Despite nature's fury, Himachal's GDP to see growth at 7.1%

Vikas Vasudeva
CHANDIGARH

Locals inspect damage caused by the swollen Beas river in Kullu after heavy rain in July 2023. FILE PHOTO

Even as a relentless monsoon in Himachal Pradesh brought the hill State to its knees this year, causing immense damage to life and property, the growth in the financial year 2023-24 is seen at 7.1%, up from 6.9% in the financial year 2022-23.

The State Economic Survey, 2023-24, which was presented by Chief Minister Sukhvinder Singh Sukhu on Friday during the ongoing Budget session of Himachal Pradesh State Assembly, said despite the adverse situation arising out of the unprecedented rain and flash floods in the monsoon months of 2023, the State government has strived to put untiring efforts, and make strategic initiatives to ensure economic growth, and overall development of the State.

"State's real Gross Domestic Product or GDP at constant prices will grow by over ₹9,428 crore during the current financial year 2023-24 as compared to the previous FY 2022-23. This translates into growth in real GDP during FY 2023-24 at 7.1% as compared to 6.9% in FY 2022-23, according to first advance estimates of State income," the survey said.

The survey pointed out that tourist arrival is one of the main indicators of the demand for tourism in a particular destination. "After the COVID-19 pandemic, domestic tourist arrivals have increased from 32.13 lakh in the year 2020 to 56.37 lakh in 2021 and 151 lakh in 2022 and further to 160.05 in the year 2023 in absolute terms. It shows that the tourist arrivals are reaching the pre-pandemic levels," it said.

Hydroelectric potential

Pointing out that Himachal Pradesh has a large number of hydroelectric resources, the survey said the State has about 25% of the national potential, and about 24,000 MW of hydroelectric power can be generated by the construction s on the five perennial river basins. "Of the total hydroelectric potential, 11,209 MW have been harnessed so far," o it said.

ED probe finds no FEMA violations in Paytm case

Sources say no scheduled offences under PMLA were made out in the case of PPBL and a money laundering investigation cannot be done; the agency examined over 50 lakh wallets/accounts

Devesh K. Pandey
NEW DELHI

The Enforcement Directorate (ED) has not found any violation under the Foreign Exchange Management Act (FEMA) during its inquiry into Paytm Payments Bank Limited (PPBL) transactions. The Reserve Bank of India (RBI) has the authority to take action against certain other instances of alleged non-compliance, according to the sources privy to the matter.

On January 31, the RBI had issued a circular barring PPBL from taking further deposits, top-ups or undertaking credit transactions into its customer accounts, wallets, FASTags, and National Common Mobility Cards (NCMC) after February 29. The deadline has now been extended till March 15.

RBI directive: The RBI issued a circular barring PPBL from taking new deposits after February 29, which was extended to March 15.

Audit report

The action was taken on the basis of the Comprehensive System Audit report and a subsequent compliance validation report of the external auditors' reports disclosing "persistent non-compliances and continued material supervisory concerns in the bank, warranting further supervisory action".

The ED was also asked to scrutinise the financial transactions under the scanner. The agency investigates suspected violations or offences under the FEMA and the Prevention of Money Laundering Act (PMLA).

According to sources, as there are no scheduled offences under PMLA involved in the case of PPBL, a money laundering probe cannot be done. "If no crime is made out, there is also no generation of 'proceeds of crime' and so, PMLA does not apply," said a government official. Therefore, the ED looked into the transactions to determine if there was any violation under the FEMA provisions.

KYC compliance

It is learnt that the ED examined more than 50 lakh wallets or accounts, largely having small deposits, which did not reveal any foreign exchange rule contravention. The other alleged violations mainly pertained to Know Your Customer (KYC) compliance and other issues, on which the RBI is empowered to take action. The RBI may take appropriate action in this regard.

Torpedoes, refueller aircraft in new deals cleared by DAC

The acquisition projects worth ₹84,560 crore also include new-generation anti-tank mines, radars, medium-range maritime reconnaissance and multi-mission maritime aircraft for Navy, Coast Guard

Dinakar Peri
NEW DELHI

The Defence Acquisition Council (DAC) on Friday accorded Acceptance of Necessity (AoN), the first step in the procurement process, for proposals worth ₹84,560 crore.

The proposals include some long-pending deals – such as for heavy weight torpedoes (HWT) for the Navy's Scorpene-class submarines and flight refueller aircraft (FRA) for the Indian Air Force (IAF) – beginning afresh.

Other major deals include medium range maritime reconnaissance and multi-mission maritime aircraft for the Navy and the Coast Guard, new generation anti-tank mines, air defence tactical control radar, and software-defined radios.

"Further, to keep the Indian naval ships one step ahead of the threats posed by the adversaries, the AoN under Buy (Indian) category has been accorded for procurement of active-towed array sonar having capabilities to operate at low frequencies and various depths for long-range detections of adversary submarines. The AoN has also been accorded for procurement of HWT for enhancing the attacking capabilities of Kalvari class submarines," the Defence Ministry said. "The DAC accorded AoN for procurement of FRA for enhancing the operational capabilities and the reach of the IAF."

The DAC has accorded nod for procurement of torpedoes to enhance the attacking capabilities of Kalvari class submarines.

Deals for HWTs, FRAs and towed-array sonars have been repeatedly delayed and the process now begins again. The delays were due to allegations of corruption and in the interim, the existing older generation torpedoes have been customised to fire from the Scorpenes. With delays in their procurement, the IAF has been looking to lease aircraft for training purposes and keep the existing six IL-78 aircraft for operational tasks.

The AoN for procurement of medium-range maritime reconnaissance and multi-mission maritime aircraft, has been granted by the DAC for strengthening the surveillance and interception capabilities of the Navy and the Coast Guard over the country's vast maritime area.

'DAP 2020'

The procurement of a new generation of anti-tank mines having seismic sensors and the provision of remote deactivation with additional safety features has been approved under Buy (Indigenously Designed, Developed and Manufactured category of Defence Acquisition Procedure (DAP) 2020.

The DAC has approved amendments in the DAP 2020 with respect to benchmarking and cost computation, payment schedule and procurement quantity.

The DAC also cleared the AoN for sustainment support through repair replenishment for the 24 MH-60R multi-role helicopters procured by the Navy from the U.S. under the foreign military sale route.

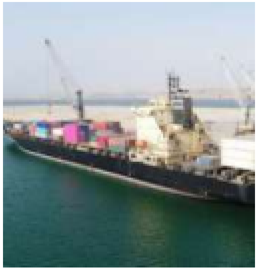
Use Chabahar port, India tells Central Asian countries

Kallol Bhattacherjee
NEW DELHI

India has urged Central Asian countries to use the port of Chabahar located on the southeast coast of Iran to enhance connectivity and trade with India and other countries in the world.

Participating in the sixth Regional Dialogue of Secretaries of Security Councils/National Security Advisers on Afghanistan in Kyrgyz capital Bishkek, India's Deputy National Security Adviser Vikram Misri called for an "inclusive and representative" government in Afghanistan and said the approach towards the Taliban-ruled country should be based on consensus.

During his interaction with delegates from Iran, Russia, Kyrgyzstan, Kazakhstan and Turkmenistan, Mr. Misri invited "Central Asian neighbours to utilise the Chabahar port as well as the Shahid Beheshti terminal at the port for maritime trade with India and other countries of the world," said a source privy to the discussion that focused on terrorism, drug trafficking apart from connectivity in the region.


The Chabahar port is located on the southeast coast of Iran. FILE PHOTO

India has not recognised the Taliban outfit which came to power in August 2021 after the end of the U.S. occupation. Last November, the old embassy of Afghanistan that was being run by diplomats aligned with the old regime of President Ashraf Ghani shut down and the facilities have been taken over in Delhi, Mumbai and Hyderabad by diplomats who did not leave India.

The discussion at Bishkek came days after barely a fortnight after the head of the Indian 'technical team' at Kabul participated in a discussion in Kabul with the stakeholders in Afghanistan that was chaired by the Taliban's Foreign Minister' Amir Khan Muttaqi. India's participation at the regional discussion had raised eyebrows. On February 15, India highlighted 'legitimate economic and security interests in Afghanistan' and argued that New Delhi 'steadfast with its policy in support of peace, security and stability in Afghanistan.'

Immediate priorities

"Our common immediate priorities include providing humanitarian assistance, ensuring formation of a truly inclusive and representative government, combating terrorism and drug trafficking and preserving the rights of women, children and the minorities," the Indian side stated in Bishkek.

Brave new world

India must invest in fundamental research to develop reliable drugs

Expectations are high that a free trade agreement involving India and the European Free Trade Association (EFTA) is close to fruition. However, a bone of contention relates to intellectual property rights, and has persisted as an issue since 2008. Switzerland and Norway, which are prominent members of EFTA, host several of the pharmaceutical and biotechnology companies that are responsible for several of the drugs and therapeutics that underpin health care globally. The nature of the pharma industry – it costs much to discover a useful effective drug and relatively little to make generic copies of it – with demand that is far disproportionate to affordability, means that there is a constant tussle between the inventors and the generic-drug companies. Patenting, or an exclusive monopoly for a fixed number of years to originators and a reciprocal right by governments to issue directions for 'compulsory licensing,' thereby selectively breaking such monopolies in the interest of public health, has brokered the peace and sustained the global pharma industry for decades. But new legal innovations such as data exclusivity continue to inveigle themselves in free trade negotiations. Under this provision, all the clinical-trial data that concerns the safety and efficacy of a drug generated by the originator firm becomes proprietary and out of bounds for a minimum period of six years. Permission to make a generic is possible if a country's regulator can rely on supplied clinical trial data to approve a drug. For this, generic makers usually rely on the originator's published data.

The principle of data exclusivity is present among European countries as well as in agreements involving many developing countries. Were it to take effect in India, it could significantly hinder India's drug industry which is also a major exporter of affordable drugs. Indian officials have rejected data exclusivity as a point of negotiations in the FTA, though leaked drafts of the agreement suggest that it is alive. However, India's rise up the drug manufacturing chain in the last few decades means that it must invest in an ecosystem that can conduct ethical drug trials and make new molecules and therapeutics from scratch. The paradigm that drug development will always be expensive and confined to the West need not be permanent, as was seen in the development of several novel technology approaches to developing vaccines in India during the COVID-19 pandemic. But as preparation, India must invest substantially more in fundamental research to incubate the local drug industry into the future.

Scuttling opposition

Income-Tax department's stalling of Congress accounts seems political

In a politically loaded move, the Income-Tax department has raised a demand of ₹210 crore in penalty and as dues from the Congress, which the party says has effectively stalled the operation of all its bank accounts. On the face of it, the action seems disproportionate to the charges, and an appellate tribunal has subsequently allowed the political party to operate the accounts on the condition that an amount of ₹115 crore is kept in lien until the case is heard next week. The party says it does not have such amounts in its current accounts. Just weeks before the general election, the principal Opposition party of the country finds itself restrained by a central agency. It is worrying that this falls into a pattern of enforcement agencies targeting those fighting the ruling Bharatiya Janata Party (BJP). The Income-Tax department action against the Congress relates to tax returns filed by the party for FY2018-19. The party had missed the deadline of December 31, 2019 by about 45 days to file the returns. Of the receipts of ₹199 crore recorded in the income-tax returns, ₹14,40,000 was in cash, which the party says was given by its Members of Parliament and Members of the Legislative Assembly. The demand of a penalty of ₹210 crore is for a 45-day delay in filing the returns, and a discrepancy, if at all, of ₹14.40 lakh. The Income-Tax department's action appears high-handed and is clearly meant to paralyse the Congress.

This unusual I-T move came to light a day after the Supreme Court of India expanded on the link between money and politics in a verdict that held the secretive electoral bond scheme to be unconstitutional. Money has the power to influence politics, and disparity in access to funds can create political inequality and distort electoral outcomes. The Court's judgment echoed this in its verdict which held the electoral bond scheme as violative of fundamental rights. The BJP has championed the scheme that allows anonymous donors to contribute unlimited amounts to parties as an instrument to combat electoral corruption. Stalling the bank account of the Opposition, regardless of the Income-Tax department's allegations, cannot be viewed as routine law enforcement. Weaponisation of the law against political opponents of the ruling party has become a serious threat to India's democracy. The brazen partisanship of central agencies that target the critics of the government is undermining the political system. The claim that all this is being done for fighting corruption and ensuring transparency cannot be taken at face value. All stakeholders must be accountable in a democracy, and the ruling party more so. When accountability is invoked for scuttling the political activity of the Opposition, that can only bode ill for democracy.

RBI must probe loan-to-value norms: gold loan firms

K. Ram Kumar
MUMBAI

The Association of Gold Loan Companies has urged the Reserve Bank of India (RBI) to examine violations by some banks' branches of the norm that caps the amount of loan that can be given against the pledge of gold jewellery.

The plea comes in the backdrop of banks sustaining focus on growing gold-loan portfolio even after the RBI's temporary relaxation (from August 6, 2020 to March 31, 2021) in the LTV (loan-to-value) norm ended.

"We have taken up the matter with the regulator because some of the banks (both public and private sectors) and some of their branches violating the LTV norm," said George Alexander Muthoot, MD, Muthoot Finance.

He emphasised the 75% LTV norm (that is the loan amount cannot exceed 75% of the value of the collateral) is uniform across banks and non-banking finance companies (NBFCs).

The RBI had raised the permissible LTV norm for banks against pledge of gold ornaments and jewellery for non-agricultural purposes to 90% from 75% in August 2020 to mitigate the impact of COVID-19 on households. The LTV relaxation was available only till March 31, 2021.

'The 75% loan to value norm is uniform for lenders and non-banking finance companies'

"Some of the bank branches are lending gold loans up to 80-90. This is something the bank branches are violating," Mr. Muthoot, also President of the Association, said. He also flagged the issue of customers without agricultural activity taking agricultural loans. "These are all bank/branch-specific cases that adds to business," Mr. Muthoot said.

Banks are now focusing more on agriculture gold loans as it gives them the benefit of priority sector lending classification and recovery in case of default is relatively easier. Growth in gold loans in the non-agriculture segment continues apace.

Gold-loan growth

According to a Crisil Market Intelligence and Analytics Research report, gold loan finance saw a CAGR of 15% between fiscal 2018 and 2022, led by stable gold prices and a surge in gold loan offtake from NBFCs during the pandemic. Credit growth is estimated to have moderated to 5-7% in fiscal 2023 before recovering to 10-12% in fiscal 2024, as per the report.

As at March-end 2022, banks' and NBFCs collectively had outstanding gold loans of ₹₹5,09,400 crore. Of this, banks' and NBFCs shares stood at 78% and 22% respectively.

"The competitive position of banks resulted in them capturing a major share of the segment, which led to growth moderating for NBFCs. That said, NBFCs are expanding reach and clientele to regain market share amid fierce competition from banks and new-age fintech companies," it was said in the report.

(The writer is with The Hindu businessline)