Daily Economic News Summary: 23 May 2018

1. How Does The Narendra Modi Govt Score On Welfare Schemes?
Source: Livemint (Link)

Soon after it took charge, the Narendra Modi-led National Democratic Alliance (NDA) launched, or rather re-launched, flagship schemes in five key areas—financial inclusion (Pradhan Mantri Jan Dhan Yojana or PMJDY), sanitation (Swachh Bharat Abhiyan), cooking fuel (Pradhan Mantri Ujjwala Yojana), skills (Pradhan Mantri Kasushal Vikas Yojana or PMKVY), and rural electrification (Deen Dayal Upadhyaya Gram Jyoti Yojana or DDUGJY)—even as it boosted spending on the rural roads programme (Pradhan Mantri Gram Sadak Yojana). Four years down the line, how does the government's record look? If one goes by the headline numbers, the record looks very impressive on most counts. A closer look at the numbers suggests that the picture may be less rosy. Nonetheless, the government's overall record on flagship schemes, despite the caveats, appears more impressive than its macro-economicrecord. Whether it is enough to convince voters or not will be known only in the 2019 general elections. The financial inclusion initiative, PMJDY has perhaps been the most ambitious of all the flagship schemes. The PMJDY has emerged as one of the world's largest financial inclusion programmes, and we have independent evidence showing that 80% of adults and almost all households now have access to banking in the country.

2. Govt To Ease Rules On Cancelling Air Tickets
Source: Livemint (Link)

Air travellers who cancel or re-schedule their tickets within 24 hours of booking will not have to pay penal charges if the government enforces a new charter, a draft of which was released on May 22. This, and a host of other steps to protect rights of passengers, are part of the draft charter that was released by the civil aviation ministry for public consultation. The rights available to passengers under the proposed charter include compulsory refund of the full fare if flight cancellation is intimated to the traveller less than 24 hours prior to departure. If cancellation is informed before 24 hours but within a fortnight, the passenger should be offered either a refund or an alternative flight. The charter also says airports have to offer half an hour of free Wi-Fi to passengers. Minister of state for civil aviation Jayant Sinha, who briefed reporters on the new passenger charter, said the idea is to offer a safe, seamless, convenient and delightful experience to consumers. “Cancellation charge has been a significant pain point for passengers,” Sinha said, explaining the rationale for the proposal. The charter also proposes that passengers should be financially compensated for missing connecting flights and if the aircraft is stationed in the tarmac for more than an hour, they should be properly taken care of.

3. Government To Unveil Another Sugar Package Soon
Source: Financial Express (Link)

To help clear massive cane arrears, the Centre is exploring a raft of proposals, including offering an interest subsidy of more than Rs 1,300 crore on loans to sugar mills to raise their ethanol production capacity and creating a buffer stock of 3 million tonnes of sugar for a year, sources told FE. The options are aimed at containing a current slide in sugar prices that has bled the industry, and also help mills manufacture more biofuel to diversify their product basket and cut reliance on sugar sales revenue. The government will have to bear a carrying cost of Rs 1,200 crore a year for the creation of the proposed buffer stock. Moreover, a two-year moratorium on repayment on the loans for increasing ethanol production could be provided to sugar mills. The government will pay a part of the total interest burden over five years, which is expected to be in excess of Rs 4,400 crore. While the Centre has been helping the sugar industry clear cane dues in recent years through loans and interest subsidy, the steps haven’t prevented arrears from piling up in regular intervals when sugar prices drop, thanks to generous and unreasonable hikes in cane prices by both the Centre and states like Uttar Pradesh

4. GDPR: Tech Start-Ups, Fintech Firms With EU Exposure To Feel The Heat
Source: The Hindu, Business Line (Link)

As the European Union (EU) prepares to implement strict data privacy laws from May 25 to protect its citizens, consumer-driven Indian firms, especially technology start-ups, fintech companies, and IT services, with exposure to the EU may feel the impact first, say experts. “Consumer-driven companies that have exposure to the EU, in areas like IT services and fintech, that support the banking and other regulated sectors, are likely to be affected first, and have to comply,” Shree

Parthasarathy, National Leader - Cyber Risk Services, Deloitte, told *PTI* in Mumbai. However, he added that Indian consumers and regulators may not feel the strong impact of the General Data Protection Regulation (GDPR) immediately. GDPR aims to strengthen and protect the data of individuals within the EU and also deals with export of personal data outside the region. The laws are relevant due to rising instances of data breaches, with the latest involving social media platform Facebook, where the data of around 87 million users globally, including over 5.6 lakh Indians, was accessed by British political research firm Cambridge Analytica through its app, without authorisation.

5. Local Shipping Rules Eased For Global Lines
Source: The Hindu, Business Line (Link)

In the biggest policy reform yet in the shipping sector, the Centre has allowed foreign-flagged container ships to carry export-import laden containers for transhipment and empty containers for re-positioning on local routes without a licence or conditions. A Shipping Ministry order, issued on May 22, follows intense lobbying by global container lines to ease the cabotage rule and allow them to operate along the country's coast. This, according to the lines, was essential with India seeking to set up transhipment hubs to reduce dependence on neighbouring foreign hubs to send and receive containers. The reliance on foreign transhipment hubs such as Colombo, Singapore, Port Klang and Jebel Ali entails extra time and costs for exporters and importers. Some 33 per cent of India's container cargo is transhipped through foreign hub ports, up from 26 per cent in FY2008, hurting the competitiveness of Indian manufacturers in the global market, according to the Shipping Ministry. The Indian Private Ports and Terminals Association (IPPTA), a private port lobby group, had backed global container carriers in seeking a relaxation in the cabotage rule to allow aggregation of containers and facilitate transhipment from Indian shores rather than through foreign hubs. Global container lines such as Maersk Line, MSC and CMA-CGM will benefit from the decision. The container transhipment terminals run by DP World at Cochin Port Trust; Mundra Port run by Adani Ports and Special Economic Zone Ltd (APSEZ); Krishnapatnam Port run by the CVR Group; and the container transhipment facility being built by APSEZ at Vizhinjam in Kerala, among others, will gain from the new policy.

6. Equalisation Levy: 'Google Tax' Revenue Goes Past Rs 1,000 Crore
Source: Financial Express (Link)

The "equalisation levy" on online advertising fees paid by Indian customers to foreign companies like Google and Facebook is netting the government a tidy sum of money. The Centre's EQL revenue in 2017-18 was over Rs 700 crore, much higher than the Rs 315 crore it garnered from the tax in the previous 10-month period.The tax, meant to nullify the advantage of foreign e-commerce firms absent a physical presence in India over local competitors, came into effect in June 2016. Since the tax was mooted in Budget 2016-17, a government committee had proposed that its ambit be widened by extending it to a whole gamut of cross-border digital transactions from website hosting and cloud services to facilitation of the sale of goods and services between firms abroad and customers here. But the government hasn't acted so far on this proposal. The levy is often referred to as "Google tax" and is applied at the rate of 6% on the payments for digital advertisement services received by non-resident companies without a permanent establishment (PE) here if these exceeded Rs 1 lakh in a year. The companies using these services are required to withhold the tax amount.

7. US Eyes India's Dairy Market, Seeks To Pull Sops To Textiles Industry
Source: Livemint (Link)

The US wants to capture the Indian market for dairy products and medical instruments, while preparing the ground to discontinue benefits of around $6 billion for Indian textiles and leather products under the generalized system of preferences (GSP) scheme, according to people aware of the development. India, which is largely self-sufficient in the production of dairy products following the "Operation Flood" and "White Revolution" launched by Verghese Kurien in 1970, is now the prized target for American dairy products for the Trump administration, said a trade analyst, who asked not to be identified. The US also remains determined to increase its exports of high-end medical equipment to India, the analyst said. "Both dairy and medical equipment are top priorities for the US in the Indian market," the analyst said last week. Given the large size of the India dairy market due to growing demand from the middle classes, the US reckons that India can be a lucrative destination for its dairy sector. Also, India's increasing disease burden as well as the rapid privatization of the health sector offers a huge market for American medical equipment makers, the same analyst said.

8. Draft Air Passengers Charter: Plane And Simple – Flying To Get A Lot Less Stressful
Source: Financial Express (Link)

The civil aviation ministry on Tuesday proposed a series of consumer-friendly measures relating to charges for cancellation of tickets, lost baggage, missing connecting flights and denial to board if the flight is overbooked, which once finalised will put in place a structured system where currently everything not only varies from airline to airline but is also at their discretion. The most important of the measures unveiled is the abolition of cancellation charges for domestic flight tickets if the cancellation is made within 24 hours of booking. However, the proposed rule won't apply if the tickets are booked less than 96 hours (four days) before the scheduled departure time of the flight. During this 24-hour "lock-in period", passengers would be able to make corrections in names or amend the travel date free of cost, minister of state for civil aviation Jayant Sinha said while unveiling the draft air passengers charter. "The airline will provide lock-in option for 24 hours after booking ticket where ticket can be cancelled without any charges. This facility will be available for passenger up to 96 hours prior to flight departure," he said. "We want to ensure safe and convenient passenger travel experience. After several rounds of consultations, we have come with a holistic passenger charter. It will help us achieve the goal of seamless air travel," Sinha added.

9. Export Obligation Under EPCG Scheme Made More Flexible
Source: The Hindu, Business Line (Link)

In a move that will come as a relief to exporters, the government has decided to make the rules for meeting of export obligation under the popular Export Promotion Capital Goods (EPCG) scheme more flexible. "The excess exports done towards the average export obligation fulfilment of an EPCG authorisation during a year can be used to offset any shortfall in the average export obligation done in other year of the export obligation period or the block period as the case may be…." a notification from the Directorate-General of Foreign Trade said on May 22. The decision comes at a time when exporters are struggling to meet the challenges posed by the Goods and

Services Taxes (GST) regime and labour-intensive sectors such as leather, readymade garments, handicrafts, gems & jewellery and agricultural products are posting a fall in exports. The EPCG scheme allows import of capital goods including spares for pre production, production and post production at zero duty subject to an export obligation of six times of duty saved on capital goods imported under the scheme, to be fulfilled in six years from authorisation issue date. “Condonation from non-maintenance of annual average in some years offset by excess exports in other year(s) in respect of EPCG authorisations has been granted,” the notification further explained.

10. State Bank Of India Posts Record Loss Of Rs 77 Bn In Q4; Stock Rises 3.7%
Source: Business Standard (Link)

The country’s largest lender, State Bank of India (SBI), posted its highest-ever net loss of Rs 77.18 billion for fourth quarter ended March 2018 (Q4) as asset quality worsened and it made large provisions for bad loans. The higher provisions for the erosion in the value of the bond portfolio due to hardening yields and wage revision, and enhancement in the gratuity ceiling (Rs 9 billion) added to the losses. This was the second consecutive quarterly loss in 2017-18 for SBI. The bank had posted a net loss of Rs 24.16 billion in the December 2017 quarter (Q3FY18). Its March 2017 quarter (Q4FY17) reported net profit at Rs 28.14 billion, which however does not include the financials of subsidiaries and Bharatiya Mahila Bank, which were merged into SBI on April 1, 2017. Adjusting for these mergers, SBI’s net loss stood at Rs 34.42 billion for the March 2017 quarter. The loss figure for the recently concluded quarter would have been bigger had it not been for the tax reversal of nearly Rs 45 billion. For the full year, SBI reported a net loss of Rs 65.47 billion, as against a net profit of Rs 104.84 billion in 2016-17. Adjusting for the merger, SBI would have reported a net loss of Rs 18.05 billion in 2016-17. Rajnish Kumar, chairman, SBI, said, “Financial year 2017-18 has been a difficult year for the Indian banking industry and SBI is not an exception to it. The numbers for 2017-18 reflect the combined performance of parent and merged entities.”

11. Cabinet May Consider Amendments To Insolvency & Bankruptcy Code Today
Source: Business Standard (Link)

The Cabinet is likely to consider amendments to the Insolvency and Bankruptcy Code (IBC) on May 23. The government plans to promulgate an Ordinance to give effect to these changes since Parliament is not in session, sources said. A draft note circulated to various stakeholders says it is looking at treating homebuyers on a par with financial creditors in legal rights of insolvent firms. This was also a recommendation of a committee, set up to review the insolvency law under the chairmanship of Corporate Affairs Secretary Injeti Srinivas. The panel had also suggested Section 29A clause in the insolvency law be made less stringent. It lists entities barred from bidding for companies under insolvency. The Centre is considering this proposal as well, sources said. The idea is to limit the prohibition to those directly involved with the company. Financial firms will not be treated as a related party. The committee also suggested withdrawal of the fast-track insolvency provision in the Act, which has a shorter period for resolution of insolvent cases. The provisions in this regard were notified with the intention of helping start-ups and small enterprises find a smooth exit. The government is not considering this suggestion, sources said.

12. Centre Unveils Model Contract Farming Law
Source: The Economic Times (Link)

The agriculture ministry on May 22 released the Model Contract Farming Act, 2018, which lays emphasis on protecting the interests of farmers, considering them as weaker of the two parties entering into a contract. The ministry says that it is a promotional and facilitative Act and not regulatory in its structure. In addition to contract farming, services contracts all along the value chain, including pre-production, production and post-production, have been included in the Act, a statement from the ministry said. “The final Model Act - State/UT Agricultural Produce and Livestock Contract Farming and Services (Promotion and Facilitation) Act, 2018 has been approved by the Competent Authority,” it says. Farm minister Radha Mohan Singh released the Act along with Ministers of State for Agriculture Gajendra Singh Shekhawat, Parushottam Rupala and Krishna Raj. The Act says that the contracted produce will be covered under crop/ livestock insurance in operation. Also, contract framing will be outside the ambit of APMC Act. Protecting farmers, the Act says that no permanent structure can be developed on farmers’ land or premises. “No right, title of interest of the land shall vest in the sponsor. Promotion of Farmer Producer Organization (FPOs) /Farmer Producer Companies (FPCs) to mobilise small and marginal farmers has been provided,” says the Act. The FPO and FPC can be a contracting party if so authorised by the farmers, it says.

13. Govt Unveils Draft Law On Contract Farming And Services
Source: Business Standard (Link)

To provide an assured market to farmers, the Central government has released a draft law on contract farming and services. This will be applicable not only to crops but also livestock, dairy and poultry products. However, it would be up to the state governments to enact the law. The draft Agricultural Produce and Livestock Contract Farming and Services (promotion and facilitation) Act 2018 calls for setting up an independent agency in states to promote contract farming, registering and recording agreements between buyers and sellers. It specifies damages in case of contravention or violation of terms of contract by both parties. The law keeps contract farming and goods produced through such farming out of the Act’s purview. This will help buyers save 5-10 per cent of their transaction cost. It seeks to set up a grievance redressal mechanism in districts to address violation of contract terms. "Now, the ball is in the court of states who have to adopt the model and implement it at the earliest for the benefit of farmers," Agriculture Minister Radha Mohan Singh said. The model follows Finance Minister Arun Jaitley’s announcement in the 2017-18 Union Budget to come out with a model law on contract farming. It stops any contract farming sponsor from raising permanent structure on contract farming producers’ land and premises. It also does not give any right, title ownership or possession to the contract farming sponsor on land and other assets.