and raising GST rates, and I would be categorically against the both, we do not have the space," he said at an event.

Subramanian further said that he thinks personal income tax cuts motivated by desired increased consumption are highly inequitable.

Any cut in personal income tax, he said, will benefit the only top 5-7 per cent people, who are actual taxpayers. "So if you want to boost consumption it has to be something much more, which actually reaches much poorer people. It has to be some kind of direct benefit transfer (DBT) or universal basic income (UBI)," he said.

Reminding that all the countries that are developed have more number of tax payers in their respective systems, he said adding that it is beneficial in the long term.

While on the other hand opposing GST rates hike, the former CEA said that it will affect the consumption and a slowdown or a recession is not the time to be embarking on (such options).

"You can't have too much expansionary fiscal policy but equally you can't be crunching government demand at a time when the economy is weak and in stress," he added.

India's economic growth fell to the lowest in more than 6 years at 4.5 per cent during the second quarter ended September of the current fiscal due to slowing demand as well as fall in output, exports among others. In the first quarter ended June of 2019-20, the economy grew by 5 per cent, which was the lowest in six years.

Infra companies for captive green energy policy

Infrastructure sector on Friday urged the government to bring captive renewable policy and exempt from cross subsidy and transmission charges to make renewable energy more viable for those willing to set up clean energy plants beyond factory boundaries.

The infrastructure companies raised these issues during a pre-budget consultation with Finance Minister Nirmala Sitharaman and top officials from finance, new & renewable, road transport and environment ministries. They also asked to make finance available for real estate and affordable housing to boost consumption of cement and other inputs like steel. Besides, they were of the view that government should release stuck up funds meant for infrastructure sectors as soon as possible for bringing in buoyancy in the economy. "We asked government to see, how can finance be made available for real estate and affordable housing. We also asked to release funds withheld at different levels in the government," Dalmia Bharat Cement MD & CEO Mahendra Singhi said.

PTI

Economists tell FM to focus on growth, not fiscal targets

ARUP ROYCHOUDHURY
New Delhi, 20 December

A number of economists on Friday advised Finance Minister (FM) Nirmala Sitharaman and her officials to focus on reviving economic growth and leave aside fiscal concerns for a while.

At a pre-Budget meeting, the FM was asked to ensure that non-banking financial companies (NBFCs) come out of the liquidity crisis they are facing with the help of the Reserve Bank of India (RBI).

"Almost all economists present said fiscal expansion will be an inevitable consequence as the Centre needs to boost expenditure to revive the economy. Growth should be the priority," said a person present at the meeting. The economists also spoke about the futility of trying to achieve a 3 per cent fiscal deficit target over the medium term, something which has never been accomplished since the Fiscal Responsibility and

Budget Management (FRBM) Act came into being.

According to the latest iteration of the FRBM Act, the Centre hopes to have a fiscal deficit for 2020-21 at 3 per cent of gross domestic product (GDP). The budgeted target for 2019-20 is 3.3 per cent. However, with the economic slowdown affecting tax revenues, fiscal deficit this year could be as high as 3.8 per cent.

The economists present also spoke about the need to rescue NBFCs. "Some ideas which were suggested include a bad bank to take over the non-performing assets of NBFCs, or the RBI being a lender of last resort," said the official.

The idea floated was that the RBI can provide liquidity support and buy out the toxic assets from NBFCs. These assets will go into RBI's books and there should be some arrangement with the government to liquidate them later, the person said.

The experts also said that



Union Finance Minister Nirmala Sitharaman chairs a pre-Budget meeting with economists in New Delhi on Friday

PHOTO: PTI

agriculture reforms should be carried out as soon as possible, and that the Centre should ensure more disposable income in the hands of the rural population through schemes such as PM-KISAN and NREGA.

"The slowdown was discussed at length. Participants said that the Centre should remove policy uncertainty from certain sectors, like we are seeing now in the telecom sector," the person said.

India's GDP growth for the July-September quarter came in at a 26-quarter low of 4.5 per cent. While the Centre is still hoping for a recovery in the second half of the year, other agencies don't share its optimism, with even the RBI cutting its growth forecast for 2019-20 to 5 per cent from 6.1 per cent earlier.

Additionally, the economists also raised concerns about the fiscal situation of the states and poor resource mobilisation

ON THE TABLE

- Fiscal slippage inevitable as government needs to boost spending, say economists
- Participants say chasing 3% medium-term target futile
- NBFCs should be rescued with RBI as lender of last resort
- Govt should focus on agri reforms
- Policy uncertainty needs to be removed

through goods and services tax (GST). These points gain prominence against the backdrop of the Fifteenth Finance Commission submitting its first report for 2020-21 to the government. The report is expected to touch these two points at length.

"The main focus areas of the discussions included steps needed to achieve \$5-trillion economy, job-oriented growth with focus on manufacturing and services, transparency of fiscal arithmetic,

monetary transmission, government's fiscal prudence and fiscal stimulus, revival of NBFCs and inflation targeting among others," said a press release after the meeting.

The economists at the meeting included Neelkanth Mishra of Credit Suisse, Rathin Roy of National Institute of Public Finance and Policy, Shekhar Shah of NCAER, former chief economic advisor Arvind Virmani, executive director for India on the board of the IMF Surjit Bhalla, Abheek Barua of HDFC Bank, Soumya Kanta Ghosh of State Bank of India and Ajit Ranade of Aditya Birla Group.

From the government's side, the meeting was attended by Finance Secretary Rajeev Kumar, Economic Affairs Secretary Atanu Chakraborty, Revenue Secretary Ajay Bhushan Pandey, DIPAM Secretary Tuhin Kanta Pandey and Chief Economic Advisor Krishnamurthy Subramanian.