5 Years of Achhe Din:

A Quick Look at Banking and Finance Sector

Financial Accountability Network India

April 2019

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Introduction

The last five years have been a watershed moment in Indian politics and economy. The NDA alliance's grand victory on the agenda of development and good days to come (achhe din) stated off on a high note. But after five years, the NDA government stands delegitimized. But what followed was brazen violence against minorities, Dalits, Adivasi, women and marginal sections of the society, systematic destruction of institutions, forced poverty, decimation of the informal sector, corruption unemployment and a stressed economy. And today, the NDA government stands delegitimized, so much so that it is termed as a quantum leap backwards.

With the elections coming, it is important to remind ourselves of the systematic dismantling of our democracy, democratic institutions, economy and the society at large.

This is a small attempt to highlight few crucial changes brought by this government and their impacts. While each and every sector needs an analysis like this, we have restricted to Banking and Finance.

Content for this was contributed by many. We took the liberty to take some from public sources. They include, Dinesh Abrol, Rohit Azad, Sucheta Dalal, documents of All India Bank Employees Association (AIBEA) and Quantum Leap Backwards.

The content and data of this booklet is far from complete. However special care has been taken to check the accuracy of data. The intent of this attempt is to have an informed discussion on the economic performance of the NDA-II government and empowering the citizens to hold them accountable.

Joe Athialy
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National Finance and Banking

The economy took a severe hit with the mounting Non Performing Assets (NPA), policies (read Punishment) like Demonetisation, GST, Insolvency and Bankruptcy Code (IBC), Financial Resolution and Deposit Insurance Bill (FRDI), passing of electoral Bonds, experiments with cashless economy and many other policy changes.

While the corporates have forced the banks into losses and the NPA reaching 10 lakh crore, now the banks are looting the people in the name of bank charges.

1. Bank Charges

1. 21 Public sector banks and 3 private banks have collected more than **Rs. 12,000 crores** as a penalty for not maintaining minimum balance from 2014 onwards. Banks should not charge fees and penalties for saving account holders. Financial Inclusion does not mean exploitation of people's savings after adding them in the banking system.

2. SBI Managing Director Rajnish Kumar said in 2017 that SBI was planning to raise Rs 2000 crore as a penalty for non-compliance of minimum balance in saving accounts, part of which would be used to compensate the extra **costs incurred to banks due to linking of 40 crore savings accounts to Aadhaar.**

3. Now major public sector banks have put **a limit (3 to 5 times) on number of times that a person can visit the bank branches** in a month. After that banks are charging Rs 10 to Rs 150 per transaction/ branch visit.

4. Every **failed transaction** (due to insufficient balance) costs Rs 25.

5. **Jan Dhan** accounts: they are not allowed to have more than 4 withdrawals (including online, atm and branch) per month. Either 5th transaction is not allowed or they are being asked to pay for 5th debit transaction.

6. Banks are charging for every service they provide- SMS alerts, change in mobile number and address, change in KYC documents, bank statement, signature verification etc.

7. SBI started charging for not maintaining minimum balance in 2017 and collected **Rs 2400 crore in next one year** as penalty for the same from saving account holders.

8. Government wants to merge all public sector banks and make 6-7 large banks. This **merger** will only lead to reduction of jobs and reduction of accessibility of banking services to the marginalized and economically weaker section of the society.

9. 86% of total NPAs belong to public sector banks. And more than 82% of total NPAs belongs to corporate defaulters.

10. Between April 2014 and April 2018, the country's 21 State-owned banks ended up **writing off Rs 3,16,500 crore of loans even as they recovered Rs 44,900 crore** written off on a cumulative basis — or less than one-seventh the write-off amount.[1]

11. The loans written off between April 2014 and April 2018 by 21 public sector banks were **more than 166 % than the amount in the last 10 years till 2014**. The bad loans which have been written off are well over twice the projected budgetary expenditure on health, education and social protection for the year 2018-19 which was Rs 1.38 lakh crore.

12. Scheduled commercial banks should not issue large scale loans. Their focus should be on retail banking with the aim of reaching out to each and every person at the bottom of economic pyramid.

13. Public sector banks and their functioning should be immune from any kind of political interference.

14. The government has a list of all defaulters since the time of Raghuram Rajan as RBI governor. That list should be made public. Strict action should be taken against them, along with ban on their companies and subsidiaries from accessing any fresh loans.

15. Development banks should be brought back, to deal with large scale loans for developmental projects as suggested by Standing Committee on Finance in its report titled Banking Sector in India- Issues, Challenges and the Way Forward (May 2018).

16. Considering that banks run their business with the use of savings of the people, hence accountability to the people. They should clearly mention all the avenues where they invest their money.

17. A comprehensive social and environmental safeguard policies should be made for banks' investments.

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[1] Source: RBI https://indianexpress.com/article/business/banking-and-finance/rbi-data-on-public-sector-banks-in-four-years-banks-write-off-over-seven-times-recovery-5380583/

2. IL&FS FRAUD

1. Total outstanding is nearly Rs1 lakh crore, and includes pension fund and mutual fund investments of middle class Indians. The Army Group Insurance Fund's (AGIF) has exposure of almost Rs. 210 crore to toxic bonds from IL&FS.

IL&FS Group: Total outstanding (FB & NFB)

Estimated Fund Based o/s as on 8 Oct, 2018
Estimated Non-Fund Based o/s as on 30 Sep, 2018

INR Cr

Fund Based O/s Principal (Aggregated*)	**94,216**
Secured	73,359
Unsecured	20,857
Non-Fund Based O/s	**5,139**
Bank Guarantees (BG)	4,853
Letters of Credit (LC)	286
Total Outstanding	**99,354**

*Includes FB Principal O/s aggregating INR 4,570 Cr.: (i) GIFT INR 1,233 Cr. (IL&FS Group has 50% stake); (ii) ONGC Tripura Power INR 3,337 Cr. (IL&FS Group has 26% stake)

2. Sovereign guarantee quietly honoured with zero public discussion to cover up extent of fraud. Reliable sources have confirmed at least one payment of $2 million in the past two months to ADB, for instalments that fell due, and about €600,000 to €700,000 have been paid to KfW.

In June 2018, just before the IL&FS group's financial problems snowballed, media reports show that IL&FS Transportation Networks Ltd (ITNL), raised €23.4 million (Rs186.11 crore) in debt financing from KfW IPEX-Bank. This was a 13-year loan for the Rapid Metro South Extension Project in Gurugram.

For More: https://www.moneylife.in/article/ilfs-shocker-govt-quietly-paying-up-on-sovereign-guarantees-to-adb-and-kfw-for-failed-groups-504-million-loan/56743.html

3. Same bureaucrats still in place and made MD despite public knowledge about their closeness to the cabal. Chandra Shekhar (CS) Rajan, a former IAS officer, has been appointed as IL&FS managing director. Rajan was the non-executive director of IL&FS for the last six months.

A bunch of former IL&FS group directors and their relatives hold influential positions in the government. Some of them are directly involved in managing the crisis at the LIC-backed infrastructure group. Will they let a free and fair probe take place and fix accountability, asks a report from ET Prime.

For More:
https://prime.economictimes.indiatimes.com/news/66469127/corporate-governance/fresh-conflict-of-interest-the-old-boys-club-that-once-ran-ilfs-companies-have-been-tasked-with-cleaning-up-the-mess.

4. While the Govt is showing videos of jail cell at Arthur Road prepared for Nirav Modi and Vijay Mallya, what stops them from arresting the cabal responsible for the IL&FS debacle who are right here and available! Ravi Parthasarathy, Arun Saha, K Ramchand, Ramesh Bawa were the core team taking all decisions for 346 entities of IL&FS!

Compounded by a complex holding structure

Nature of Entity	Level from ILFS L0 = IL&FS L1 = One Level Down L2 = 2 Levels Down	# of Entities
Parent Holding Co.	L0	1
Intermediate Holding Co.	L1	9
	L2	3
	L3	2
Operating Level Co.	L1	31
	L2	120
	L3	34
	L4	102
Total		**302**

- **Multiple business verticals**
- **Multiple layers** - up to 4 layers
- **Multiple structures** - WOS, Subs with counterparties (pvt and govt), Associates, JVs
- **Multiple geographies of operations** – Asia, Europe & North America, Africa
- **Varied interests of different stakeholders** - JV partners (Orix, PSUs, State Govts.), Public shareholders (IECCL, IIML, ITNL), Other minority partners

3. Demonetisation

The televised announcement that shook the country declared 500 and 1000 rupees in circulation to be of no legal tender on the 8th Nov 2016. It did not achieve the stated goals of countering terrorism, stopping counterfeit notes and fighting black money. But what it did was to kill more than 100 people in the span of weeks!!

1. **Demonetisation further brought down the employment ratio in the country with over 3.5 million people losing jobs within a span of 4 months** (ie, by February 2017) after the declaration in November 2016. (Source: Using fast frequency household survey data to estimate the impact of demonetisation on employment Mahesh Vyas, CMIE).

2. Post demonetization, micro and small enterprises have suffered **35 % job losses and 50 per cent dip in revenue** (Source: AIMO, 2018).

3. Demonetisation also hit the labour market adversely with the Labour Participation Rate falling from 47 % to 43% between 29 November 2016 and 8 September 2018 (ibid).

4. Now with the report that cash in circulation is **19% higher** than pre-demonetisation level, the government of India should bring the white paper on Demonetisation.

5. GDP slowed down by 1% but that happened after fiscal expenditure was increased from 7.5% to 12.5% to not let the Demonetisation's effect show up extensively. Had that not been the case, the GDP would have gone down by 1.5%.

4. Patterns of Financing

Where this government spent money and more importantly where it did not, shows the intent of exclusion. The government rolled out scheme after scheme, with catchy names, data shows many of them were not even financed!

1. Sharp **slowdown in gross fixed capital formation-from 34.3% of nominal GDP in FY 12 to 28.5%** in FY 17-is a result of a starker fall in capital formation at the household level, which fell from 15.7% of GDP to 9.1% during the same period.

2. **Domestic savings have recorded significant decline and came down to 60% during 2015-16** or 19.2% as a proportion of GDP.

3. The Centre-State relations (assistance) have been on the edge since 2015-16 and GST only added to

the tensions where the Centre and the states no longer were equal stakeholders who took decisions based on consensus. The 50:50 apportionment between Centre and states worsened the vertical fiscal imbalances between Centre and states which points to a rate fall of 5.5% in case of the states.

4. Modi government **resorted to more non-development expenditure** than development expenditure. Eg: expenditure on social services recorded a decline from 18.77% during 2010-11 to 11.01% by 2018-19 (Source: RBI, Budget documents of GoI).

5. Despite rising number of NPAs (Non-Performing Assets), the government showed **no eagerness in extending credits to the Small and Medium Enterprises** in the country which adversely affected job creation and prospects of self-employment

6. Post 2016, there has been an overemphasis on the Non-Banking Financial Companies (NBFCs) over the commercial banks with their share in the financing of consumer durables jumping to 32% by the FY 2017 from a 19% in the FY 2013. Now the NBFCs are a major channel for providing financial support to micro enterprises and transport operators.

7. New private banks emerged as the largest lender to NBFCs replacing nationalized banks. There is already the news that IDFC Bank which came into being in 2015 has lost 15.91 per cent since, while its parent IDFC gained 16.33 per cent. NBFCs with subsidiaries outsmarting the parent companies is the new feature of India's financial sector. NBFCs are companies engaged in the business of making loans/advances, acquisition of shares/securities, hire purchase.

8. Shadow banking activity capable of expanding systemic risks is on the rise; in 2015 the reported annual growth of Other Financial Intermediaries (OFIs) was 18.4%. The NBFCs are also being refinanced by MUDRA (Micro Units Development & Refinance Agency Ltd).

9. Data shows that at the end of FY 2017, Mudra had disbursed Rs. 6,863 crores through refinance from its corpus of Rs. 20,000 crores but over **90% beneficiaries under the Mudra scheme were given loans of less than Rs. 50000** which could have hardly helped any one setting up a small enterprise or expanding a business capable of giving jobs to others.

10. Over 1.04 crore people got loans under the Kishore category and only about 19 lakh people received the payouts under the Tarun category. Not only granting loans of Rs. 50,000 or less defeats the very purpose of the scheme but also many of such people may not also return the money to banks.

11. Banks and microfinance institutions (MFIs) account for roughly 65% and 35% of lending under the Mudra scheme. The Indian Cooperative publication states that there are more 1500 urban cooperative banks in the country and the figure of mere 14 urban cooperative banks involved in the scheme is indeed depressing.

12. Lack of support for cooperative banks is in complete contrast from the "most generous" support extended from the side of the current government under MUDRA to the NBFCs who have been given freely support without any proper regulation.

13. The Standing Committee on Social Justice and Empowerment (2017-2018) found that the Schemes like Shilpi Samridhi Yojana (SSY), MahilaKishan Yojana (MKY), Nari Arthik Sashaktikaran Yojana (NASY), Green Business Scheme and Vocational Education and Training Loan Scheme (VETLS) under implementation for the socio-economic development of SCs below double the poverty line failed to receive adequate state support.

14. Even the quantum of assistance provided by the Corporation in the range from up to Rs. 1.50 lakh to Rs. 30 lakhs is not being disbursed. It was noted that there are no beneficiaries at all under Nari Arthik Sashaktikaran Yojana (NASY). Under Vocational Education and Training Loan Scheme (VETLS), there have been no beneficiaries for the last five years, except 21 beneficiaries in 2016-17. The same is the case with Green Business Scheme with 40 and 20 beneficiaries in 2016-17 and 2017-18 having 1265 beneficiaries in a total of four years. Even under Shilpi Samridhi Yojana there are mere 324 beneficiaries in the last five years.

15. The Committee also found that the SCAs (Special Central Assistance) of National Scheduled Castes Finance & Development Corporation (NSFDC) have utilized only 50.70, 43.10 and 59.96 per cent of the allocated amount during the year 2015-16, 2016-17 and 2017-18, respectively under the Mahila Samridhi Yojana.

16. The Committee further discovered that **since September, 2017 there is no progress in the number of beneficiaries under this scheme which remained same i.e. 394 till March, 2018**.

17. The Committee found that this year too, the Ministry of Minority Affairs could utilize only 66.58% (upto 20.02.2018) of its allocated budget of Rs.4195.48 crore. When asked whether it would not impact the Ministry's financial allocation from the Ministry of Finance, the Committee was told that the Ministry would seek exemption from the Ministry of Finance.

18. The Committee noted that Rs. 950 crores was allocated for Pre-matric Scholarship in 2017-18. About 85 lakh students are denied scholarship every year as only about 35 lakh students are given scholarships every year out of more than 1.50 crore applications received every year. The Committee was of the considered view that if around 85 lakh students are denied the benefit of these Schemes, the empowerment of minorities specially, Muslim students at Pre-Matric stage would be on distant dream.

19. The Multi-sectoral Development Programme (MsDP) (currently Pradhan Mantri Jan Vikas Karyakram (PMJVK)) intended to create assets for socio-economic and overall improvement in the living conditions of people living in the minority concentration areas is suffering badly with significant downfall in the provisioning of basic amenities/infrastructure in minority concentration areas.

20. With the NHP (National Health Portal) (2017), which talked about "strategic purchasing of services" from private sector, a clear path has been laid for increasing the role of private sector in provisioning of health.

21. The share of union government spending in the **education sector has decreased from 4.6% to 3.5%.**

22. India's R&D intensity (R&D spend as a share of GDP) fell from 0.83 per cent in 2008-09 to 0.69 per cent in 2016-17. While the Centre and States set aside ₹56,000 crore towards R&D in 2016-17, the private sector spent about ₹43,000 crore.

23. US, China, Japan and Europe dominate the scientific publications scene; the Indian share in the number of patents sealed in India has fallen from 40 per cent in 2001-02 to 15 per cent in 2015-16.

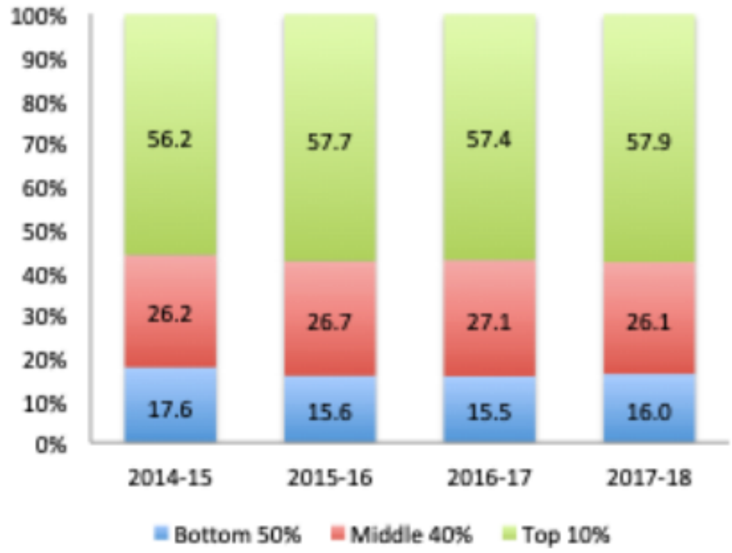
24. While throwing light on the country's technological dependence, VK Saraswat, Member, S&T, NITI Aayog explains that "Indigenous technology development has been sparse except in strategic areas such as space, atomic energy and missiles".

25. MNCs are beginning to dominant agricultural inputs as well as research. And since they have little or no interest in making Active Ingredients in India and are only using Indian R&D as a testing set up for their technologies the day is not far when the Indian agriculture would be dominated by Monsanto, Bayer, Dow, Dupont, Syngenta and BASF.

5. % GDP Growth Rate & Jugglery with it

- In order to increase the GDP growth rate % than the rate during previous UPA government, the current government has changed the GDP calculation formula thrice. In the third attempt, they have reduced the 8.4% and 7.2% GDP growth in UPA I and UPA II respectively, to 6.7%. And, Simultaneously increased GDP growth rate post 2014 to 7.4%.

Inequality using tax data: (as no Income data available)



Top 10% : increased

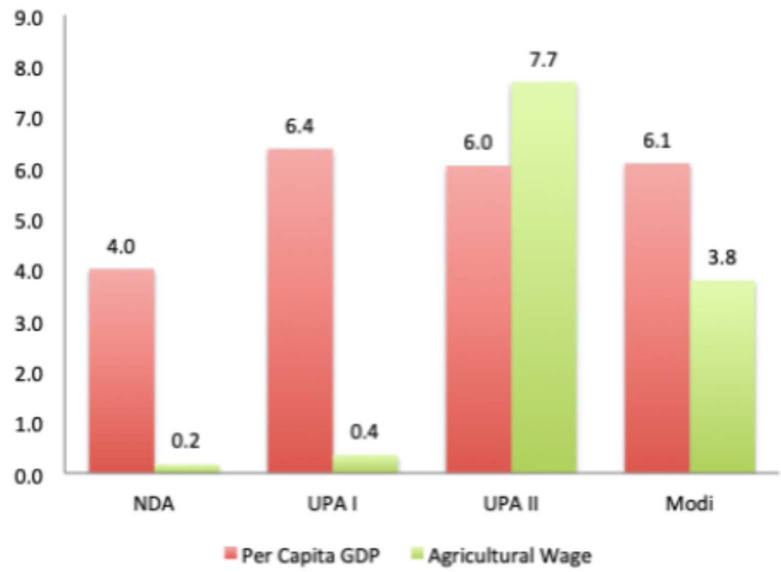
Middle 40% : remained constant

Bottom 50% : decreased

Wage rate:

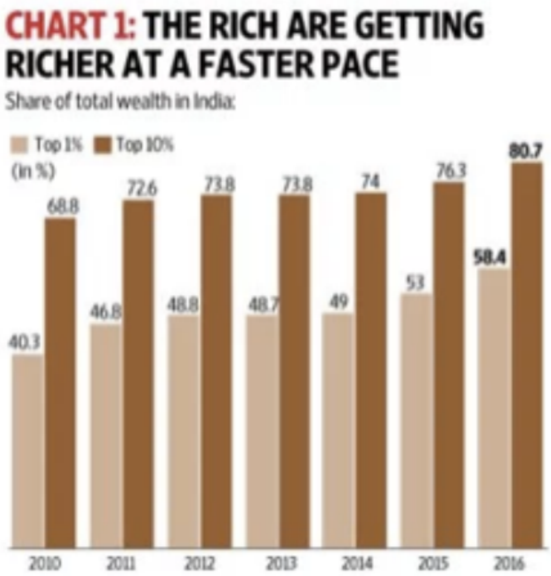
Among previous 4 governments i.e. NDA, UPA-I, UPA-II and NDA. The highest rate of growth of agriculture wage was in UPA-II due to MNREGA.

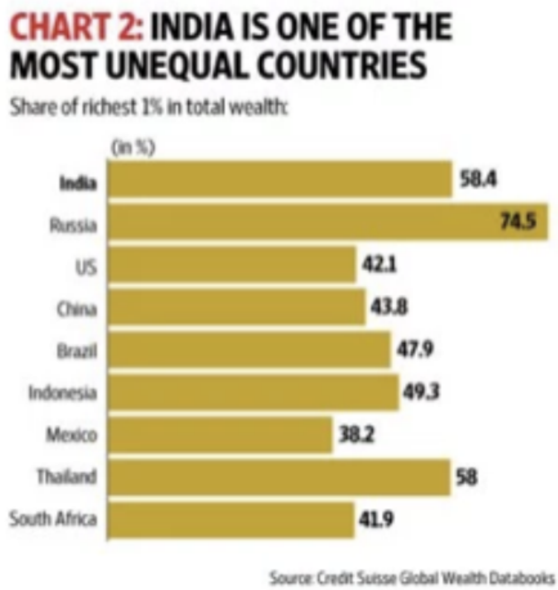
In last 5 years, the growth in agricultural wage rate was less than growth in average wage rate (used per capita income for calculation).



Inequality using wealth:

Top 1% : 60% of total wealth   Top 10% : 80% of total wealth





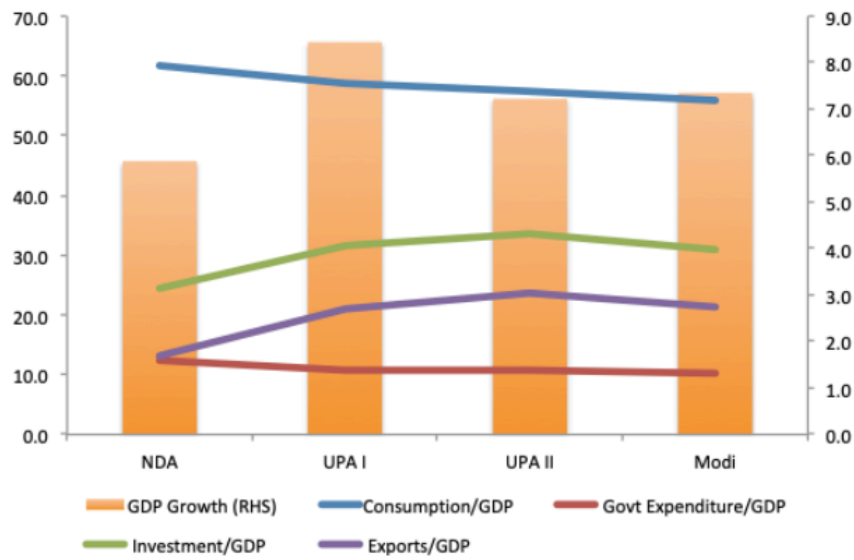
Economy growth:

Downward trend for all the factors of growth.

Private Investment: decreased

Exports: decreased (despite Make in India)

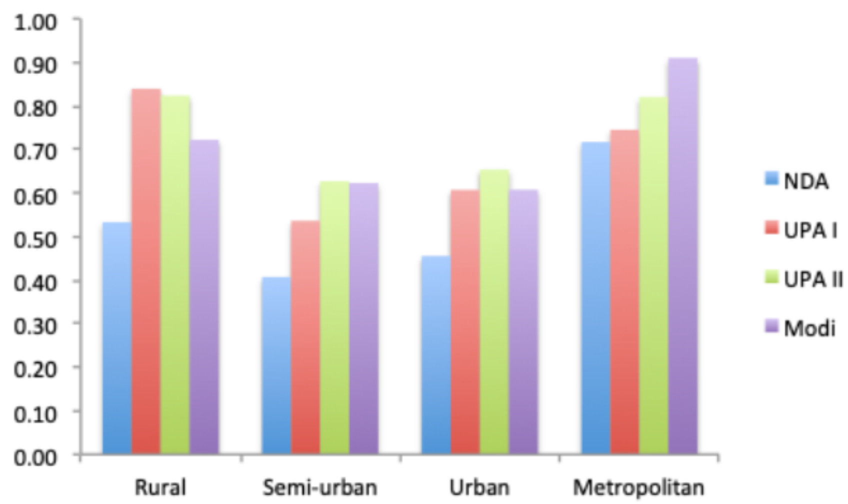
Consumption: could have been made higher through domestic market driven growth, but consumption also fell as inequality rises.



Access of Credit:

Rise in Credit/Deposit ratio: only in metropolitan cities, not in urban, semi-urban and rural areas.

∴ NO Inclusive Growth



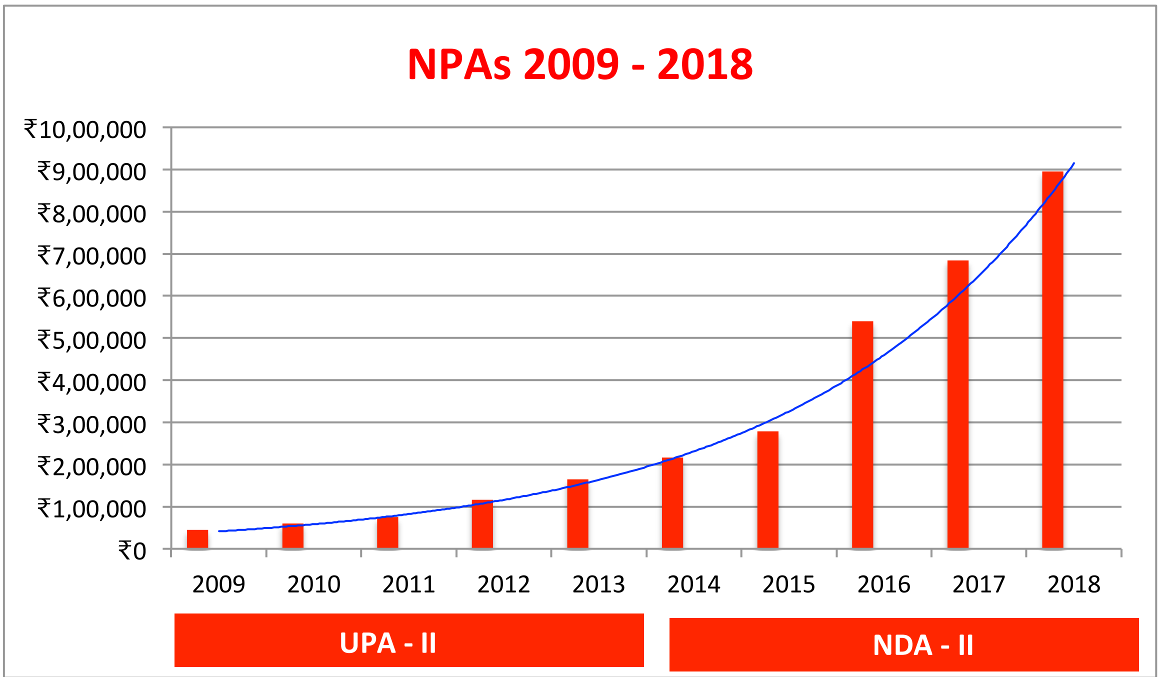
6. Non-Performing Assets

As of March 2019 the total NPA of Public Sector Banks is Rs. 8.96 lakh Crores and gross advances is Rs. 51.4 lakh crores

1. In a report to the standing committee of finance, former RBI governor reported that in the year 2017-18, about **55% (Rs. 84,272 crore) of reduction of NPA was due to write-offs and only 27% (Rs.41,391 crore) was actual recoveries.**

2. 4,693 frauds of more than Rs. 1 lakh were reported in 2015-16, this increased to 5,904 in 2017-18, **an increase of about 26%.** Over the same period, the value of these frauds increased from Rs. 18,698.8 crore to Rs. 32,361.27 crore.

3. According to a report by rating agency Fitch Rs. 3.5 lakh crore ($48.88 billion) have not been recognised by banks in India as non-performing assets (NPAs)
4. Instead of recovery banks are put on Prompt Corrective Action (which ceases lending), forced into haircuts and write offs
5. Between April 2014 and April 2018, the country's **21 State-owned banks ended up writing off Rs 3,16,500 crore of loans** even as they recovered only Rs 44,900 crore. This is less than one seventh of the write offs.
6. Of the entire NPAs, 12 accounts, contribute to Rs 1.75 lakh crore



7. Operating & Net Profit As On 31.3.2018 (Rs. Crores)

	Operating Profit	Provisions For Bad Loans And Contingencies	Net Profit/ Loss
Bank Of Baroda	12,006	14,437	- 2432
Punjab National Bank	10,294	22,577	- 12,283
Canara Bank	9548	13770	- 4222
Union Bank Of India	7540	12786	- 5247
Bank Of India	7139	13183	- 6044
Andhra Bank	5361	8774	- 3413
Indian Bank	5001	3742	+ 1259
Corporation Bank	3950	8004	- 4054
Syndicate Bank	3864	7087	- 3223
Oriental Bank Of Commerce	3703	9575	- 5872
Indian Overseas Bank	3629	9929	- 6300
Allahabad Bank	3438	8113	- 4674
Vijaya Bank	3099	2370	+ 727
Central Bank Of India	2733	7838	- 5105
Bank Of Maharashtra	2191	3337	- 1146
UCO Bank	1334	5771	- 4436
Dena Bank	1171	3094	- 1923
Punjab And Sind Bank	1145	1889	- 744
United Bank Of India	1024	2479	- 1453
Total Of 19 Nationalised Banks	**88,170**	**1,58,755**	**- 70,585**
State Bank Of India	59,511	66,059	- 6547
Other Public Sector Bank			
IDBI Bank Ltd	7904	16,142	- 8239
Total Of Public Sector Banks	**1,55,585**	**2,40,956**	**- 85,371**

8. Fresh Bad Loans in 12 years Rs. 20,64,042 Crores in Public Sector Banks

Fresh/new NPAs during 2009-10	Rs. 44,818 Crores
Fresh/new NPAs during 2010-11	Rs. 58,226 Crores
Fresh/new NPAs during 2011-12	Rs. 92,808 Crores
Fresh/new NPAs during 2012-13	Rs. 1,19,613 Crores
Fresh/new NPAs during 2013-14	Rs. 1,63,546 Crores
Fresh/new NPAs during 2014-15	Rs. 1,92,034 Crores
Fresh/new NPAs during 2015-16	Rs. 3,85,962 Crores
Fresh/new NPAs during 2016-17	Rs. 3,27,500 Crores
Fresh/new NPAs during 2017-18	Rs. 5,00,000 Crores

9. Bad debts Written-off in Public Sector Banks From 2001 to 2018 – Rs. 4,97,188 Crores

Year	Amount Written Off
2001	5555
2002	6428
2003	9448
2004	11308
2005	8048
2006	8799
2007	9189
2008	8019
2009	6966
2010	11185
2011	17794
2012	15551
2013	27013
2014	32595

2015	49976
2016	59400
2017	81684
2018	128230
Total	**4,97,188 Cr**

10. Mergers

1. Dena Bank, Vijaya Bank and Bank of Baroda were merged after the experiment with SBI and its associate banks.
2. Post-Merger, SBI recorded its first loss.
3. Mergers do not solve the NPA problem, it is only another way to privatize the banks.
4. Mergers have resulted in significant job-loss of bakers, despite promises of no retrenchments.
5. Mergers also result in closing of bank branches and cause administrative chaos.

International Finance & India

1. Ease of Doing Business

India has increased its ranking on Ease of Doing Business (EODB). The index rose from 142 in 2014 to 77 in 2018. This is claimed to be a success as seen as a) improved business environment and increased investment in the country contributing to over-all development. This is an index to measure how easy it is to conduct private business in the country. The country managed to jump 65 positions in the past five years.

Global Critiques:

1. EODB straight jackets reforms into an uniform prescription across countries without looking at regional and country specific issues and gives a 'one size fit all' idea

2. EODB according to World Banks own legal unit have a bias towards de regulation and considers regulations are bad for business. **It ignores the positive side of regulations on labor, environment, land etc.**

3. Labor unions and environmental groups have critisized the report for its bias for deregulation of labor laws and environmental laws.

4. **Paul Romer, the chief economist of the World Bank resigned after raising issues of political bias of these ranking in the context of**

Chile. Ther ranking fall when socialist government came into power which contributed to the fall of the government in the next election.

India and EODB

1. India was earlier challenging the EODB ranking as data was collected from only one city I.e Mumbai to determine the ease of doing business of the entire country. This resulted in the formation of an Independent committee on EODB. The committee suggested doing away with the ranking and also renaming the report to understanding regulations as business climate is not being delt here in the report.

2. India, to attain a higher ranking have made about 10000 (ten thousand reforms) both small and big as reported by the prime minister

3. These include the most regressive reforms including moving towards a **self-regulation and self- certification mode in many inspections earlier done by labor, fire departments**. An immediate fall out could be seen in terms of **rising incidents of fire in factories and restaurants resulting in deaths due to non-compliance.** The incidents in restaurants, hotels, factories are eg of these incidents.

4. The EODB change involves labor sector reforms. The reform will see the repealing of **38 of the existing labour laws, and replace them with four new labour codes.** These are the Industrial Relations Code (replacing three labour laws), the Code on Wages (replacing four labour laws), the Code on Social Security (replacing 15 laws) and the Code on Occupational Safety and Health and Working conditions (replacing 16 laws). The attempt is to make the laws employer friendly and easier for business and corporates to hire and fire workers.

5. These reforms will also bring make trade unions and collective bargaining harder and will leave smaller enterprises with less then 300 workers outside the control of most labor laws.

6. Industrial Policy: India is trying to bring a new industrial policy which is business friendly but is not successful yet as there are major disagreements on the contours of the policy

7. Massive dilution and weakening of regulations particularly green laws : Land, Labor and environmental policies are the major impediments for a business friendly country. After the labor laws, much of the environmental clearances and laws are being diluted / by passed for business.

(a) The Centre has exempted industries like steel, cement and metal from mandatory prior environment clearance for setting up a new or expanding the existing captive power plant employing waste heat recovery boilers (WHRB) without using any auxiliary fuel.

(b) Environment ministry gave up its power to grant environmental clearances for mega-construction projects like malls, offices, residential apartments, and gave it to local municipal bodies — institutions with no scientific expertise or resources to carry out prior assessment of the adverse environmental impact likely to be caused by large projects.

(c) Various 'reforms' on ease of construction index led to watering down of regulations such as EIA for construction. Earlier, large-scale construction projects with a built up area of 20,000 square metres and above needed permission from two state-level expert committees: the State Expert Appraisal Committee and State Environment Impact Assessment Authority (both committees were set-up by the environment ministry). Small-scale projects did not require such elaborate clearances from the environment ministry.

Under the new regime, builders could get both the building plan approvals and environment clearances for their large-scale construction projects approved from their respective local municipal corporations, which were expected to set up their own environmental cells. This was latter stuck down by NGT.

(d) The Ministry of Environment, Forest and Climate change has also brought a new draft Coastal Regulation zone notification which weakened the existing regulations and open the coast lines for real estate, ports, and tourism.

(e) Regional empowered committees at sub national level have been delegated higher powers to dispose of proposals for Forest Clearance (a) Involving diversion of 5 to 40 hectares of forest land and All proposals involving diversion of forestland for linear projects irrespective of area of forest land involved.

India's apex National Board for Wildlife (NBWL) — charged with allowing forest land in Protected Areas to be diverted for industry — cleared 682 of the 687 projects (99.82%) that came up for scrutiny.

(f) The Forest Advisory Committee (FAC) of the Union environment ministry has granted preliminary forest clearance to the Parsa opencast coal mine, in one of the largest contiguous stretches of very dense forest in central India called Hasdeo Arand that spans 170,000 ha (hectares). Of this, 841.538 ha of biodiversity-rich forest land, about the size of 800 football fields, has been cleared for mining to be operated by Adani.

(g) Paying Taxes: India has reduced its corporate tax from 30% to 25% and put emphasis on indirect taxes through a GST regime. The insolvency code and associated reforms are part of the ease of doing business as it helps the ease at which one can start business and exit business. The insolvency regimes help business to move one once the business goes bad.

2. Lending from International Institutions

Every anti-people policy that is rolled out by the government will have strings that can be traced to the international financial institutions and the World Bank Group. One of the created crisis that we are facing today is that of NPAs and here is what IFIs come into the picture.

International Finance Corporation [IFC] Cleaning Up NPAs from Indian Public Sector Banks' Books (through its Asset Reconstruction Programme in India)

1. The IFC , World Bank's private sector financing arm is investing Rs. 1,500 crore in distressed assets and is looking to rope in partners to help clean up Non-performing Assets in the Indian Banking Sector [Gross NPA to the tune of 8,95,600 Crore Rupees by public sector banks]
2. So far, 80 mn USD has been put in place by IFC
3. IFC has also invested in Distressed Asset Recovery Program [DARP] operating in India, China, Indonesia, Philippines, Thailand and the Vietnam

    - DARP – acquires, resolves, refinances distressed assets and roll over the risk from companies, and Small & Medium Enterprises [SMEs]

- Their argument: When banks have bad debt on their books, lending stops, and hence the growth of economy also stops.
- IFC intends to quickly clear off such halts, in order for lending to continue, they say.
- In reality, bad loans are attributable to the big corporations, businesses and the affluent
- Deliberate, Wilful Crimes and Diversion of Funds from Banks – indirectly helped and cleared off by IFC
- IFC's total portfolio exposure in India is 6 bn USD till date [as reflected on their documents], which is 39,000 Crore Rupees.
- India is IFC's largest advisory client
- The Dewan Housing Finance Limited financial scandal (Jan 2019) which involved fraud of Rs. 31,000 crore is an investee client of IFC, who jointly promoted Aadhar Housing Finance Pvt Ltd [IFC's investment is 31 Crore Rupees]
- IFC is funding IBBI India: The Govt. and RBI have moved together to clean up banks' books by enacting new Insolvency and Bankruptcy Code [IBC] to tackle faulty companies, many of which are now up for auction. The Insolvency and Bankruptcy Board of India [IBBI] constituted for this

Insolvency and Bankruptcy Board of India [IBBI] constituted for this **signed a deal with IFC** recently for professionals working in IBC domain and agencies [for "effective implementation of IBC"].

- Customised training programmes for Indian professionals of IBC
- Functional and Technical Assistance in developing IT system for IBBI
- Development of technology standards and identification of information and data needs

Energy Finance

1. In the 2017, total quantified energy subsidies were INR 1,51,484 crore (USD 23.0 billion). Subsidies in the renewable energy sector are growing while fossil fuel subsides are decline. Even though, **major share of subsidies went to oil, gas and coal in this year which was more than triple (INR 52,983 crore or USD 7.9 billion in FY2017) the values of subsidies to renewable .** Also in the same period, subsidies to coal mining and coal-fired power have remained stable, at INR 15,992 crore (USD 2.4 billion). This clearly show that even though the subsidies in renewable energy sector has increased there has been no decrease in the support for fossil fuel based energy and may continue to see the support.[2]

Also recently, the central electricity authority have identify 200 new sites for thermal power projects, when 3 lakh crore worth power projects are already on verge of becoming NPA. It explains that increasing renewable energy in the total energy mix does not mean coal is going way out. Coal is still going to be the main energy sources.

2. Out of the total energy subsidies of 2017 **major share INR 83,313 crore (USD 12.9 billion) were received by the Electricity transmission and distribution** which is almost double of what coal and coal power plants received in the same year. These subsidies were neither for the expansion of infrastructure nor for household level electricity did certain consumer groups receive connection.[3] Recently, in a report published in November 2018 Bloomberg[4] pointed out that electricity is still a dream for 25 million people and 14700 villages in India. However, the Prime Minister of India announced 100 per cent electrification in India and for that a scheme called Saubhagya was launched in 2017 and INR 2000 crore

[2] https://www.iisd.org/sites/default/files/publications/india-energy-transition.pdf

[3] https://www.iisd.org/sites/default/files/publications/india-energy-transition.pdf

[4] https://www.bloombergquint.com/global-economics/15-million-indian-households-have-meters-but-no-electricity#gs.2d31o2

were spent in the financial year 2018 and it was aimed to electrify all the un-electrified remaining households by December 2018, by providing free electricity connections to below poverty line (BPL) households.

3. Apart from major subsidies to DISCOM, the **government launched a scheme called Uday to bailout discoms companies, amount was equal to INR 78,689 crore (UDS 11.8 billion) in the year 2017**. UDAY was a short-term policy to help improve the solvency of discoms, created by many years of under-recoveries, linked to numerous causes such as delays in disbursement of other subsidies to discoms. A total of 32 states and union territories have signed up for UDAY. In the year 2018, INR 15,591 crore (USD 2.3 billion) was budgeted under Uday to bail out DICOM companies, which continue to face financial crisis due to under recoveries. Government still does not have a plan to deal with this crisis.

4. The **subsidies to electric vehicles are growing which are still relatively small in scale**, at INR 148 crore (USD 22.1 million) in the year 2017. However, people should take notice of such urban centric policy. Specially people who are still leaving in the dark and can't afford energy access. Such urban centric policies are not excluding the large population but forcing them to migrate in urban area.

5. Subsidies worth INR 74,925 crore, almost 49 per cent of energy subsidies, have gone to directly reduce consumer prices for connections and consumption for electricity. And almost 9 per cent of total subsidy for the year 2017 worth INR 12905 crore to provide clean cooking energy through Direct Benefit Transfer. These subsidies were unfocused and did not target the relevant groups like household connections. . These subsidies were hardly meant for common man since, subsidy came into play only if certain consumption level was met.[5]

6. Coal subsidies stayed stable in the BJP's last four year. It was INR 15,650 crore (USD 2.6 billion) in 2014 and INR 15,992 crore (USD 2.4 billion) in FY2017. The concessional customs and excise duties were major sources in the coal subsidies, worth INR 7,523 crore (USD 1.1 billion) and INR 6,913 crore (USD 1 billion), respectively which reduce input costs for coal-fired power generation in the year 2017. These subsidies may help the power producers but the people who are actually paying the cost of these power projects are not getting benefits including farmers, advasi etc. other hand they are facing high tariffs for the consumption of energy every month if available.

Stressed Assets, NPAs and bailouts

1. 37,823 megawatt (MW) capacity in the private sector, which was built at an investment of over Rs 3

5 https://www.iisd.org/sites/default/files/publications/india-energy-transition.pdf

lakh crore, is at risk due to delayed payments and run the possibility of being declared NPAs if, timely repayment of bank debt is not made. **The Bhartiya Janata Party-ruled Uttar Pradesh has the most outstanding dues of Rs 6,497 crore, followed by Maharashtra at Rs 6,179 crore**. Other states not paying power generating companies on time include Tamil Nadu, Karnataka, Telangana, Andhra Pradesh, Jammu and Kashmir, Rajasthan, Madhya Pradesh and Punjab. The PRAAPTI portal of the Ministry of Power shows, 12 power generating companies belonging to firms such as GMR and Adani Group and public sector generators like NTPC have about Rs 41,730 crore outstanding from state distribution companies (discoms) as of December 2018.

Murky Nexus between corporate and BJP

2. According to the Parliamentary Standing Committee report on power sector NPA in 2018, **34 thermal power projects, with a total of 40,000 megawatts of power capacity and Rs 1.75 crore of debt, are facing insolvency proceedings in India.** The committee mentions many reasons for non- repay of debts including delays in the delivery of equipment and policy shifts like coal-block de-allocation. Some of these projects could have rehabilitated quite easily – one project needed just a working capital loan to continue operating. But the Gautam Adani-led Adani Group narrowly escaped this fate late last year on the intervention of Bhartiya Janata Party-led governments at the Centre and in Gujarat.

3. The project owned by Adani power is located in Mundra on Gujarat's coast, has the capacity to produce 4,620 megawatts of electricity. Of this, 2,000 megawatts has been contracted to Gujarat Urja Vikas Nigam, the state electricity distribution company with which Adani signed agreements in 2007. During the power purchase agreement Adani bid lowest rate for tariff keeping in mind coal is import and it will not harm any coal price fluctuation in future. Adani enterprise has 74 per cent share in the Indonesian coal company, if the coal price goes up it also benefits the Adani and it was happened too. However since then Adani power subsidiary mentioned many time that power project Mundra is unable to produce electricity at this low tariff. And the Supreme Court ruled against increasing tariff in 2017. **Despite that, in December 2018, the Gujarat government passed an order allowing an Adani thermal power project to charge higher prices for electricity**. The order will impose the increased electricity prices to consumers in the state. This state government order is not helping Adani project from bankruptcy, but it is making blatant looting of public money legal in long term. This also gave leverage other two Gujarat based power project including Tata and Essar to loot public money through increasing tariffs. The larger question about BJP government bailing out bigger corporates like Adani power by looting public money and public Banks which are eventually bearing the brunt of these stressed assets.

Adani in Jharkhand: Another coal-fired power plant in Godda district of Jharkhand being built by Adani Power Limited, the power subsidiary of the Gautam Adani-led infrastructure conglomerate. Under a memorandum of understanding signed with Bangladesh in August 2015, the plant will mainly supply electricity to India's neighbour.

Earlier this year BJP led center and state government made amendment to their power sector guidelines for Special Economic Zones. Jharkhand's energy policy requires all power projects to supply 25% of the electricity locally. The Bhartiya Janata Party government in Jharkhand amended the energy policy in 2016 to allow Adani to charge a higher price for electricity from this project than what others bill the state. Special Economic Zones get a host of duty-waivers, tax exemptions and faster clearances. The government's decision to grant SEZ status to the Adani project will save the company billions of rupees in taxes to be precise Rs 3.2 billion annually in clean energy cess alone. Therefore, twelve days before election dates were announced, the Modi government on February 25 cleared the way for an Adani project in Jharkhand to become the first standalone power project in India to get the status and benefits of a Special Economic Zone.[6]

Health effects of coal projects

Coal-fired power plants produce a range of external costs, including local air pollution. The Health Effects Institute (2018) finds that coal is one of the largest sources of fine particulate matter (PM2.5) in India today, and it will be the single largest source by 2050, responsible for 1.3 million deaths per year. The Ministry of Environment, Forest and Climate Change (MoEFCC) notified stringent norms for emissions control from coal power plants in 2015. But Independent Power Producers lobbied with central government and got its implementation delayed and the Supreme Court admonished the central government for extending the deadlines. Total capital cost of changing the technologies is around INR 75,000 crore (USD 11.6 billion), if all notified plants carry out retrofits. The government offered to take cost of installation for the technology but the Ministry of Power (MoP) has been insisting on the costs being recovered through consumer tariffs. The delays are effectively a benefit to plant operators, at the cost of public health.

[6] https://scroll.in/article/917532/in-final-days-of-modi-government-adani-project-in-jharkhand-becomes-india-s-first-power-sector-sez

Infrastructure Finance

Infrastructure of a country used to mean health, schooling, education, food security, transport and roads but today it means corridors, ports, smart cities and metros!

1. **Construction of mega infrastructure projects** - Increasing focus on construction of mega infrastructure projects across the country without taking into consideration the needs and demands of the local communities. These projects include – smart cities, industrial corridors, highways, airports, railway and metro systems, ports and others. These projects are planned and designed without assessing the social, environmental and economic impacts on the regions. Global Infrastructure Outlook reflects that rising income levels and economic prosperity is likely to further drive demand for infrastructure investment in India over the next 25 years. Around **US$ 4.5 trillion worth of investments is required by India till 2040 to develop infrastructure.** International Finance Corporation (IFC) of the World Bank Group has estimated investment opportunities in India is US$ 3.1 trillion from 2018 to 2030.

2. **Government Allocations** - The Government of India in Union Budget 2018-19 indicate the way forward in the coming future: massive push to the infrastructure sector by allocating Rs 5.97 lakh crore (US$ 92.22 billion) for the sector, railways received the highest ever budgetary allocation of Rs 1.48 trillion (US$ 22.86 billion), Rs 16,000 crore (US$2.47 billion) towards Sahaj Bijli Har Ghar Yojana (Saubhagya) scheme, Rs 4,200 crore (US$ 648.75 billion) to increase capacity of Green Energy Corridor Project along with other wind and solar power projects, allocation of Rs 10,000 crore (US$ 1.55 billion) to boost telecom infrastructure, a new committee to lay down standards for metro rail systems was approved in June 2018. **As of August 2018, 22 metro rail projects are ongoing or are under construction, Rs 2.05 lakh crore (US$ 31.81 billion) will be invested in the smart cities mission.** All 100 cities have been selected as of June 2018, India's national highway network is expected to cover 50,000 kilometres by 2019. National highway construction in India has increased by 20 per cent year-on-year in 2017-18.

3. **Private Investment and PPPs** - Most of the projects that are being implemented are based on the assumptions to attract private investments, though past experiences in power, telecom, water, sanitation have shown it to be otherwise. The project implementation is through public private partnership (PPP) mode, even though PPPs have not been successful in delivering economic, social or operational benefits. Several projects show that private corporations in PPPs have failed to

been used to bail them out. Although, Economic Survey 2019 notes that there was massive under-investment in infrastructure sector until the recent past when the focus shifted to invest more on infrastructure. The reasons behind the shortfall in investment were: collapse of Public Private Partnership (PPP) especially in power and telecom projects; stressed balance sheet of private companies; issues related to land and forest clearances. The need of the hour is to fill the infrastructure investment gap by financing from private investment, institutions dedicated for infrastructure financing like National Infrastructure Investment Bank (NIIB) and also global institutions like Asian Infrastructure Investment Bank (AIIB), New Development Bank.

4. Smart cities mission - For example, under the smart cities mission projects look to privatize public services like water, sanitation, transport, street lighting, solid waste management, traffic management to private companies. The aim is to attract private investments into urban infrastructure projects. However, since the mission began in 2015 major funds have come from central and state government allocations. The other financing options for building smart cities include sale/ long term lease of assets like land to private companies, increase in local taxes and increased charges for municipal services. International financial institutions and bi-lateral agencies are keen to invest in urban infrastructure and public services as well to attract private corporations for profiteering. The private companies which have shown willingness to operate projects are based on the returns from the public assets like prime land in urban centers that have been handed over to them. To make these cities smart approximately Rs 96,000 crore would be spent by the government in the next 5 years. Out of this Rs 48,000 would come from the central kitty and as per the conditions of the program the similar amount would be borne by the state governments. In the selected cities the central government would invest Rs 100 crores and the matching amount would be spent by the state government in the form of a grant.

5. Expenditure for building smart cities - There are various estimates of total expenditure for building 100 smart cities in India, to start with the government of India has allocated Rs 98,0000 crores for the mission for the next five years. The founder and director of Smart Cities Council in India, Pratap Padode estimated that smart cities mission would require an expenditure of Rs 60,00,000 crore in the next 20 years. As per the estimates of MoUD the infrastructure development in smart cities mission would cost Rs 43,386 per capita in the next 20 years. It has also been reported that MoUD is estimating a cost of Rs 1000 crores per smart city over a period of 10 years, and it is also estimated that 80-85% of the estimated cost would come from the private sector investments. The US India Business Council estimates that Rs 14,00,000 crore would be spent only on Internet of Things (IoT) in the smart cities. The High Powered Committee on Urban Infrastructure has estimated that in the coming 20 years the public services in smart cities would cost Rs 7,00,000 crores, close to Rs 35,000 crores per year. It appears that it is planned that this would be recovered through the user charges for services delivered.

6. Budget Utilisation under Smart Cities Mission - As of December 2017, Rs 9860 crores were released to the 60 cities selected under the mission. The budget utilised out of the total released funds is Rs 645 crores i.e. around 7% of the total released funds. The figures released by MoUD show that Rs 196 crores were released to 40 cities each under the mission. The figures further show that Ahmedabad was top of the list spending Rs 80.15 crores, second was Indore spending Rs 70.69 crores, Surat spent Rs 43.41 and Bhopal spent Rs 42.86 crores under the mission. It was also revealed that cities like Aurangabad utilised Rs 85 lakhs, Andaman and Nicobar Rs 54 lakhs and Ranchi Rs 35 lakhs of the allotted budget.

During the Budget session of the Parliament in February 2018 the government of India presented the progress report of the ongoing works under the mission. The progress report stated that 99 cities have been selected for the mission and a budget of Rs 2,00,000 crores have been budgeted. The completed projects till date amount to Rs 2,350 crores and the works are ongoing on projects worth Rs 20,852 crores.

7. Municipal Governance and 74th CAA - The mission also seeks convergence with other Central and state government schemes like AMRUT, Swachh Bharat Mission (SBM), National Heritage City Development and Augmentation Yojana (HRIDAY), Digital India, Skill development, Housing for All, construction of Museums funded by the Culture Department and other programs connected to social infrastructure such as Health, Education and Culture. The smart cities mission projects would be executed through a Special Purpose Vehicle (SPV). Each smart city would have Special Purpose Vehicle (SPV) company with a board of directors has been formed and has been given a defacto control over planning and implementing urban projects in the cities. SPVs have virtually sidelined the democratically elected municipal bodies in decision making process regarding planning and implementation of public welfare projects. The service delivery is also being handed over to private companies. The SPV model and it board of directors in urban governance have raised a critical question about the role of municipal bodies on this aspect. The formation of SPVs for PPP projects is pushed so as to uncouple the promoters/ private corporation from any responsibility or accountability in case the project fails to deliver on its promises. In the urban governance SPV would also have serious implications on the 74th Constitutional Amendment of decentralization of powers to local bodies.

8. Financialisation of public welfare projects - Many of the public infrastructure projects are planned to be linked to financial markets as long term revenue streams for profit generation. The financing of projects would be through models like Hybrid Annuity Model (HAM), government bonds, private investment, foreign direct investment, Infrastructure Investment Trusts route, LIC, Long Term Pension Funds, etc. apart from the financial support from the national and international financial institutions. This is leading to infrastructure building frenzy to generate profits rather than to deliver on the specific needs/ demands of the communities. Such a scenario would create infrastructure for that strata of society who can pay high charges for using that infrastructure. Those who cannot pay especially from the large sections of the poor and the marginalised communities would be left to fend for themselves.

Agrarian Crisis

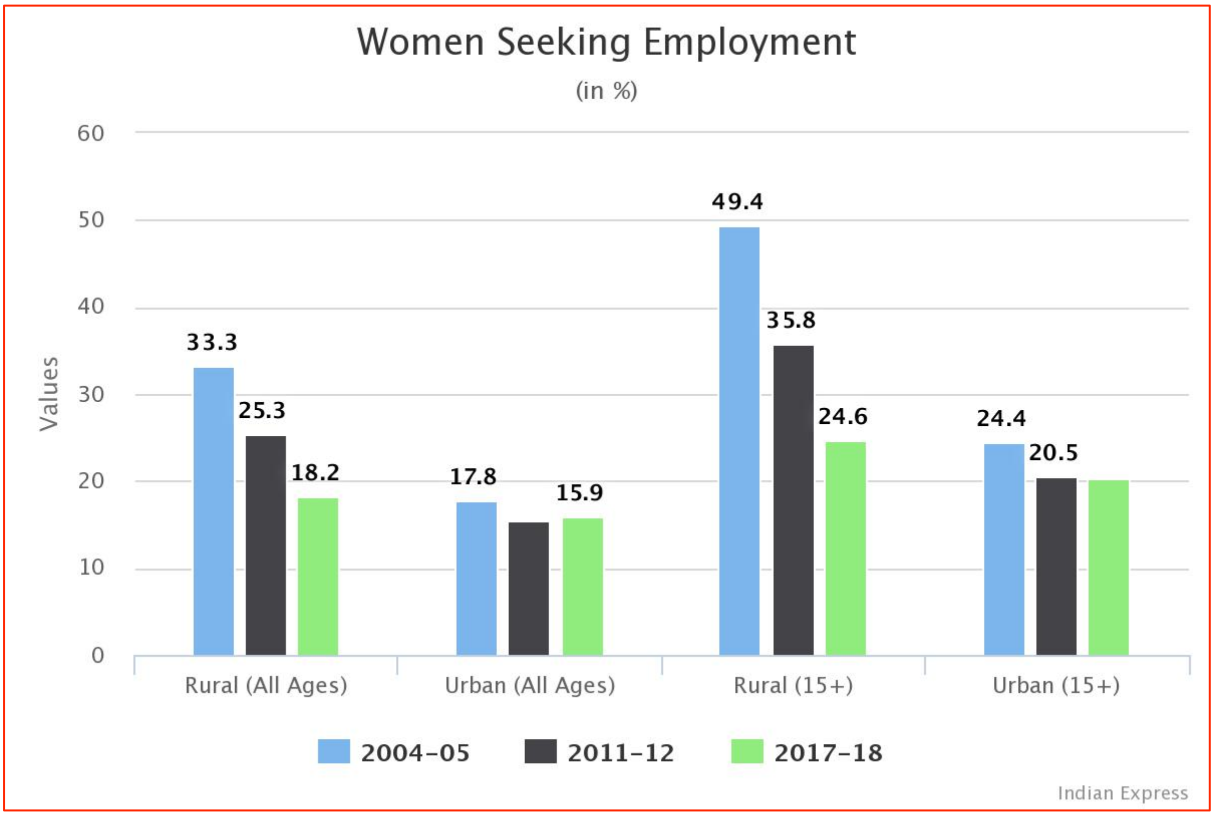
- The NSSO (National Sample Survey Office) periodic labour force survey for the year 2017-18 links increase in the unemployment rate to a collapse in agricultural jobs.

- As per the data quoted by Business Standard from the NSSO report, which is yet to be released officially by the government, the percentage of working women engaged in agricultural activities in rural areas shrunk from 26.7 per cent in 2011-12 to 17.4 per cent in 2017-18, and for rural men, the ratio dropped from 47.7 % to 39.7 %.

- The overall employment percentage in rural areas dropped significantly. The share of the total working women population within the manufacturing sector in rural areas dropped from 3.5 per cent in 2011-12 to 1.9 per cent in 2017-18. In case of rural men, the decline was lower, from 6.5 per cent to 5.6 per cent.

- The report further points to how for the first time in 25 years, there has been a marked drop in male workforce in both rural and urban areas. "The unemployment rate for male in urban and rural segments at 7.1 per cent and 5.8 per cent, respectively".

- The report also shows a major decline in casual farm labour. More than three crore casual labourers in rural India lost their jobs between the five year



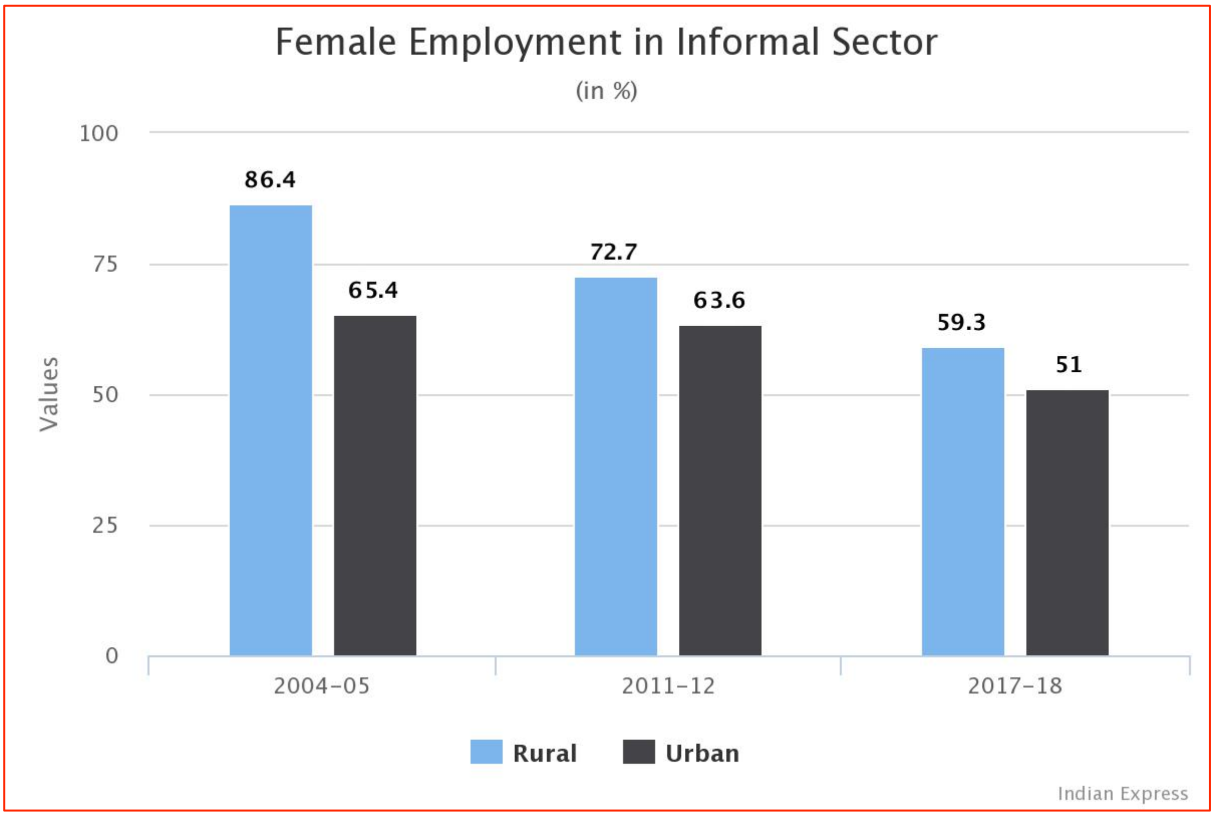
period - 2011-12 and 2017-18. Most of them worked on the farms. The report said, "while the number of rural casual labourers was 10.9 crore in 2011-12, it fell down to 7.7 crore in 2017-18, a fall of 3.2 crore or nearly 30 per cent". Also, the share of rural households with major income from casual labour in farming declined from 36 million families to 21 million families during the five-year period.

- The labour participation rate among rural women fell by half over the past 15 years, from 49.4% in 2004-2005, to 24.6% in 2017-2018, according to the Periodic Labour Force Survey (PLFS) 2017-2018 by conducted by the National Sample Survey Office (NSSO) {as reported in The Indian Express}.

- According to the report by NSSO, which the government has withheld, the decline is more acute in the working age group of 15-59 years.

- Over five crore rural women have left the national job market since 2004-2005, says the report, adding that female participation has overall fallen by 7 % points since 2011-12, which means there are roughly 2.8 crore fewer women looking for jobs.

- The gender pay gap was 34 per cent in India, that is, women get 34 per cent less compared to men for performing the same job with same qualifications, says the report, which based its estimates on Employment Unemployment Survey (EUS) 2011-12, done by the (NSSO), International Labour Organization (ILO) studies, and also builds on the first inequality report launched by Oxfam in 2018.



- Further the share of urban female workers in non-agricultural informal sector – unincorporated proprietary and partnership enterprises in areas such as manufacturing garments, paper, wood and straw products etc – dropped sharply by 12.6 % points.

- The CSDS report entitled, "State of Indian Farmers", was released in Delhi in March 2018; The report says that benefits of government schemes and policies are being mostly given to big farmers having landholding of 10 acres (4.05 hectare) and above. Only 10 per cent of poor and small farmers with average land holding of 1-4 acres (0.4 to 1.6 ha) have benefited from government schemes and subsidies.

- The survey of 5,000 farm households across 18 states says that 76 per cent farmers would prefer to do some work other than farming. 61% of these farmers preferred to be employed in cities because of better education, health and employment avenues and about 70 per cent of respondents said their crops were destroyed because of unseasonal rains, drought, floods and pest attack.

- Despite large scale agitations by farmers in the last two years, the Union Home Ministry told Parliament during the budget session that it was yet to compile data on farmer suicides for 2016. However, a few days later, the Home Ministry, to which the National Crime Records Bureau reports, tabled a provisional report for farmers suicides in 2016, pegging the numbers at 6,351 for farmers and 5,019 for agricultural labourers.

- Macroeconomic causes and broad picture of sources of agrarian depression includes region wise-sharp cutback in rural development expenditure by government; decline in public investment and open markets.

- While advanced capitalist countries provide huge subsidies for farm producers, ironically it is on their advice the Indian governments have been withdrawing support to farmers resulting in mounting debts, suicides and collapse of commodity boards.

- Neo-liberalism ensures the non-existence of Minimum Support Price and dependence on private input supplies. The no priority sector lending-status of rural credit further leads to a collapse of procurement, storage, research and extension.

- Schemes under implementation shifting to DBT Cash Transfers and deficiency payments add to the challenges in agrarian sector.

- The BJP govt failed to find appropriate solutions to issues like declining primary productivity, rising cost of production and collapsing prices of farm output.

- There is a pressing need for Agroecological approaches and prioritization of local economy to ensure a revival of agricultural productivity. Doubling of farmers' income and loan waivers have to be complimented by a revival of research projects in the agricultural sector. Emphasis has to be on judicious and effective land and water use planning and farming systems approach.

- The state has to take a serious view of both land encroachment in the name of urban development and the unemployment in rural non-farm sectors.