CFA
Centre for Financial Accountability

POCKET MONEY

Briefs on what they kept from you about your money this week

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01 Not all is well when we look at higher direct tax collection

The Ministry of Finance this week said that the net direct tax collection in India rose 24% to ₹8.77 lakh crore in the April-November of the current financial year. The Finance Ministry in fact tweeted the same in a celebratory note. But the picture is incomplete if one just relishes this much and doesn't look deeper as to how or at what/whose cost?

Revenue Secretary Tarun Bajaj said that the growth in tax revenues was aided by formalisation of the economy and better compliance. This in fact is a reflection of the fact that small and informal firms have increasingly found it difficult to cope with the triple whammy of notebandi, GST and finally the fatal lockdown, and have lost market share to large firms which in turn tend to pay more taxes.

02 Using forex reserve for lending a good idea?

The ministry of commerce and industry in its draft “Industrial Policy 2022—Make in India for the world" is exploring the creation of a development finance institution (DFI) that may use India’s forex reserves to provide low-cost finance to companies. It may be reiterated that India abandoned the very idea of having an industrial policy worth its name in the run up to liberalisation in 1991.

But that aside, several economists frowned at the very idea of leveraging India’s forex reserves to set up a DFI. It is a folly they say to deploy short term volatile financial inflows for long term investment. Forex is a claim, it is not an asset to be used or invested anywhere, opined some. This runs the risk of riding on volatility for lending and by no means seems to be a good idea.

03 Old or New Pension scheme? What's the fuss about?

The promise of a return to the old pension schemes in some of the non-BJP states has left some fuming on both sides of the political divide. While BJP has deemed such moves to be populist, irresponsible, financially unviable and irrational, many in the market-end of the Congress (Montek & Co) are also rather unhappy.

The new scheme aimed at reducing the “burden” on government exchequer by bringing in a self-contributory element and by replacing an assured pension with one based on market volatility. Senior economist Prabhat Patnaik opines that “A government must raise revenues to meet its social obligations rather than reneging on its social obligations on the plea of inadequate revenues.” Sadly India ranks 41 out of 44 in global pension index. Instead of the ludicrous 200/500 INR, India needs a universal non contributory pension of at least 3000 INR, and the required revenue can be generated through wealth tax.

04 Climate justice abroad, corporate justice at home?

In his keynote address at India Global Forum, UAE 2022, at Abu Dhabi, India's Minister for External Affairs, Dr. S Jaishankar, insisted on climate justice. "Nations which occupy the highest carbon space are reluctant to make good on their promises on assisting developing nations to meet their climate goals," he said. With India assuming the G 20 presidency, it has persistently raised the need for raising climate finance where rich nations, who have historically caused more adverse climate impact, pay developing countries for the latter's energy transition expenses.

While a consideration of global and historical inequality in sharing the burden for climate finance is welcome, India's actions at home cast a long shadow of doubt on the government's intentions when it talks of 'climate justice' at international fora. The Prime Minister has persistently emphasised on 'speedy environmental clearances' for development projects, denigrating civil society as 'urban naxals' for raising concerns of environmental and social impact of such projects. Moreover, while the Indian government talks of global carbon emission inequality while distributing climate responsibility, the same approach is conspicuously absent when looking at domestic inequality in emissions where the tiny percentage of the rich few are overwhelmingly responsible for carbon emissions.

05 As banks write-off more, and recover less, whose money is it?

In a reply to a question at Rajya Sabha, the Minister of Finance Nirmala Sitharaman revealed that scheduled commercial banks (SCBs) wrote off a whopping amount of Rs 10,09,511 crore during the last five financial years. Whereas the recovered amount for the same period is merely 13% of the written off loans. Much more than off of the total amount written off has gone from the coffers of Public Sector Banks which run on the savings of the common people. These paltry recovery figures fly in the face of the government's refrain that 'write-off is not waiver.'

Who are the biggest defaulters on loan repayment? The RBI declined to divulge even after the Supreme Court order to this effect in 2019. We know that the biggest defaulters of loans have been big companies and corporations. Whose money is it which the banks are lending and then writing-off? It is public money. And the question that animates the write-off situation is whether banks and the government are accountable towards the public or to the private corporations.