



THE TIMES OF INDIA

*Date:05-10-19*

## The Boycut

### *Why Shafali Verma hid her sex*

#### TOI Editorials

Why does a girl don the disguise of a boy? Nine-year-old Shafali Verma did it after every cricket academy in Haryana's Rohtak district refused her admission. So her father cut her hair and she played in the boys' team, until her school decided to develop a girls' cricket team. Fast forward a few years and Shafali has become the youngest T20I debutante for the Indian women's cricket team. On Tuesday she smashed South Africa for 46 off just 33 balls.

Why do Iranian women bandage their breasts and put on facial hair to enter football stadiums? Because they are banned from watching men's teams play there. Because they are passionate about football and about equal rights. Why does Portia dress as a male lawyer in *The Merchant of Venice*? Because only in this guise can she enter the court and save Antonio's flesh and outwit Shylock. Why did Barbra Streisand's Yentl cut her hair and take her late brother's name? Because women were proscribed from studying Talmud at yeshiva and she really, really wanted to.

The thing is times have changed. Where once upon a time Mary Ann Evans wrote as George Eliot to ensure that her works were taken seriously, today there are many genres in which it is actually the male authors who write under female pen names. But Shafali's story reminds us that several spaces still resist letting women have fair play. Her success says, there is no method in this madness.

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## Cities for public enjoyment

*Where are the spaces in Indian cities that can take us away from daily routine?*

**Gautam Bhatia**



One of the many unfortunate fallacies of Indian city life is the belief that public space is of great value. Public space without express intent has existed throughout history, and if anything, history has amply demonstrated its uselessness. In large metropolitan towns, in Mumbai and Kolkata, the maidan stood as an emblem of openness, and allowed informal congregation, unstructured activities, and fly-by-night commerce. Except for Republic Day, Delhi's Rajpath, designed as a ceremonial space, now serves much the same purpose.

The dimension of some small towns is now stretched to such an extent that their centres have lost their importance as markers of public life. Bhopal's lake edge – developed originally for public culture – has overgrown with institutions; Udaipur has sadly commercialised the lake with private hotels. In places like Kanpur, Pune and Hyderabad, public space is a bazaar – a temporary stage set of low-cost home products – utensils, combs and bras.

If anything, recent history of Indian towns only demonstrates the contempt, ignorance and sheer apathy of available public space. Over the last decade, cities have lost almost 20% of public land to 'development'. The conversion has come in two forms: first, as a regularisation of slums occupied illegally, and second, as changes of land use that convert unoccupied space to housing or other commercial uses. On average, the Indian city still needs to accommodate almost 30% of its population with new housing.

What then is the value of public space in cities that can barely afford to construct private space for its citizens? It hardly needs stating that public space, and consequently, public facilities in most Indian cities are altogether missing.

Where are the libraries, the swimming pools, the meeting grounds, play areas and shaded gardens that allow citizens a respite from the drudgery of daily routines? Where are the places that take the mind away from the only two activities available in city life – eating and shopping? Is there in fact a way to introduce diverse social, cultural and physical routines in cities that are now already over-built?

It is critical to note that public space adds value to civic life in ways that aren't easily quantified. Foremost is the value of empty space itself. The absence of construction in 3.4 sq km in the heart of New York City is an economic conundrum, which clearly states the importance of leaving the world's most expensive real estate unbuilt, and open to public access.

Sure, it is easy to say that Central Park is the lung of a dense city, easier still to give it an ecological basis – that the park provides 12 sq ft of green for every Manhattan resident. But nothing defines the open space better than the multiplicity of uses it is put to daily, in cultural programmes, sport, health etc. Behind the foliage, the place is filled with boat houses, bramble sheds, tennis courts, conservatories, public swimming pools, ice skating rinks, jogging tracks, bowling greens and playgrounds of every order. Yet, Central Park's highest value is its inherent uselessness – the hope that people will discover their own uses for it.

Sadly, the imaginative use of city space has never been a matter of concern for Indian municipal authorities. Beyond random pollution checks amid increasing vehicular traffic, half-hearted attempts to green sidewalks while increasing parking areas, miserable cities continue to suffer bureaucratic indecision and mounting failures.

Roads, utilities, electric grids, high speed commuter trains, bridges, housing are always the crucial infrastructure given priorities in urban budgets. Their overriding physical dimension overlooks other forms of 'psychic' infrastructure crucial for human development. Is it possible to introduce space for art, libraries, sport, localised museums and history, even places to wander through for no reason?

One of the many drawbacks of current civic design is the absence of imagination and constructed subversion, the hope that a new idea may provide a different, altogether new reality. What are the cultural complexities that could intrude into daily life such that they enhance ordinary people's civic routines?

To my mind, the city needs desperately to revolt against three conventions. First, question the municipal norms that segregate urban life into economic pockets, social class and professional divisions. Second, refute conventional bye-laws that zone commercial, residential, institutional, and recreational into separate areas.

Third, seek unintended combinations of diverse functions that attract citizens by their unusual intrusion into daily routines. With growing populations, a yawning gap between the old settled and newly arrived, between usable space and available space, the search for an alternative view of public life is a glaring need. When land is no longer available, public space must show clear unambiguous intent that leads to new forms of composite city space and unlikely combinations of facilities.

It is no secret that the best cities act on slowing urban life in ways that bring total strangers in some positive collusion. Unless municipal authorities begin to take deliberately extreme positions little will change. Positions that may require the insertion of a public library in a metro station, placing a swimming pool in a city roundabout, or a music school in a disused bus depot.

By introducing afresh moments of sport and culture in contradictory situations, the city can begin to assert their importance once again to public life. The idea should be to carry out civic proposals of such extremes they become genuinely participatory. Only then can there be a future of new civic possibilities.

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THE ECONOMIC TIMES

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## Showcase India's nuclear reactors

### ET Editorials

It is ironic that a decade after the Indo-US nuclear deal that ended India's nuclear isolation, our indigenous, reliably lowcost nuclear power technology languishes. PM Narendra Modi said, while in New York recently, that while India is not a member of the Nuclear Suppliers Group (NSG), "we can create a new model for the world" once inside the NSG. Global warming makes it imperative that India enter the NSG.

India's pressurised heavy-water reactors (PHWR) use natural uranium as fuel, as in the original Canadian Candu model. Besides, the second stage of our nuclear power generation programme envisages using spent fuel for 'fast-breeder reactors', economising on huge storage costs for spent fuel. Note that breeder reactors produce more fuel than they consume. And the subsequent, third stage in our closed fuel cycle programme is to use thorium, labelled as the 'fuel of the future' and available in plenty across the country. And, as of 2016, Nuclear Power Corporation of India (NPCIL) has recorded 451 reactor years of safe operations. All these make Indian nuclear power something of a success that does not get the domestic or international recognition it deserves.

The US has announced last year that it would help India build six nuclear power reactors at Kovvada, Andhra Pradesh, by providing Westinghouse-designed AP1000 plants. Westing house has only recently emerged from bankruptcy following huge cost and time overruns at its Georgia and South Carolina plants in the US. It points to one more reason why India needs to be in the NSG. Given that NPCIL has 7-8 reactors under constructions and is adhering to its timelines for civil works and equipment, there is scope for joint venture nuclear power projects abroad, and fewer foreign reactors at home.

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## Growth revival not by monetary policy

### *That is the message of the 25bp repo rate cut*

### ET Editorials

The Monetary Policy Committee's (MPC) decision to lower the repo rate for the fifth time in a row but by only 25 basis points sends out the message that the burden of policy action required to reinvigorate growth lies not with the monetary authority but with the government. The lowering of the growth forecast to 6.1% from the estimate of 6.9% just two months ago shows that RBI is fully cognisant of the problem. Yet, it has failed to cut rates by the 35 basis points it had chosen to shave off the repo rate in August, sticking to just 25 basis points. It is a measured statement that lower rates will not cure the problem, action has to be taken elsewhere. We concur.

Liquidity has been surplus and the weighted average call rate in the money market, below the repo rate for much of the first half of the current fiscal. These two data points show that liquidity is more than ample and does not constrain the economy. The policy rate has been cut by 110 basis points cumulatively over February-August, but the weighted average lending rate of commercial banks has come down by only 29 basis points. Transmission is inadequate, in the jargon. Banks are saddled with non-performing assets and bankers fear the Damocles' sword of incrimination over any lending decision they take — the net result is that they are chary of lending, whatever their own cost of funds. And India's corporate debt market remains more an idea than an active vehicle of channelling savings to investment. Unless these problems are fixed, merely augmenting liquidity and lowering rates will not make fresh investible resources available to those who intend to invest. In any case, capacity utilisation is only 74% in manufacturing, finds RBI. Unless there are clear signs of revival in demand, why should companies invest in expanding capacity?

That leaves infrastructure investment. Public-private partnerships need to be revived. Till that happens, the government must step up investment out of its resources and by state-owned enterprises, not just central sector enterprises but those owned by state governments as well. State governments outspend the Centre, too.

## नईदुनिया

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### अमेरिका से गहराते रिश्तों का दौर

प्रधानमंत्री मोदी के अमेरिका दौरे में तमाम मसलों पर बात आगे बढ़ी और इस दौरान की गई सभी कोशिशें सराहनीय कही जाएंगी।

हर्ष वी. पंत



प्रधानमंत्री नरेंद्र मोदी के हालिया अमेरिकी दौरे पर खासी टीका-टिप्पणियां हो रही हैं। यह स्वभाविक भी है। जहां मोदी के समर्थक इस दौरे को भारत के लिए बड़ी जीत करार दे रहे हैं, वहीं उनके आलोचकों का कहना है कि इस दौरे में कोई ठोस उपलब्धि हासिल नहीं हुई। इस बात को लेकर दोनों पक्षों के अपने-अपने तर्क हो सकते हैं, मगर इस बात पर किसी विवाद या बहस की कोई गुंजाइश नहीं कि अपने पूरे दौरे में भारतीय प्रधानमंत्री नरेंद्र मोदी फ्रंटफुट पर खेलते नजर आए और उन्होंने पूरी तन्मयता के साथ भारत के

हितों को वैश्विक मंच पर रखा।

प्रधानमंत्री मोदी के नेतृत्व में भारत ने अपनी विदेश नीति में परंपरागत रक्षात्मक रवैया छोड़ दिया। अपने अमेरिकी दौर के दौरान भी वह भारतीयों की आकांक्षाओं को मुखरता के साथ प्रदर्शित करने में पीछे नहीं रहे। अपने इस व्यस्त अमेरिकी दौर में मोदी को चार भूमिकाएं निभानी थीं। सबसे पहले तो उन्हें अमेरिका के साथ विशेषकर व्यापारिक मोर्चे पर तल्खी को कम करना था। अमेरिकी राष्ट्रपति डोनाल्ड ट्रंप काफी अरसे से व्यापारिक मुद्दों को लेकर भारत पर निशाना साधते रहे हैं। ऐसे में भारतीय प्रधानमंत्री के लिए यह महत्वपूर्ण था कि वह वाशिंगटन को आश्वस्त करें कि भारत परस्पर लाभ के लिहाज से अमेरिका के साथ ठोस मुद्दों पर सक्रियता से संवाद करने के लिए तैयार है। दोनों देशों के साथ व्यापारिक ताने-बाने को सुगम बनाने के लिए भारतीय अधिकारी विशेषकर वाणिज्य मंत्री पीयूष गोयल पिछले कुछ हफ्तों से अपने अमेरिकी समकक्षों के साथ लगातार सक्रिय हैं। यहां तक कि ह्यूस्टन में अपनी रैली के दौरान खुद मोदी ने ट्रंप को बड़े जोरदार ढंग से लुभाने की कोशिश की, वहीं ट्रंप उस कार्यक्रम में स्वयं को भारत और भारतीय मूल के अमेरिकियों के सबसे बड़े हितैषी के रूप में पेश कर रहे थे। हालांकि इसमें कोई संदेह नहीं कि इस कवायद का खाका मोदी ने ही खींचा था।

बहरहाल, इस दौर में बहुप्रतीक्षित व्यापार समझौता नहीं हो सका। इसकी मुख्य वजह यही रही कि दोनों देश सूचना एवं संचार यानी आईसीटी उत्पादों पर कोई सहमति बनाने में नाकाम रहे, मगर इन वार्ताओं ने वाशिंगटन को यह भरोसा जरूर दिलाया कि अमेरिका के साथ व्यापार को लेकर भारत वाकई बहुत गंभीर है। व्यापार समझौते को लेकर अमेरिकी राष्ट्रपति ट्रंप का बयान दोनों देशों के बीच सहजता के स्तर की पुष्टि करता है।

मोदी के लिए दूसरी भूमिका यह थी कि वह अमेरिकी और वैश्विक निवेशकों के समक्ष निवेश के लिए एक आकर्षक गंतव्य के रूप में भारत का पक्ष मजबूती से रखें। उन्हें भारत की ऐसी पैरवी एक ऐसे समय में करनी थी, जब देश में आर्थिक सुस्ती को लेकर चिंता बढ़ती जा रही है। ऊर्जा क्षेत्र में सक्रिय कंपनियों के प्रमुखों के साथ ह्यूस्टन में और फिर मास्टरकार्ड, वीजा और वाल-मार्ट जैसी 40 दिग्गज कंपनियों के सीईओ के साथ न्यूयॉर्क में ब्लूमबर्ग ग्लोबल बिजनेस फोरम में मोदी ने भारत में निवेश के आकर्षक पहलुओं को रेखांकित किया। उन्होंने यहां तक कहा कि यदि निवेशकों को कोई दिक्कत आती है तो वह स्वयं निजी हस्तक्षेप करके उसका निदान करेंगे। मोदी ने भारत के लोकतंत्र, जनसांख्यिकी, मांग और निश्चिंतता जैसे तमाम बिंदु गिनाए जो भारत की वृद्धि को धार दे रहे हैं और वैश्विक निवेशक भी इसका हिस्सा बनकर लाभ उठा सकते हैं।

इसमें कोई शक नहीं कि मोदी भारत के सबसे बेहतरीन ब्रांड एंबेसडर बने हुए हैं और वह भारत की पैरवी ऐसे वक्त में कर रहे हैं, जब तमाम लोगों ने भारत की आर्थिक वृद्धि को लेकर सवाल उठाने शुरू कर दिए हैं।

मोदी के लिए तीसरी भूमिका अंतरराष्ट्रीय समुदाय के लिए भारत की वैश्विक नेतृत्व क्षमताओं को पुनः रेखांकित करने से जुड़ी थी। संयुक्त राष्ट्र महासभा में अपने संबोधन में उन्होंने जिस तरह भारत के आमूलचूल परिवर्तनों को प्रकट किया, वह उन व्यापक आकांक्षाओं के अनुरूप ही था, जो दुनिया की भारत से लगातार बनी हुई हैं। एक वैश्विक खिलाड़ी के रूप में भारत की भूमिका और भारत के उदय को समायोजित करने के लिए नए वैश्विक ढांचे की दरकार को लेकर उनका भाषण तेजतर्रार और स्पष्टता लिए था। इस मंच पर मोदी ने कहा कि अंतरराष्ट्रीयवाद भारतीय सभ्यता के मूल्यों में स्वाभाविक रूप से सन्निहत है। वह केवल शक्ति संतुलन में भारत के हितों को लेकर की जाने वाली तिकड़म नहीं है। अपने भाषण में उन्होंने पाकिस्तान को पूरी तरह नजरअंदाज किया। यहां तक कि आतंकवाद के खिलाफ एकजुट होने के लिए अंतरराष्ट्रीय समुदाय से किए आह्वान में भी उन्होंने पाकिस्तान का नाम लेना गवारा नहीं समझा। इससे भी

महत्वपूर्ण उनका यह कहना रहा कि अंतरराष्ट्रीय व्यवस्था को बनाए रखने के लिए नई दिल्ली बहुधुवीयता को अनिवार्य मानती है। उन्होंने यह कहते हुए दुनिया में बढ़ते संरक्षणवाद पर प्रहार किया कि 'हमारे पास यह विकल्प नहीं कि हम स्वयं को अपनी सीमाएं में समेटकर रखें। यह कहकर उन्होंने ट्रंप की बहुधुवीयता की समाप्ति वाली अवधारणा को स्पष्ट रूप से खारिज किया।

आखिर में मोदी के लिए चौथी भूमिका यही थी कि वह जम्मू-कश्मीर में अनुच्छेद 370 हटाए जाने के बाद भारत के पक्ष को रखने के साथ ही इस मसले पर पाकिस्तानी दुष्प्रचार की काट करें। इसके लिए उन्होंने ह्यूस्टन रैली के मंच का प्रभावी रूप से इस्तेमाल किया और ट्रंप की मौजूदगी में यह संदेश दिया कि नई दिल्ली को यह नीति बदलने की जरूरत क्यों पड़ी? इसके साथ ही उन्होंने यह भी बताया कि भारत ने कितने पारदर्शी और लोकतांत्रिक तरीके से इस फैसले को अंजाम दिया। इस सभा में मौजूद 50,000 भारतीय-अमेरिकियों द्वारा इस पर गर्मजोशी से दी गई प्रतिक्रिया से अमेरिकी राजनीतिक प्रतिष्ठान को महसूस हुआ होगा कि अनुच्छेद 370 पर नई दिल्ली के निर्णय को भारतवंशियों का कितना जबर्दस्त समर्थन हासिल है। मोदी के अलावा विदेश मंत्री एस. जयशंकर ने भी विभिन्न मंचों पर भारत के पक्ष को बखूबी बयान किया। इस दौरान वह कई मिथ्या धारणाओं को दूर करने में सफल रहे।

स्पष्ट है कि मोदी के अमेरिकी दौर में तमाम मसलों पर बात आगे बढ़ी और इस दौरान की गई तमाम कोशिशें सराहनीय कही जाएंगी। यह सही है कि अमेरिका के साथ व्यापारिक मसलों पर गतिरोध कायम है और ट्रंप एक अनिश्चित एवं अस्थिर वार्ताकार बने होने के साथ इसकी भी अनदेखी नहीं कर सकते कि अमेरिका में अभी भी पाकिस्तान के हमदर्द मौजूद हैं। मगर मोदी का दौरा इन सभी समस्याओं को सुलझाने के लिए नहीं था। यह दौरा संबंधों में आई शिथिलता को दूर करने और अंतरराष्ट्रीय समुदाय को साधने पर केंद्रित था। इन दोनों मोर्चों पर मोदी प्रभावी रहे। अब पूरा दारोमदार भारतीय कूटनीति पर है कि मोदी के इस दौर से बने बेहतरीन माहौल को कैसे निरंतरता देते हुए उसे भलीभांति भुनाया जाए।

## बिज़नेस स्टैंडर्ड

Date:05-10-19

### बेमानी कवायद

#### टी. एन. नाइनन

अब शायद वक्त आ गया है कि राजकोषीय जवाबदेही से संबंधित कानून को विदा कर दिया जाए क्योंकि इससे फायदा कम, नुकसान ज्यादा हो रहा है। शायद एकबार वर्ष 2007-08 को छोड़ दिया जाए तो इस कानून के तहत तय राजकोषीय घाटे का लक्ष्य कभी हासिल नहीं हो सका है। राजकोषीय घाटे को सकल घरेलू उत्पाद के 3 फीसदी के बराबर रखने का लक्ष्य लगातार टाला जाता रहा या उसे स्थगित किया गया। समस्या में इसलिए भी इजाफा हुआ क्योंकि जब वित्त मंत्री इस लक्ष्य के आसपास जाने में भी नाकाम रहे तो उन्होंने हिसाब में छेड़छाड़ की और पूरा राजकोषीय बोझ सरकारी क्षेत्र की लाचार कंपनियों पर डाल दिया। सरकारी आंकड़ों में आ रही कमी को पूरा करने के लिए इन कंपनियों से

एक से अधिक तरीके से धन वसूली की गई। एक समय अत्यंत अमीर रही तेल विपणन कंपनियों के पास अब बहुत कम नकदी बची होने की यह भी एक वजह है।

राजकोषीय जवाबदेही कानून के तहत लक्ष्य की प्राप्ति दर्शाने के अन्य तरीकों में बिल भुगतान न करना भी शामिल है। ध्यान रहे कि वित्त मंत्री ने हाल ही में कहा कि छोटे और मझोले उपक्रमों का बकाया भुगतान तत्काल किया जाना चाहिए। उन्होंने अन्य उपक्रमों का जिक्र नहीं किया जबकि उनकी राशि भी बकाया है। इसके अलावा राजस्व के आंकड़े हासिल करने के दबाव में काम कर रहे कर अधिकारी भी साल के आखिरी महीने में कंपनियों पर दबाव बनाते हैं कि वे अतिरिक्त कर चुकाएं। उनसे वादा किया जाता है कि अगले वर्ष की शुरुआत में ही उनकी राशि रिफंड कर दी जाएगी। ये तमाम तरीके अपनाते के बावजूद घाटे के आंकड़े लक्ष्य से कमजोर बने रहते हैं। अगर किसी को वास्तविक तस्वीर पर संदेह हो तो उसे जानना चाहिए कि नियंत्रक एवं महालेखा परीक्षक ने वित्त आयोग से क्या कहा था। उसने कहा था कि वर्ष 2017-18 में केंद्र का घाटा 3.46 फीसदी नहीं था जैसा कि संसद को बताया गया बल्कि यह इससे कहीं अधिक 5.85 फीसदी था।

वित्त मंत्रियों को ऐसे तोड़-मरोड़ के लिए दबाव में क्यों डाला जाता है कि वे करीब 6 फीसदी के घाटे को 3.5 फीसदी के आसपास दर्शाने को मजबूर हो जाते हैं? उन्हें खुलकर सच्चाई क्यों नहीं बताने दी जाती ताकि देश के सामने वास्तविक तस्वीर आ सके? राजकोषीय घाटे को घटाकर बचाने से सरकार में शामिल प्रमुख लोगों को यह प्रोत्साहन मिलता है कि वे और अधिक खर्च कर सकें जबकि हकीकत में इसकी गुंजाइश नहीं होती। अगर सही आंकड़े पेश किए जाएंगे और चेतावनी साफ नजर आ रही होगी तो राजकोषीय जवाबदेही को लेकर समझदारी बढ़ेगी। कुछ और नहीं तो निजी क्षेत्र के अर्थशास्त्री, रेटिंग एजेंसियां और ऐसे लोग जो आज घाटे को लेकर सरकारी राय दोहराते हैं, उन सभी का सामना एक अलग सच से होगा। ऐसे में राजकोषीय सुधार का दबाव उत्पन्न होगा।

केवल राजकोषीय जवाबदेही कानून से संबंधित नुस्खा काम नहीं आएगा क्योंकि आंकड़ों से छेड़छाड़ तो इस कानून के बनने के पहले से होता आया है। कानून को समाप्त करने के साथ-साथ अन्य बदलाव भी करने होंगे। नकदी लेखा की मौजूदा पुरानी व्यवस्था समाप्त करनी होगी। अधिकांश देश इसे त्याग चुके हैं। नकदी लेखा में सरकार के व्यय खाते का इस्तेमाल किया जाता है। उदाहरण के लिए बुनियादी कंपनियों द्वारा सड़क, पुल आदि के निर्माण का भुगतान करना। अधिकांश कंपनियां अपने बही खातों में कर्जदारों के बकाये का इस्तेमाल करती हैं। सरकार ऐसा नहीं करती और वह नकद लेखा के जरिये बच निकलती है। दूसरा, सरकारी क्षेत्र के लेखा का व्यापक अंकेक्षण होना चाहिए। इससे वह सारा व्यय सामने आ जाएगा जो अभी सरकार अपने संस्थानों मसलन खाद्य निगम आदि पर थोपती है। जिस खाद्य सब्सिडी बिल की भरपाई बजट से होनी थी उसे निगम ने अल्प बचत फंडों से उधारी लेकर निपटाया।

यदि इन बदलावों के माध्यम से विश्वसनीय बजटिंग नहीं होती है तो राजकोषीय घाटे को तीन फीसदी के स्तर पर रखने का कोई फायदा नहीं। टीसीए श्रीनिवास-राघवन ने इस समाचार पत्र में बार-बार कहा है कि यह आंकड़ा यूरोप का अनुकरण है जबकि भारत का आर्थिक संदर्भ यूरोप से एकदम अलग है। यह बात भरोसेमंद लगती है। तेज आर्थिक वृद्धि दर वाली भारतीय व्यवस्था उच्च घाटे वाले वृहद आर्थिक संकेतकों से निपट सकती है। जब तक घाटे की सच्चाई सबके सामने नहीं होगी तब तक वास्तविक आंकड़ों की दुनिया में ऐसे सवालों का जवाब मिलना आसान नहीं होगा।

## क्या कहती है मानसून की यह करवट

इस बार वर्षा की अति हमें उस समय परेशान कर रही है , जब यह माना जाने लगा है की हम कम वर्षा के युग में प्रवेश कर चुके हैं।

### महेश पलावत

अक्टूबर का महीना शुरू हो चुका है और आमतौर पर इस समय तक मानसून की आधिकारिक विदाई हो जाती है। मगर इस बार देश के कई हिस्सों में बारिश अब भी जारी है। माना जा रहा है कि उत्तर-पश्चिम भारत से मानसून की रवानगी 10 अक्टूबर से शुरू होगी। भारत में मानसून का सफर केरल तट से शुरू होता है और पूरे देश में बारिश कराने के बाद यह फिर इसी तट से वापस लौट जाता है। पिछले कुछ वर्षों में इस पर अल नीनो का प्रभाव बढ़ा है। अल नीनो की वजह से ही इस साल शुरुआती दिनों में सूखे की स्थिति दिखी, लेकिन बाद में भारी बारिश हुई, और एक ही मानसून में हमें सूखा और बाढ़, दोनों अनुभवों से गुजरना पड़ा। सितंबर के अंत में इसका मिजाज कुछ यूं बदला कि पटना जैसे शहर अप्रत्याशित बाढ़ में डूब गए।

बहरहाल, अपने यहां मौसम के पूर्वानुमान की गणना क्लाइमेट फॉरकास्ट सिस्टम (सीएफएस वी2) नामक वैश्विक मॉडल से की जाती है। इससे पता चलता है कि अगले तीन-चार महीनों में मौसम की दशा-दिशा क्या होगी और कहां-कितनी बारिश होगी या कितनी धूप की रोशनी खिलेगी? इसमें अल नीनो और ला नीना के प्रभावों का भी अध्ययन किया जाता है। अल नीनो प्रभाव तब पैदा होता है, जब प्रशांत महासागर के पूर्वी भाग में समुद्री सतह का तापमान सामान्य से ज्यादा हो जाता है। इसकी वजह से पेरू व दक्षिण अमेरिका में ज्यादा बारिश होती है, जबकि दक्षिण-पूर्व एशिया में कम।

इस बार भी अनुमान लगाया गया था कि अल नीनो की सक्रियता रहेगी और भारत, खासतौर से इसके उत्तरी हिस्से में सामान्य से कम बारिश होगी। आकलन यह भी था कि अल नीनो प्रभाव जुलाई से कम होता जाएगा और फिर 'न्यूट्रल' (अल नीनो का प्रभाव खत्म होना) की स्थिति बन जाएगी। चूंकि न्यूट्रल स्थिति में भी मानसून ज्यादा अच्छा नहीं रहता, इसलिए तमाम पूर्वानुमानों में 'सामान्य से कम' बारिश की बात कही गई थी। मगर पूर्वी प्रशांत महासागर की सतह का तापमान अनुमान से पहले कम होने लगा, जिससे अल नीनो का प्रभाव जल्द ही खत्म हो गया और समय-पूर्व 'न्यूट्रल' की स्थिति बन गई।

जब अल नीनो सक्रिय रहता है, तो हिंद महासागर द्विध्रुव (इंडियन ओशन डायपोल-आईओडी) आमतौर पर असरकारी नहीं रहता। आईओडी के कारण हिंद महासागर और अरब सागर की सतह का तापमान बढ़ जाता है, जिससे हमारे यहां मानसूनी बारिश तेज हो जाती है। मगर चूंकि यह क्षेत्रीय कारक है और अल नीनो वैश्विक, इसलिए मौसम के आकलन में अल नीनो को ज्यादा तवज्जो दिया जाता है, लेकिन इस बार क्षेत्रीय कारक ही प्रभावी साबित हुआ है। आज से पहले यह स्थिति 1997 में दिखी थी, जब अल नीनो प्रभाव के बाद भी बादल छाए रहे और तेज बरसात होती रही।

हमारे देश में विशेषकर दक्षिण-पश्चिम मानसून बनने में मैडेन जूलियन ऑसीलेशन (एमजेओ) भी अहम भूमिका निभाता है। एमजेओ असल में गरम हवा के कारण उष्णकटिबंधीय मौसम में होने वाला उतार-चढ़ाव है। जब-जब हिंद महासागर में यह कारक सक्रिय होता है, तब-तब भारत में मानसून तेज हो जाता है। अप्रैल के महीने में, जब मानसून की भविष्यवाणी की जाती है, इसका आकलन मुश्किल है। इस साल यह हवा अगस्त और सितंबर में दो बार हिंद महासागर से गुजरी, जिससे देश के कुछ हिस्सों में अप्रत्याशित बरसात हुई और मानसूनी बारिश सामान्य से 53 फीसदी ज्यादा हुई।

सवाल यह है कि क्या यह प्रवृत्ति आगे भी दिखेगी? फिलहाल यह बताना आसान नहीं होगा। अभी यह अनुमान भी नहीं लगाया जा सकता कि अगले साल अल नीनो असरकारी होगा, ला नीना (अल नीनो से विपरीत इसमें समुद्री सतह का तापमान कम हो जाता है और पश्चिमी प्रशांत महासागर के इलाकों में अच्छी बारिश होती है) रहेगा या फिर न्यूट्रल स्थिति बनेगी। अगले साल आईओडी को नजरंदाज करने का जोखिम भी वैज्ञानिक शायद ही उठाना पसंद करेंगे। मगर इन सबमें एक बात तय है कि मानसून पर जलवायु परिवर्तन का असर साफ-साफ दिखेगा। 'क्लाइमेट चेंज' के कारण ही पिछले कुछ वर्षों में अल नीनो प्रभाव कहीं अधिक तीव्रता से और अनवरत असरकारी होने लगा है। ग्लोबल वार्मिंग बढ़ने के साथ-साथ यह प्रभाव भी बढ़ेगा, जिससे मानसूनी बारिश कहीं ज्यादा प्रभावित होगी।

जलवायु परिवर्तन किस कदर मानसून को प्रभावित कर रहा है, इसे अपने यहां के कुछ आंकड़ों से भी समझ सकते हैं। भारत में मानसून का अब एक खास पैटर्न दिखने लगा है। हम एक अंतराल के बाद सूखे से जूझने लगे हैं। इसी सदी में साल 2002, 2004, 2009, 2014 और 2015 में हमने सूखा झेला, जबकि साल 2000, 2001, 2012, 2017 और 2018 में सामान्य से कम बारिश हुई। मौजूदा दशक (2011-2020) में 2018 तक हुई मानसूनी बारिश का अगर अध्ययन करें, तो यह औसतन 835 मिलीमीटर है, जबकि मानसूनी मौसमी वर्षा का दीर्घकालिक औसत (एलपीए) 887 मिलीमीटर है।

जाहिर है, हम अब कम वर्षा वाले युग में प्रवेश कर चुके हैं। आने वाले वर्षों में ग्लोबल वार्मिंग और जलवायु परिवर्तन की वजह से मानसूनी वर्षा सामान्य से कम होती जाएगी, जिसका नुकसान अंततः मानव जाति को ही होगा। बेशक इस साल सामान्य से ज्यादा बारिश हुई है, लेकिन यह प्रवृत्ति शायद ही आगे बनी रहेगी। अभी की मानसूनी बारिश को हमें अपवाद ही मानना चाहिए।



*Date:04-10-19*

## All creatures great and small

**It has become clear that the welfare of humans and other animals is closely interlinked**

**Ambika Hiranandani**

World Animal Rights Day falls on October 4. It coincides with the feast of St. Francis of Assisi, the patron Saint of animals and the environment. As far back as the 12th century, he recognised the importance of extending compassion towards animals. Today, with the help of scientific inquiry we have learnt that it is in our best interest to extend compassion to other living beings, be it by protecting their habitats or refraining from intensively farming them. It has become increasingly clear that the welfare of humans and other animals is closely interlinked.

### Pressing problems

Consider, for example, the bee, whose population is declining at an alarming rate today because of climate change, pesticides and habitat loss. Bees pollinate 70 of nearly 100 crop species that feed 90% of the world. Insects help in the decomposition of organic materials, including bodies of the dead, and enrich the soil. Dung beetles evolved 65 million years ago and, as their name suggests, eat dung, recycle nutrients and improve the quality of the soil. Half of the world's species are insects, so if insects go extinct, the consequence would be complete degradation of our soil consequently leading to the disappearance of all remaining life.

A second dimension of concern for animal rights centres on farming. We keep billions of animals intensively confined in factory farms for meat, eggs and dairy. There are serious repercussions of these practices, both for animals and humans. Hens kept in battery cage farms see the sun twice in their lives — once on the way to the farm and the second on the way to the slaughterhouse. These factory farms are responsible for the formation of dead pools around them, have a massive odour, and attract pests. The people who live in the vicinity of these farms suffer from several health issues including breathing problems. Hence, while it may make financial sense to cram animals into factory farms, the consequences can be considerable. To mitigate this, the system of intensive farm animal production needs to become more humane and less exploitative, for both animals and people. Governments can take a first step by prohibiting the cruelty of battery cages.

The deleterious impact of animal agriculture, including pastoral activities, is captured in research that shows that the Amazon fires were caused by ranchers who wanted to use the land for cattle grazing and farming. Indian forests are also being degraded by the excessive pressure of animal agriculture. The United Nations has found that “livestock production is one of the major causes of the world's most pressing environmental problems, including global warming, land degradation, air and water pollution, and loss of biodiversity”.

### Animal welfare

Our legal system treats animals as if they are non-sentient commodities that can be owned and disposed by people. Animal husbandry has an entire department dedicated to it. Thousands of crores are invested in slaughterhouses. Conversely, animal welfare is relegated to one board, which must look after the welfare of billions of animals in the country. Policy reform in this space is such a low priority that while parking fines are at least ₹10,000 in Mumbai, the penalty for beating an animal in India is ₹50. It is time for our government to depute a Ministry and budget for the welfare of animals.

Animal lives can be saved by commercialising the innovations of plant-based and cultured or clean meat. Clean meat is grown in a lab from a small sample of cells taken from an animal. Both plant-based meat and clean meat are free of the negative externalities that animal meat production is responsible for, such as climate change, and are healthier as they are also free of antibiotics.

We hold the future of billions of animals in our hands. We have an opportunity to translate our philosophy of Vasudhaiva Kutumbakam into action. We must act in our collective best interest.

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*Date:04-10-19*

## **Co-operative banks: Is dual regulation the problem?**

*Coming under both RBI and State Registrars, these banks pose specific supervisory challenges*

**Vikas Dhoot**

In late September, the Reserve Bank of India (RBI) imposed restrictions on withdrawals from the Punjab and Maharashtra Cooperative (PMC) Bank, one of the largest urban cooperative lenders. Over the past week, bank customers have been in a state of panic and the central bank has sought to assuage concerns about the banking sector's health. Usha Thorat, former RBI Deputy Governor, and S. Mahendra Dev, Director, Indira Gandhi Institute for Development Research, discuss the measures needed to restore confidence among customers in a conversation moderated by Vikas Dhoot. Edited excerpts:

**How are cooperatives overseen and what could have allowed the PMC Bank to get away with such large bad loans for years?**

**Usha Thorat:** One needs to go back to history. Cooperative banks came directly under the RBI's radar in 1966 but faced the problem of dual regulation. The Registrar of Cooperative Societies (RCS) is in control of management elections and many administrative issues as well as auditing. And the RBI brought them under the Banking Regulation Act as applicable to cooperative societies, which included all the regulatory aspects, namely, the granting of the licence, maintaining cash reserve, statutory liquidity and capital adequacy ratios, and inspection of these banks. So, in a sense, urban cooperative banks have been under the radar of the RBI, but because of dual regulation, one always had a feeling that one did not have as much control over these banks in terms of supercession of boards or removal of directors, as the RBI has over private sector banks.

The Madhavpura Mercantile Cooperative Bank issue turned out to be huge because it had a significant percentage of its assets as loans to Ketan Parekh, not unlike the case we are seeing now. And because it was an active bank in liquidity and money markets, Madhavpura used to provide liquidity to many other banks, so a huge number of cooperative banks had deposits with Madhavpura. So, a closure of that bank would have meant the closure of several other banks too. There was a lot of talk between the RBI, and the Central and Gujarat governments and a package was put together for Madhavpura. It was challenged, but finally it did go through with a staggered repayment of deposits and infusion of funds from the Deposit Insurance and Credit Guarantee Corporation (DICGC). I don't recall whether the legal challenge was finally disposed of.

Why I am talking of Madhavpura is that maybe some parts of its resolution can be examined today. After this episode, RBI decided to squarely deal with the problems of cooperative banks. It issued a vision document in 2004-05 and stopped all licences of new branches and new bank entities. There was a

proliferation of licences issued between 1991 and 1998. Under the vision document, a Memorandum of Agreement was entered into by the RBI with each of the States, where the State accepted an audit by professional auditors, and constituted a Task Force for urban cooperative banks. The TAFUCB was co-chaired by the RCS and the RBI Regional Director and was required to provide a bank-by-bank solution to those banks that were not maintaining minimum capital ratios. Not giving any new licences or new branches also pushed existing cooperative banks to come forth to take over the weak ones. This worked very well and a number of cooperative banks were delicensed, merged or liquidated. By 2017-18, as stated in the RBI Financial Stability Report, there were only four urban cooperative banks with capital adequacy ratios below the regulated threshold.

**Given this background, what do you think led to the PMC Bank crisis? Was it because of some regulatory aspects falling between the two stools of the RBI and RCS?**

**UT:** I don't think so. As I said, there was a forum for the RBI and the RCS to work together. Moreover, since 2004, a number of banks have been brought under all-inclusive directions where there have been significant weaknesses. So, the RBI has been taking action when it is clear that a bank is not able to carry on its operations in a manner that protects the interests of the depositors. But in PMC's case, it is a fraud, total hiding [of the problem] — a huge exposure to a single entity in the real estate sector was camouflaged under a whole lot of dummy accounts. Reporting to RBI and probably the auditors too was false. So, primarily, the CEO and the Board are responsible. It is not due to dual regulation.

How could this happen? Does this throw up fresh challenges on the kind of information the RBI should be looking for? Should it be doing a forensic audit? Is it possible to do this for more than 1,400 urban cooperative banks? How do you realise there is a problem brewing? I think there is a serious need to understand how the exposure was camouflaged, how did this not get reflected in other returns filed, etc.

**Professor Dev, given the role played by cooperative banks over the years to extend credit in rural India, what do you make of suggestions that they may have outlived their utility?**

**S. Mahendra Dev:** Cooperative institutions play a significant role in credit delivery to unbanked segments and financial inclusion. But their role has declined with the expansion of scheduled commercial banks and adoption of technology. Even urban cooperative lenders are facing competition from payment banks, small finance banks, and NBFCs (non-banking finance companies). We have about 1,500 urban cooperatives, but there are nearly 96,000 rural banks, including primary agriculture credit societies. Long-term credit extended by them is declining, but there is still a role in agriculture for rural cooperative societies. On the urban front, however, there is a need for change partly because of some of these scams that Ms. Thorat mentioned.

In the case of PMC Bank, as per RBI, there are three problems — major financial irregularities, failure of internal control and systems, and underreporting of exposures. It is well known that PMC Bank has extended 73% of its assets to HDIL, which has created a panicky situation for depositors. The RBI has had to clarify that Indian banking is safe. The problem is, of course, dual control by the RBI and the RCS, with the State government also playing a role and politics sometimes entering the space. The management, Board and auditors are responsible. It's a governance and transparency issue that also affects public sector banks, private banks, and NBFCs.

So, what should be done? I am in favour of merging and converting some of the cooperative banks to small finance banks. The RBI has announced a scheme for voluntary transition of urban cooperative

banks into small finance banks, in line with the recommendations of a high-powered committee chaired by former Deputy Governor of the RBI, R. Gandhi. This would enable them to have most of the products available with commercial banks, and help get a pan-India presence. But there are many conditions on share capital, loan sizes and loans to priority sector. So, you can't convert all of them but there can be a gradual move towards that.

### **Ms. Thorat, do you think small finance banks would be better governed?**

**UT:** Let's again look at the things the RBI has tried to do in the last four-five years. First, there was a committee under H. Malegam which recommended a board of management of fit and proper persons, other than the board of directors. Directors are elected by members and very often the borrowers get to nominate their own persons, while depositors are not really represented as these banks accept deposits from non-members. So, the idea was to have a board of management in actual control of operations as opposed to elected directors. I think this must be done immediately as an incentive for those who want to continue to grow. We should perhaps tell these banks, you must put this in place, otherwise there will be no more branch licences and we can impose restrictions on your loan book. There must be a push for a fit and proper management, otherwise the elected director can get away with fraud. Then all we can do is cope with the aftermath of his or her actions.

Having said that, you will find that a majority of the cooperative banks have been doing a good job — meeting the needs of small businesses and even rural credit — very much what we call inclusive finance. Just about 50 or 60 of these 1,500 banks are large. So the RBI's supervisory resources have to be really focused on these larger banks mostly operating across the country like commercial banks.

Second, the RBI has given the choice to urban cooperative banks to convert to small finance banks. That option is there for those players with more than ₹50 crore capital and 15% capital adequacy. This is an incentive as they will then be able to grow their capital by issuing shares at a premium. Today, the biggest hurdle for an urban cooperative bank is to raise capital. For them, the RBI might like to incentivise conversion into small finance banks. It can say that for further growth the larger urban cooperative banks should either appoint a board of management that meets the RBI's norms for fit and proper or become small finance banks. The challenge in banking supervision and regulation lies in knowing the quality and engagement of the Board, the key personnel and their conflicts of interest and connections.

Third, RBI has also said that for urban cooperative banks there could be an umbrella organisation promoted by the banks themselves to raise capital as a joint stock company can from the markets.

This incident poses a challenge for supervision. It comes back to how exposures can be hidden, which can be done in any bank or NBFC, not just a cooperative. The supervision system should be able to catch much more underreporting or false reporting and ensure accountability of the Board and the auditors. Criminal action has been initiated against the managing director, but what about all the directors? Is it possible that the directors or the Board were not aware of the exposure? In any case they are liable.

I think we should also look at the extent of deposits of other cooperative banks in such large urban cooperative banks. Perhaps it is time to review whether an urban cooperative bank should accept deposits of other urban cooperative banks. Because this means depositors of smaller banks may also suffer.

The frequency and intensity of supervision has to be clearly based on the size of the bank and the assessment made of the governance standards in the banks. All banks — small finance banks, cooperative

banks and leveraged institutions like NBFCs — are open to the risk of poor governance. There is no option but to look at the fit and proper character of the directors.

**Demonetisation helped push a lot of cash savings into the formal financial sector. But given this fresh crisis of confidence among bank customers, what can the government and the regulator do to restore their faith?**

**MD:** Many depositors opt for cooperative banks because they give a higher interest rate. Even the RBI's staff cooperative has deposits parked with PMC. The confidence comes from governance and regulation. RBI has been urging cooperative lenders to act professionally. We need confidence-building for all banks, not just for cooperatives, but even NBFCs. A recent study showed that small cooperatives are doing better in terms of non-performing assets and other aspects, while large urban cooperatives are not doing well. So, we have to look at how to supervise large cooperatives better.

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*Date:04-10-19*

## **Making political parties accountable**

***A Supreme Court judgment on non-governmental organisations throws light on the powers of an undiluted RTI***

**Anmolam & Shivam (Anmolam is a lawyer, running a non-profit organisation, BDLAAAW. Shivam is a research scholar at the faculty of law, Delhi University)**

Recently, the Supreme Court in D.A.V. College Trust and Management Society Vs. Director of Public Instructions held that non-governmental organisations which were substantially financed by the appropriate government fall within the ambit of 'public authority' under Section 2(h) of the Right to Information Act, 2005. Under this section of the RTI Act, 'public authority' means "any authority or body or institution of self-government established or constituted by or under the Constitution and included... any non-government organisation substantially financed directly or indirectly by funds provided by the appropriate government."

### **Wide ramifications**

Owing to the reasoning given by the court, the judgment can potentially have wide ramifications in the discourse pertaining to the ambit of the RTI regime on national political parties.

In D.A.V., the top court held that 'substantial' means a large portion which can be both, direct or indirect. It need not be a major portion or more than 50% as no straitjacket formula can be resorted to in this regard. For instance, if land in a city is given free of cost or at a heavily subsidised rate to hospitals, educational institutions or other bodies, it can qualify as substantial financing. The court resorted to 'purposive' interpretation of the provisions by underscoring the need to focus on the larger objective of percolation of benefits of the statute to the masses.

In 2010, the Association for Democratic Reforms (ADR) filed an application under the RTI to all national parties, seeking information about the “10 maximum voluntary contributions” received by them in the past five years. None of the national political parties volunteered to disclose the information. Consequently, ADR and RTI activist Subhash Agarwal filed a petition with the Central Information Commission (CIC).

In 2013, a full bench of the CIC delivered a historic judgment by declaring that all national parties came under ‘public authorities’ and were within the purview of the RTI Act. Accordingly, they were directed to designate central public information officers (CPIOs) and the appellate authorities at their headquarters within six weeks.

In 2013, The Right to Information (Amendment) Bill was introduced in Parliament to keep political parties explicitly outside the purview of RTI that lapsed after the dissolution of the 15th Lok Sabha. Notwithstanding the binding value of the CIC’s order under Section 19(7) of the Act, none of the six political parties complied with it. Quite interestingly, all the parties were absent from the hearing when the commission issued show-cause notices for non-compliance at the hearing.

Finally, in 2019, a PIL was filed in the Supreme Court seeking a declaration of political parties as ‘public authority’ and the matter is sub judice. Irrespective of the ideological differences among these political parties on almost all the issues under the sun, non-compliance of the RTI mandate has been a great unifier.

Drawing an analogy between the Supreme Court’s judgment on D.A.V. and the political parties’ issue which is sub judice, it can be argued that national parties are ‘substantially’ financed by the Central government. The various concessions, such as allocation of land, accommodation, bungalows in the national and State capitals, tax exemption against income under Section 13A of the Income Tax Act, free air time on television and radio, etc. can easily satisfy the prerequisite of Section 2(h) of the RTI. If an entity gets substantial finance from the government, there is no reason why any citizen cannot ask for information to find out whether his/her money which has been given to the entity is being used for the requisite purpose or not.

### **On accountability**

Applying the purposive rule of interpretation which is discernible from the preamble of the RTI Act, the ultimate aim is the creation of an ‘informed’ citizenry, containment of corruption and holding of government and its instrumentalities accountable to the governed. Under the anti-defection law, political parties can recommend disqualification of Members of the House in certain eventualities under the Tenth Schedule of the Constitution.

The Law Commission opines that political parties are the lifeblood of our entire constitutional system. Political parties act as a conduit through which interests and issues of the people get represented in Parliament. Since elections are predominantly contested on party lines in our parliamentary democratic polity, the agenda of the potential government is set by them.

As noted by Dr. B.R. Ambedkar in his famous Constituent Assembly speech, “The working of a Constitution does not depend wholly upon the nature of the Constitution. The Constitution can provide only the organs of State...The factors on which the working of those organs of the State depend are the people and the political parties they will set up as their instruments to carry out their wishes and their

politics.” It is hoped that the top court will further the positive advances made in this direction. Since sunlight acts as the best disinfectant and our political parties tirelessly claim themselves to be apostles of honesty and integrity, it is expected that they would walk the talk.



*Date:04-10-19*

## **A taxing time for states**

### ***Subdued GST collections, lower tax devolution will impact state finances, pose macro risks***

**Jayanta Roy, Aditi Naya (Roy is group head corporate sector rating, Nayar is principal economist, ICRA Limited)**

There are growing concerns that the two major sources of tax revenues for state governments, the state goods and services tax (SGST) and central tax devolution, are likely to fall well short of their budget estimates for 2019-20. This may result in large fiscal slippages or cutbacks in expenditure at the state level towards the end of this financial year. The latter is a risk for the economic growth outlook of the country, and for the liquidity position of corporates that are engaged in projects at the state level.

Tax revenues earned by state governments are classified as own tax revenues and devolution of central taxes. Own tax revenues of the states are now dominated by SGST, which is budgeted to account for over 40 per cent of the states’ own tax revenues in FY20, while tax devolution to states is governed by the formulae prescribed by successive Finance Commissions, and takes its cue from the actual collections of the central government.

There are multiple concerns building up related to SGST collections. First, there are substantial discrepancies in the data available from the Rajya Sabha questions and the states’ own budget on revenues related to SGST and GST compensation received by them in FY19. Our analysis suggests that several states had over-estimated such revenues in their revised estimates for FY19.

This optimistic forecasting of SGST collections seems to have persisted in the budget estimates for FY20. State governments, in aggregate, have estimated their SGST to expand by 11 per cent in FY20 (budget estimates) relative to their FY19 revised estimates. However, the growth in headline GST collections was only 5 per cent in the first half of the financial year. If the pace of growth of GST revenues doesn’t pickup in the second half, SGST collections may trail what states had forecast by around Rs 350-400 billion.

Compounding this concern, the GST compensation cess collected in FY20 (April to September) has fallen short of the compensation released to the states this year. Moreover, many states continue to require compensation. This is becoming an acute concern as the five-year compensation period for GST losses will end in 2022. At that point, states will have to reset their expenditures in line with their actual SGST collections, unless the compensation period gets extended. With the axe unlikely to fall on social sector spending, infrastructure creation at the state level may get compressed.

Moving to tax devolution, as per the recommendations of the Fourteenth Finance Commission, 42 per cent of the shareable central taxes of the central government are being devolved to states for the period FY16-FY20. But, shareable tax collections exclude surcharges and cess collections. Thus, in effect, the taxes devolved to states are closer to 35 per cent of the gross central tax collections.

The “provisional actuals” published by the Controller General of Accounts indicate that the GoI’s tax revenues in FY19 stood at Rs 20.8 trillion, a considerable Rs 1.7 trillion lower than the revised estimates for that year. Presumably, the taxes devolved to the states in that year were based on the Centre’s estimates of tax collections in revised estimates, which suggests that the devolution of taxes to states year was higher than mandated. We estimate this excess transfer at around Rs 0.6-0.7 trillion. A portion of the adjustment for this excess devolution in FY19 appears to have already been undertaken during April-August 2019, with a year-on-year reduction of 4 per cent or Rs 117 billion in tax devolution to states in these five months.

Moreover, the pace of growth of the Centre’s gross tax revenues stood at a subdued 4 per cent in April-August 2019, sharply lower than the target of 18 per cent enshrined in the budget estimates relative to the “provisional actuals”. We thus estimate that the gross tax revenues of the Centre would need to expand by a sharp 25 per cent in the remainder of this financial year to meet the budget estimates for FY20. This appears challenging given the subdued economic outlook as of now.

In addition, the recently announced corporate tax cut would result in a revenue loss which the government has pegged at Rs 1.45 trillion. This would be shared by the Centre and states. Thus, in our assessment, based on the shortfalls in central tax collections in FY19 and the estimated gap in FY20, the aggregate tax devolution to states may be as much as Rs 1.5-2 trillion lower in the current year than what was budgeted by the government.

To avoid a substantial fiscal slippage at the state government level, a sizeable expenditure reduction or deferral is likely to be required, given that the borrowing limit set by the central government acts as a soft constraint to the size of the states’ fiscal deficits. Some states may resort to cutting productive and capital expenditure towards the end of this year which poses a key risk to the economic growth outlook, in our view. Moreover, such cutbacks or deferral in state government spending could have serious implications for liquidity levels of corporates that are engaged in projects at the state level.

Looking ahead, a key factor that will influence state tax revenues is the percentage of central taxes that the Fifteenth Finance Commission recommends as devolution to the states for the period FY21-25. Will this be the same as the 42 per cent recommended by the Fourteenth Finance Commission? Or will it be higher or lower? Some states seem apprehensive that the terms of reference of the Fifteenth Finance Commission signal that the percentage may be reduced from the prevailing 42 per cent which would constrain their fiscal space over the medium term. The answer will be known in a few months.

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