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# Number of wilful defaulters in nationalised banks up 60 per cent to 8,582 in 5 years

PTI | June 25, 2019

THE FINANCIAL EXPRESS

***The minister was replying to a question whether the cases of wilful defaulters of banks have increased during the last five years***

***A wilful defaulter is an entity or a person that has not paid the loan back despite the ability to repay it***

The number of wilful defaulters in nationalised banks has increased by over 60 per cent to 8,582 in five years to March 2019, the government said Monday. By the end of 2014-15 fiscal, the figure stood at 5,349, Finance Minister Nirmala Sitharaman said in a written reply in Lok Sabha. A wilful defaulter is an entity or a person that has not paid the loan back despite the ability to repay it.

The minister was replying to a question whether the cases of wilful defaulters of banks have increased during the last five years. Rising consistently since 2014-15, the number of such borrowers increased to 6,575 in 2015-16; 7,079 in 2016-17 and further to 7,535 in 2017-18.

"Wilful defaulters are acted against comprehensively. Moreover…as per RBI's instructions, wilful defaulters are not sanctioned any additional facilities by banks or financial institutions, and their unit is debarred from floating new ventures for five years," Sitharaman said. Recovery of Rs 7,654 crore has been done from wilful defaulters' accounts during the last five financial years, she said.

As per data reported by nationalised banks, till March 31, 2019, suits for recovery have been filed in 8,121 cases. In cases involving secured assets, action under the provisions of SARFAESI Act has been initiated in 6,251 cases. There are 17 nationalised banks in India.

"Further, in accordance with RBI instructions of initiation of criminal proceedings wherever necessary, FIRs have been registered in 2,915 cases," Sitharaman said. Besides, vide Sebi regulations, wilful defaulters and companies with wilful defaulters as promoters/directors have been debarred from accessing capital markets to raise funds, she said. In addition, the Insolvency and Bankruptcy Code, 2016 has debarred wilful defaulters from participating in the insolvency resolution process.

For effective action against wilful defaulters fleeing Indian jurisdiction, the Fugitive Economic Offenders Act, 2018 has been enacted to provide for attachment and confiscation of property of fugitive offenders and has disentitled them from defending any civil claim.

The government has also advised public sector banks to decide on publishing photographs of wilful defaulters as well as to obtain certified copy of the passport of promoters/directors and other authorised signatories of companies availing loans of more than Rs 50 crore, the minister said. Heads of PSBs have also been empowered to request

# RBI reserves: Bimal Jalan panel dashes govt hopes of one-time transfer

FE Bureau | New Delhi | June 25, 2019
THE FINANCIAL EXPRESS

***In February, RBI decided to offer an interim dividend of Rs 28,000 crore to the Centre***

***The six-member Bimal Jalan panel, which was expected to submit its report on Monday after its last meeting, will huddle again in July to iron out persisting differences***

The deferment of the submission of a report on the transfer of excess reserves from the central bank to the government, purportedly due to dissent by finance secretary Subhash Chandra Garg, suggests the resource-hungry Centre is unlikely to get the commitment of a sizeable chunk of the Reserve Bank of India's (RBI) 'surplus' anytime soon to appropriately base its Budget calculations.

The six-member Bimal Jalan panel, which was expected to submit its report on Monday after its last meeting, will huddle again in July to iron out persisting differences.

Garg, a member of the panel, is learnt to have dissented and wanted the review of the RBI's economic capital framework (ECF) to result in substantially higher transfers to the government than what some other members in the panel converged on.

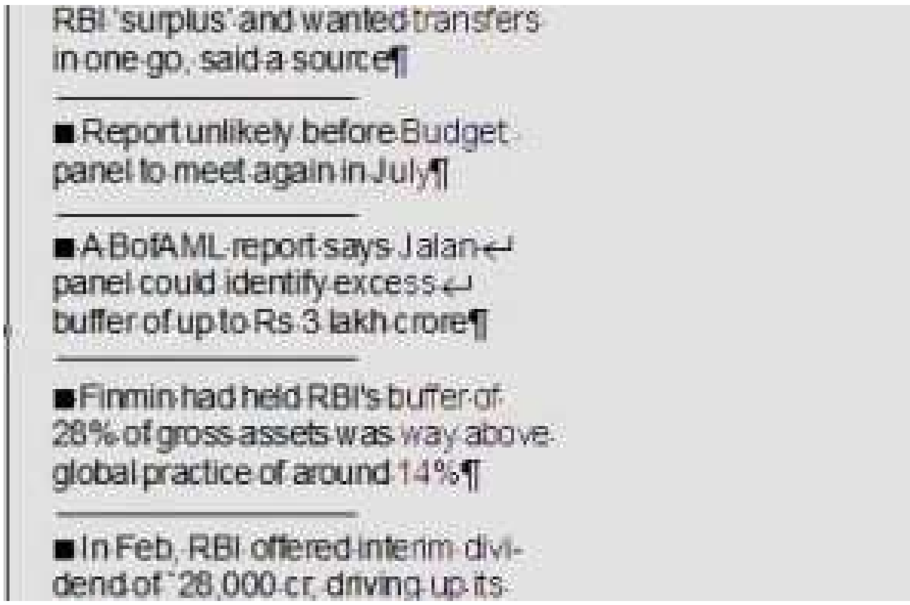
The finance secretary couldn't take part in the panel's last meeting, said a source. Apart from making certain observations on the methodology to be adopted for calculating the extra reserves, Garg also wanted the transfers in one go, rather than in phases, the source added.

The report is now unlikely to be submitted before the presentation of the 2019-20 Budget on July 5.

The finance ministry — staring at a huge shortfall in FY20 revenue from the level envisaged in the Interim Budget, as the ask rate for gross tax revenue is as high as 23% against 13.5% budgeted — wants the review of the ECF by the Jalan committee to yield rich dividends for the government.

Its reliance on the RBI's transfer has only risen in recent weeks, given the need to allocate more than the budgeted levels to certain welfare schemes, thanks to the expansion of the PM Kisan scheme and the pension scheme planned for unorganised-sector workers. The prospects of massive non-tax revenue mop-up don't look good yet, as disinvestment of debt-laden Air India hasn't taken off and strategic sell-off of two dozen public-sector units (PSUs), proposed by NITI Aayog, has remained a non-starter.

A recent report by Bank of America Merrill Lynch said the Jalan committee could identify an excess buffer of up to Rs 3 lakh crore (or roughly 1.5% of the GDP), including the excess capital in contingency reserves and revaluation reserves. Halving of the contingency reserves of the RBI will release Rs 1.28 lakh crore, the report said, adding the level would still be 50% higher than what central banks of the BRICS nations have. Similarly, halving the yield cover hike will release another Rs 1.17 lakh crore, it added.



RBI 'surplus' and wanted transfers in one go, said a source

■ Report unlikely before Budget panel to meet again in July

■ A BofAML report says Jalan panel could identify excess buffer of up to Rs 3 lakh crore

■ Finmin had held RBI's buffer of 28% of gross assets was way above global practice of around 14%

■ In Feb, RBI offered interim dividend of `28,000 cr, driving up its

The ECF, which determines the central bank's surplus transfer to the government, was one of the contentious issues in the much-hyped tussle late last year between the finance ministry and former RBI governor Urjit Patel. During Patel's tenure, RBI's surplus transfer (as % of its net disposable income) dropped to 70-78%, against 100% during Raghuram Rajan's period.

Last year, the finance ministry held that the buffer of 28% of gross assets maintained by the central bank was much higher than the global practice of around 14%. Following this, the RBI central board, in its meeting on November 19, 2018, had decided to set up a panel to examine the ECF. The ECF panel was mandated to submit its report to the RBI within 90 days of its first meeting which took place on January 8. Following this, the panel was given a three-month extension.

Brokerage firm UBS last week said: "A staggered dividend of $10 billion a year, rather than a one-shot $30 billion, is our base case." Any such extra transfer should help the government trim public debt and recapitalise public-sector banks and position them well to drive the credit cycle, it added.

In February, RBI decided to offer an interim dividend of Rs 28,000 crore to the Centre, driving up its total transfer in the last fiscal to Rs 68,000 crore, as estimated by the Interim Budget for FY19. The elevated transfer under new governor Shaktikanta Das seems like a departure from the RBI's policy during the Patel era. In 2017-18, the RBI had transferred Rs 40,659 crore (including an interim dividend of Rs10,000 crore in March 2018).

The Economic Survey 2015-16 had suggested that the RBI's capital ('excess capital') could be redeployed to infuse funds into state-owned banks and help them provide more for bad assets and step up lending.

for issuance of look out circulars against wilful defaulters, she said.

# House panel shies away from quantifying black money

SPECIAL CORRESPONDENT
NEW DELHI, JUNE 25, 2019

THE HINDU

***Three agencies have come up with varying figures, ranging from 7-120% of GDP, it said***

The Standing Committee on Finance has shied away from estimating the quantum of black money in and outside India, saying that different methods by various agencies are yielding vastly differing figures.

The Standing Committee relied on three institutes — the National Institute of Public Finance and Policy, the National Institute of Financial Management and the National Council of Applied Economic Research — to come up with their estimates of unaccounted income in the country. The three estimates varied significantly, ranging from 7-120% of the GDP.

"It appears that the reliable estimation of unaccounted income and wealth inside and outside the country is a difficult task. This inference is validated by the widely varying estimates of the unaccounted income arrived at by these three institutes," the report said. "The Chief Economic Adviser has opined that there is no scope for arriving at a common estimate of unaccounted income by combining estimates from the three reports." The report quotes Revenue Secretary Ajay Bhushan Pandey as saying that "there is a lack of consensus regarding the most suitable method in the Indian context."

The Standing Committee enumerated the various steps taken to curb the generation of black money. The report said the paucity of time and the limited number of stakeholders that could be examined meant that the findings should be considered only preliminary in nature.

"In the meantime, the Committee would expect the Ministry of Finance (Department of Revenue) to continue their efforts with greater vigour to unearth and bring to book unaccounted income/wealth both within and outside the country, including follow-up action on the seven reports of the Special Investigation Team constituted on black money as well as the three study reports on estimation of unaccounted money," the report said.

# India must recognise the right to a minimally decent life

Rajeev Bhargava
JUNE 25, 2019

THE HINDU

***Just as individuals are punished for legal violations, the government of the day must also be punished for the violation of these basic rights***

Three thoughts occur to me in the aftermath of the horrific tragedy in Muzaffarpur, Bihar, where the systemic failure of health care has killed over a hundred children. First, like the constitutional principle of a basic structure, it is time to articulate an equally robust doctrine of basic rights. Second, these basic rights must be viewed primarily as positive, rights not against interference ***from*** the state (negative rights) but ***to*** the provision of something by it. Third, just as individuals are punished for legal violations, the government of the day must also be punished for the violation of these basic rights. This punishment need not await the next round of elections but must be meted out immediately, by the law itself. In short, defaulting governments must be held legally accountable. The systematic violation of basic rights must be treated on a par with the breakdown of constitutional machinery.

**A solid necessity**

But what are basic rights? How are they different from other fundamental rights? Basic rights flow from basic needs such as physical security or subsistence. Needs are different from wants. You may want a chocolate every morning but don't ***need*** it. Heavens won't fall if you don't get it. But basic needs are different: their non-fulfilment can cause great harm, even kill. The failure to get an antibiotic if you have a bacterial infection can hurt you very badly. Heavens ***will*** fall if you don't get it! Moreover, wants are subjective; you cannot be mistaken that you desire that chocolate. But you may be misguided, even unaware of what you need. You may not be able to tell if you need an antibiotic because your mind can't tell the difference between bacterial and viral infections. This determination is done by a more objective criterion. Needs depend on the way human bodies are constituted. They are a solid necessity; one cannot get on without them. Nor can they be fulfilled by substitutes. For us, nothing can take the place of water, food and air.

It is true, of course, that though terribly important, basic needs are not what we live for. They don't make our life worth living. But anything really worth pursuing depends on the satisfaction of basic needs. If we are continuously thirsty, cold, hungry, ill or homeless, we will be incapable of even framing a conception of worthwhile life, let alone pursue it. Imagine the plight of those who queue up for long hours to get a bucket of water or a place to bathe, dress or defecate. People suffer if basic needs are met inadequately or with delay. They are then denied a minimally decent life.

When basic needs are not fully met, we feel vulnerable and helpless. We grieve, cry for help, seek assistance. We complain and demand elementary justice from our community, especially from the state. Elementary justice requires that before anything else, the state does everything at its disposal to satisfy all basic needs of its citizens, particularly of those who cannot fend for themselves. We feel aggrieved when the state abdicates this responsibility.

**Security and subsistence**

But what does the language of rights add to the idea of basic needs? First, a right is something that is owed to us; it is not a favour. So, rights help the recognition of anything that satisfies basic needs as an entitlement. Basic rights are claims on the state to provide us with goods and services that satisfy our basic needs. Second, when something is identified as a basic right, it puts the state under a duty to enable its exercise. The state becomes its guarantor. For example, the right to physical security, the first basic right, is socially guaranteed when the state provides its people a well-trained, professional police force. When society and its government reneges on its commitment to do so, we hold them accountable. It follows that basic rights are a shield for the defenceless against the most damaging threats to their life which include starvation, pestilence and disease. As the philosopher Henry Shue, puts it, it is 'an attempt to give to the powerless a veto over some economic, social and political forces that harm them'.

These rights are basic also because many intrinsically valuable rights can be enjoyed only once these rights are secured. Imagine that we have a right to assemble freely in public but that just as one begins to exercise this right, one is threatened with assault, rape or murder. Most people will simply retreat. Is not a threat to physical security or bodily integrity the commonest weapon wielded by goons, political thugs and oppressive governments?

The second is the right to minimum economic security and subsistence, that includes clean air, uncontaminated water, nutritious food, clothing and shelter. By showing the devastation caused by its absence, the Muzaffarpur tragedy amply proves that the right to primary health care is also an integral part of the right to subsistence. A straightforward link exists between malnutrition and disease. As Dr. T. Jacob John explained in an article in ***The Hindu*** on June 19, 2019 (OpEd page, "Averting deaths in Muzaffarpur"), encephalopathy, the biochemical disease that results from eating litchi fruit pulp, occurs only in malnourished children. It is common knowledge that malnourishment lowers resistance to disease. A similar link exists between disease, unemployment and poverty.

Credible threats to these rights can be reduced by the government by establishing institutions and practices that assist the vulnerable; for example, by setting up hospitals with adequate number of doctors, nurses, beds, medical equipment, intensive care units, essential drugs and emergency treatments. For this, proper budgetary allocation is required that depends in turn on getting one's political priority and commitment right. When a government fails to provide primary health care to those who can't afford it, it violates their basic rights.

**Vulnerability, accountability**

To these two basic rights, I add a third — the right to free public expression of helplessness and frustration, if deprived of other basic rights. The scope of freedom of expression is large and I don't think all of it can be deemed basic. But the relevant part of it is. The right to make one's vulnerability public, be informed about the acts of commission and omission of the government regarding anything that adversely affects the satisfaction of basic needs, to critically examine them and to hold state officials publicly accountable is a basic right on a par with right to physical security and subsistence and inseparably linked to them.

It follows that governments must make arrangements for people to demand that their basic rights be satisfied, to complain when these demands are not met, to report lapses and omissions on the part of governments, point fingers at apathetic government officials, criticise the government for its failures and to do so without fear.

These three basic rights can be summed up in a single phrase, the right to a minimally decent life. This is a threshold right. A society may soar, strive for great collective achievement. There are no limits to the longing for a better life. But the point of having a threshold of minimal decency is that our life must not fall below a certain level of existence. Anything short of a minimally decent life is simply not acceptable. It is this precisely that horrifies us about the callousness of the **Bihar** government in Muzaffarpur and governments in India more generally. They routinely abdicate responsibility for the suffering they directly or indirectly cause. This is why we must ask why governments are not immediately and severely penalised when they undermine the exercise of these basic rights.

# RBI Deputy Governor Viral Acharya quits citing 'unavoidable personal reasons'

OUR BUREAU | MUMBAI, JUNE 24

THE HINDU BusinessLine

***In charge of the monetary policy dept, Acharya's resignation comes 6 months before his term is to end***

Reserve Bank of India Deputy Governor Viral Acharya has put in his papers about six months ahead of the completion of his term.

His resignation comes about six months after Urjit Patel quit as RBI Governor. Patel then cited "personal reasons" for stepping down (about nine months ahead of the completion of his three-year term), amidst reports of friction between the RBI and the Government on a host of issues, including those relating to central bank autonomy, transferring RBI's excess reserves to the government and relaxing the Restrictive Prompt Corrective Action (PCA) framework for 11 state-owned banks.

The RBI, in a statement, said: "A few weeks ago, Dr. Acharya submitted a letter to the RBI informing that due to unavoidable personal circumstances, he is unable to continue his term as a Deputy Governor of the RBI beyond July 23, 2019. Consequential action arising from his letter is under consideration of the Competent Authority."

Acharya, who is a key member of the rate-setting monetary policy department, had warned in October 2018 that governments that do not respect the central bank's independence will sooner or later incur the wrath of financial markets, ignite fire, and come to rue the day they undermined an important regulatory institution.

# Little surprise in Acharya's resignation

Raghuvir Srinivasan
JUNE 24, 2019

THE HINDU

***But exit robs RBI of key perspective***

Viral Acharya's resignation as Deputy Governor of the Reserve Bank of India, while unfortunate, is not really a surprise. There are two reasons for this.

First, that thundering speech he delivered as the A.D. Shroff Memorial Lecture on October 26, 2018 where he signed off with the statement: "Governments that do not respect central bank independence will sooner or later incur the wrath of financial markets, ignite economic fire, and come to rue the day they undermined an important regulatory institution..."

Mr. Acharya may have merely spoken what his then boss, Urjit Patel, wanted him to or he may have been disturbed enough to voice his own thoughts, of course with Mr. Patel's prior nod. But the fact is that he had crossed a line in the delicate balance between the central bank and the government. And he had to pay the price for it, only the timing was uncertain.

Second, his position turned weak after Mr. Patel resigned in December last. Not only was Mr. Acharya known to be a confidante of Mr. Patel, he was also a fellow monetary policy hawk and was handpicked by the former Governor to the post he has now resigned from.

That said, Mr. Acharya's resignation is sad because it robs the central bank of an outsider's perspective. His hardline monetary policy stance would have been a valuable counterpoint now when the central bank is more tuned to an accommodative stance.

Mr. Acharya's exit is bound to restart the debate over picking foreign-trained economists for top positions in governance. He would be the third such high-profile economist in recent times — after Raghuram Rajan and Urjit Patel — to exit his role under circumstances that are not normal.

There are those who believe that it would be better to back talent from within the RBI and the government as they have a better understanding of factors that are uniquely Indian.

Indeed, some of the most successful central bankers in recent times have been either career officers of the RBI or bureaucrats. S. Venkitaramanan, Y.V. Reddy and Duvvuri Subbarao were bureaucrats in their earlier avatar. Another accomplished governor, C. Rangarajan, was an academic. The legendary S.S. Tarapore was a career central banker and so were Usha Thorat and Shyamala Gopinath who had notable tenures as deputy governors.

Thus, a clear frontrunner to succeed Mr. Acharya will be Michael Patra, executive director, and a member of the Monetary Policy Committee. Mr. Patra is a career RBI officer and is as conservative as they come in Mint

Street. Appointing him will mean a seamless transition, in every sense of the phrase.

# What led to 'outspoken' Viral Acharya's exit?

Our Bureau Mumbai | June 24, 2019

BusinessLine

***With the Deputy Governor having quit, the Govt will have to quickly find a replacement***

When RBI Deputy Governor Viral Acharya cautioned in October 2018 that governments that do not respect the central bank's independence will sooner or later incur the wrath of financial markets, ignite economic fire, and come to rue the day they undermined an important regulatory institution, the die was probably cast for the premature exit of his boss Urjit Patel in December 2018, followed by his own resignation six months later.

Acharya, who is a key member of the rate-setting Monetary Policy Committee (MPC), has put in his papers six months ahead of the completion of his three-year tenure. The Reserve Bank of India, in a statement, on Monday, said: "A few weeks ago, Acharya submitted a letter to the RBI informing that due to unavoidable personal circumstances, he is unable to continue his term as a Deputy Governor of the RBI beyond July 23. Consequential action arising from his letter is under consideration of the Competent Authority."

**A replacement**

The NDA government will now have to quickly find a replacement for Acharya, just as it did in the case of Patel.

Before joining the RBI as its youngest Deputy Governor at 42, Acharya was the CV Starr Professor of Economics, Department of Finance, New York University – Stern School of Business. He has been on leave from the university since January 17, 2017, and is likely to join back.

Under Patel, who was reticent, Acharya became the public face of the RBI, communicating its stand on a host of issues, including growth, inflation, fiscal consolidation, stressed assets, public credit registry, and prompt corrective action.

Acharya brought a contrarian view to the table during MPC meetings. At the April and February 2019 MPC meetings, he, along with Chetan Ghate, Professor, Indian Statistical Institute, said no to a rate cut, while the remaining four members voted for a rate cut.

Madan Sabnavis, Chief Economist, CARE Ratings, said: "Acharya was an important part of the MPC. In the MPC, we have seen that he generally tended to be a contrarian. He has been very proactive and quite vocal in his views. It is always good to have dissenters in the MPC. There is no reason why everybody should have the same view."

**Interesting analogies**

The Deputy Governor usually weaved in quotable quotes from classics or had analogies from cricket to liven up his MPC statements.

Sample this: In his last MPC statement, Acharya quoted: "Why do old men wake up so early? Is it to have one longer day?" wonders Santiago, the old fisherman from Ernest Hemingway's ***Old Man and the Sea***. "I found myself preparing and writing these minutes early, too, perhaps so I could have one longer drafting day," he added.

In his February 2019 MPC statement, he came up with a cricket analogy: "While paying attention to growth, I prefer to "take off the helmet" but "stay within the crease".

When Shaktikanta Das, Governor, RBI, was asked about the rumoured resignation of Acharya in December 2018, he told the media that he just had tea with the Deputy Governor and that he was still with the central bank.

"I have a feeling that he wanted to leave. The timing of his exit should be seen in the context of the 'fall' term in US universities beginning in August. With his term anyway coming to an end in December 2019, he would have thought of quitting before his term ends. If he had continued for another six months and the extension at the RBI did not materialise in December, then he would have had to wait for another four-five months before joining back academia. I think, this is what might have prompted him to resign. The government may prefer to have a non-NRI economist as Deputy Governor."

Since Acharya submitted his resignation a few weeks ago and the Finance Ministry has so far not called for applications from suitable candidates to fill the position, the likelihood of an internal RBI candidate, possibly MD Patra (Executive Director, who is also a member of the MPC), taking the position has increased, say RBI insiders.

Of the four RBI Deputy Governors, two are internal candidates and two external (an economist and a commercial banker).

# 'Banks couldn't take call on Etihad's demands'

SPECIAL CORRESPONDENT
MUMBAI, JUNE 21, 2019

THE HINDU

***It wanted relaxation on open offer: SBI***

Banks had no authority to consider the relaxation demanded by Etihad Airways, which had submitted a conditional bid for Jet Airways, the State Bank of India informed the exchanges.

Banks decided to refer Jet Airways for bankruptcy proceedings after the resolution process initiated to attract investors failed.

"Subsequent to the closure of the bidding, as no binding bids were received, discussions were held with Etihad and other prospective investors to find a way for infusion of funds," SBI said. "Etihad had sought certain relaxations viz. waiver of open offer, assurance of flying slots etc. As the lenders did not have any authority to accommodate some of the relaxations sought by Etihad, it was not considered feasible to negotiate on the conditions laid by Etihad," it added.

SBI said with the financial position of Jet Airways being weak, lenders were continuously trying for a viable resolution for the last one year. Reputed consultants such as SBI Caps and McKinsey were roped in as process advisers. After the closure of the bidding process, since no binding bids were received, discussions were held with Etihad and other prospective investors to find a way for infusion of funds, SBI said.

"Since a sustainable Resolution Plan could not be devised and two operational creditors have already approached NCLT, the member banks agreed in-principle to approach NCLT, pursuant to the statutory right available to them under the Insolvency & Bankruptcy Code, 2016," the lender added.

# How the agrarian crisis can be eased

V Kumaraswamy | June 24, 2019

THE HINDU BusinessLine

***Reining in middlemen and reforming APMCs will not help. The solution lies in rationalising subsidies to benefit small farmers***

The current agrarian crisis in India is a product of two factors: failure to recognise when the Green Revolution started giving diminishing returns and taking steps to come up with alternatives; and the economic impact of subsidies.

The current crisis can be summed up as diminishing soil fertility, sinking water table, increasing costs (all effects of the Green Revolution) and poor returns to farmers, periodic unaffordable spikes in key commodities, and periodic excess production which are dumped on the roads ruining several farmers and a huge burden on the government.

The policy failures have arisen due to not recognising the nature of demand and supply curves for agricultural commodities. The demand is highly inelastic — in a market which consumes 100 kg tomato if one supplies 125 kg, the prices collapse, since not much demand is there for the excess. Contrarily, when only 75 kg is supplied, the prices skyrocket since everyone wants to garner their daily supplies.

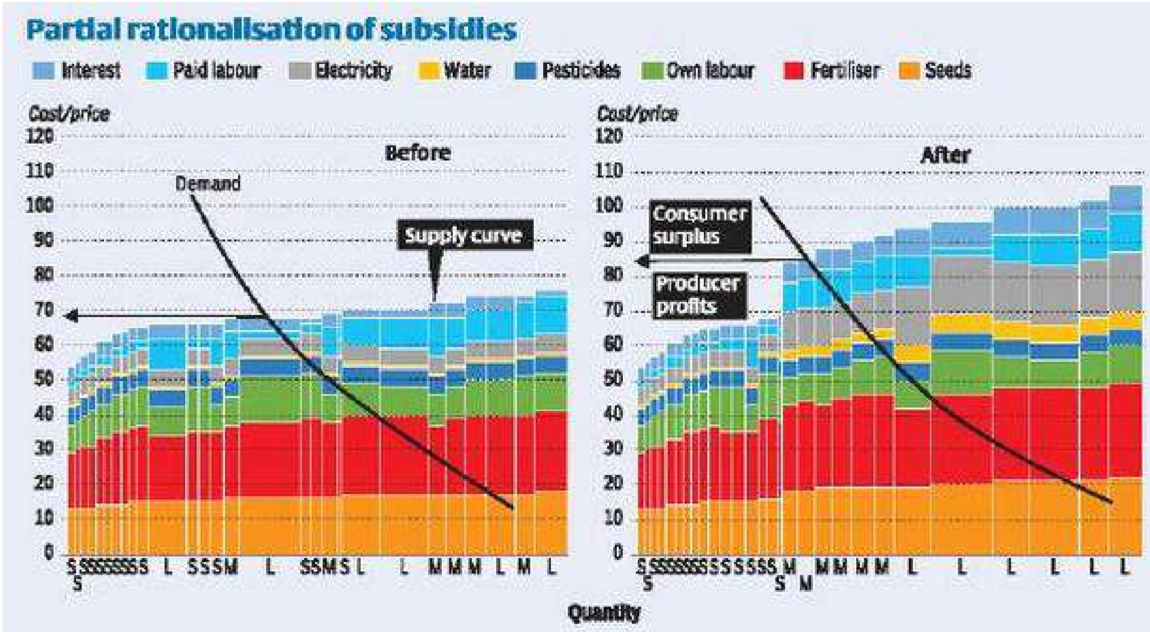
The graph plots the demand and supply of a typical agri crop. The cost build-up of various suppliers is arranged from lowest to highest and its ridge on top becomes the supply curve. In agriculture, the demand curve is steep and supply curve is relatively flat. Where this is the case the market price is closer to the supply curve. This leaves a huge consumer surplus (excess of what the people are willing to pay and what they actually end up paying) and thin profits.

Where the demand curve is flat, the price line stays closer to demand and hence smaller consumer surplus and higher profits for producers.

Many people have argued for breakup of cartelisation of middlemen and dismantling or reforming APMCs (Agricultural Produce Market Committees) as the panacea for better farm-gate prices. This is as naïve as it can get. The middlemen are performing important functions like taking immediate delivery of perishables, financing farmers, storage, connecting with customers and markets, and inventory-holding. If left to government agencies, they would mess it up.

Sure most farmers are small (crops from 2-3 acres to sell) and their reach is at best the village boundaries or 4-5 km. How can they perform all the functions the middlemen do? At the ***mandies*** of course it is a case of 'many sellers' versus a 'fewer buyers'. But it is foolish to think that fewer numbers by itself creates usury pricing power. Most markets should have at least 40-50 buyers (or middlemen) versus maybe 500-1000 sellers.

But this is statistically enough to create conditions of undistorted trade. Imbalance might creep in if there are only 3-4 on one side and can collude overtly or covertly. Most suggestions on 'reining in' middlemen for tackling agrarian crisis is bound to be ineffectual.




**Flatness of supply curve**

But the real problem is the supply curve's flatness. This is largely the result of the government's ill-advised subsidy policy which makes no discrimination whatsoever on the various input subsidies to agriculture. When everything from electricity, water, seeds, fertiliser, interest, are given free or subsidised without any limits of landholding or size, it leads to similar cost structures for most suppliers and hence the supply curve becomes flat (as shown in 'Before' segment in graph). Even if all ***mandies*** are handed over to the farmers, with such a curve, their profitability is unlikely to improve much.

The solution should revolve around exploiting the inelasticity of demand. The sure-fire solution is to make the supply curve more elastic and harvest a huge 'consumer surplus' (which is what the middlemen do — they don't take away farmers' profits; they take away consumers' willingness to pay).

This can be achieved by rationalising subsidies. This can be done by restricting subsidies to only those holding 2-3 acres or to the first 2-3 acres only for even for larger farmers. With precise targeting through DBT (Direct Benefit Transfer), it is possible in the current scenario. Or it can be graded like 100 per cent of current levels for 2-3 acres, 50 per cent for 4-8 acres and nil thereafter, like in the graph. This will increase the cost for larger farmers (all units with ‘L’ label on X-axis) and induce a steepness (as shown in the ‘After’ situation in the graph).

The prices as is seen in the graph will rise (from Rs.69 toRs.84). This shifts a portion of consumer surplus to producer profits. This will mostly benefit the small and marginal farmers. This transfer is perhaps much needed. We cannot have a society where 55-60 per cent of people get a share of 15 per cent of GDP.

The quantities bought and sold will fall. But given the inelasticity of demand, it will be relatively much less.

The larger units which lose a part of their subsidies will become uncompetitive in their traditional crops. They will diversify into other commercial crops or crops for which there are no subsidies now so that they won’t suffer in relative terms versus subsidy-supported small farmer.

This is an important necessity. Our food grains production is in surplus and for increasing its income, diversification is a pre-requisite. This will also partially address the rural income inequality problems.

**Governments’ finances**

The government will save a lot by curbing subsidies going to larger farmers. It can reduce the crops procured under MSP since the market prices would have substantially moved to enhance their incomes. This would have come from consumers who were willing to pay, hence maybe without much pain (other than a one-time price adjustment as inflation).

The government may have to spend a part of its savings on covering some poorer marginal sections (who are net buyers of food) through higher PDS subsidies.

A portion of PDS procurement can be reserved for organic farming by larger farmers. With the promising growth for organic products the world over, it could give an early-mover advantage.

The government need not do this rationalisation for all products. It can start with those where there are surplus buffer stocks. If prices of those products move up, consumers will diversify their consumption basket to other products and their prices of un-subsidised products will also start moving up. Larger farmers would gravitate towards such products.

# Barriers in trade have fallen due to Modi govt's reforms: US corporate body

PTI Washington | June 25, 2019

THE HINDU BusinessLine

***Barriers in trade have fallen and many processes have been simplified as a result of the series of key reforms instituted by the Indian government, a top corporate body from Silicon Valley has said***

The Bay Area Council, in its latest report on India, said that sustained economic growth and national strategies that push digitisation across a range of sectors and services are creating unique synergies with the Bay Area that open the door to new opportunities, as Bay Area companies expand their global footprint and diversify their market presence in Asia.

**Reforms**

"India remains a complex place to do business, but with reforms instituted by the Modi government, barriers have fallen and many processes have been simplified. The re-election of Prime Minister Narendra Modi to a second term in May 2019 assures that these reforms will continue," the Bay Area Council has said.

The report 'The Bay Area-Silicon Valley and India: Convergence and Alignment in the Innovation Age', said that as with any relationship between major countries, there are complex issues. Imposition of 25 per cent and 10 per cent steel and aluminium tariffs by the US in 2018 led India to impose retaliatory tariffs in 2019. The US withdrawal of Generalised System of Preferences (GSP) benefits has also exacerbated the trade relationship, it said.

**Fintechs**

"On the Indian side, government proposals to require data generated in India to be exclusively stored in India, and proposed data privacy regulations that are among the most stringent in the world, have drawn strong opposition from both Indian and US IT and financial services companies," the report said.

Noting that India is a large untapped market for financial services, the report said that the Modi government sees mobility, fintech and a cashless society as keys to financial empowerment and business growth, providing access for ordinary Indians to credit, insurance, digital payments, and e-commerce.

"Fintech acceptance and adoption have grown rapidly, with the traditionally cash-driven Indian economy responding well to the fintech opportunity primarily triggered by the related surges in e-commerce and smartphone penetration," it said. The shift to digital payments promises to revolutionise India's economy and in the process transform the financial sector.

# Number of willful defaulters has surged 60 per cent in five years

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THE HINDU BusinessLine

***Rs.7,600 crore has been recovered, says FM in Lok Sabha***

The number of wilful defaulters has risen 60 per cent in the five years up to FY19, but over Rs.7,600 crore has been recovered from these defaulters, the government said on Monday.

In a written answer to a question in the Lok Sabha, Finance Minister Nirmala Sitharaman said the total number of wilful defaulters stood at 8,582 at the end of FY19, against 5,349 at the end of FY15.

Responding to a set of questions, Sitharaman and Minister of State for Finance, Anurag Singh Thakur, defined a wilful defaulter as one who has the resources to repay the loan, but does not do so intentionally, and deploys the money for purposes other than intended.

Sitharaman informed the Lower House that public sector banks (PSBs), till March 31, 2019, had filed suits for recovery in 8,121 cases.

**Measures taken**

In cases involving secured assets, action has been initiated in 6,251 cases under the provisions of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. Further, in line with RBI instructions, FIRs have been registered in 2,915 cases.

Wilful defaulters are not sanctioned additional facilities by banks or financial institutions, and their entities are debarred from floating new ventures for five years. SEBI has debarred wilful defaulters and companies with wilful defaulters, from accessing capital markets to raise funds, the ministers said.

Sitharaman added that as a result of the government's '4Rs' strategy of Recognition, Resolution, Recapitalisation and Reforms, gross NPAs of PSBs, per RBI data on global operations, rose to Rs.8.95-lakh crore at the end of March 2018, from Rs.2.79-lakh crore at the end of March 2015. This declined to Rs.8.06-lakh crore at the end of March 2019.

PSBs managed to recover about Rs.3.59-lakh crore over four fiscal years (FY16 to FY19), of which Rs.1.23-lakh crore was recovered last fiscal.

**Black money**

The Income-Tax Department has issued notices, under the Black Money Act, in over 380 cases involving undisclosed foreign assets and income valued at overRs.12,260 crore. Further, prosecution has been launched in 68 cases. The tax men also searched 983 groups and made seizures worth Rs.1,584 crore in FY19. In FY18, 582 groups were searched and nearly Rs.1,000 crore worth of seizures were made.

Responding to another query, the Minister said the number of taxpayers under direct taxes rose to 8.44 crore for assessment year (AY) 2018-19 against 7.42 crore for AY2017-18.

Total net direct tax collection rose to Rs.11.37-lakh crore in FY19, against Rs.10.02-lakh crore the previous fiscal.

# RBI's customer-complaint processing goes digital

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BusinessLine

***Complaint Management System, accessible on desktop & mobile devices, unveiled***

The Reserve Bank of India, on Monday, launched a 'Complaint Management System (CMS)', which will enable members of the public to lodge their complaints on its website against any of the regulated entities with public interface such as commercial banks, urban co-operative banks, and non-banking financial companies, among others. The system will be accessible on desktop as well as on mobile devices.

The system, which was inaugurated by Governor Shaktikanta Das, provides features such as acknowledgement through SMS/e-mail notification(s), status tracking through unique registration number, receipt of closure advises, and filing of appeals, where applicable. It also solicits voluntary feedback on the customer's experience.

"The Reserve Bank also plans to introduce a dedicated Interactive Voice Response (IVR) System for tracking the status of complaints. I am sure, with time, the customer-friendly nature of the CMS will be further enhanced," said Das.

The Governor elaborated that the benefit to the financial system will accrue from seamless access to the CMS by the nodal officers of banks/financial service providers (FSPs). CMS can generate various reports for monitoring and managing complaints pertaining to each entity.

"I expect banks/FSPs to use the data on CMS not only for reducing their turnaround time in resolution of complaints and strengthening their grievance redressal mechanism, but also for undertaking root cause analyses with an objective of understanding their customer pain areas, behaviour and expectations so as to improve their services for maintaining customer loyalty.

"Insights from the data available from CMS can, for example, be used by banks/FSPs for designing products, which meet the expectations of their customers. Obviously, those entities who perform better in analysing the data and using it for creating customer value would be able to benefit more and have a competitive advantage," said Das.

Data from CMS can be leveraged by the RBI for analytics, which can be used for regulatory and supervisory interventions, if required. Various dashboards provided in the application will help the central bank effectively track the progress in redressal of complaints.

With the launch of the CMS, the processing of complaints received at the offices of the Ombudsman and Consumer Education and Protection Cells (CEPCs) of the RBI has been digitalised.