'Do not want any concern among startups, fintechs'

RUCHIKA CHITRAVANSHI
New Delhi, 28 February

Batting for regulatory support for the fintech sector, Union Finance Minister Nirmala Sitharaman on Wednesday said that the government does not want any apprehension among the startup and fintech sector players.

Speaking at an event organised by *The Indian Express,* Sitharaman said that many startups may want to have a greater level of comfort with the regulators and the government will provide that.

"The government is very much with these startups. We want to be sure that they will be given assistance because they intend to carry on with innovation. The compliances will have to be simplified and will have to be made user friendly," Sitharaman said. The Minister said that while there may be domestic economic issues of concern, what worries her are how things would change externally with respect to crude oil, fertiliser, natural gas prices or the Red Sea crisis.

On the importance of winning elections with 400 seats, Sitharaman said that the speed with which more and more activity can happen will be better if the numbers are better.

MORNING STANDARD, Delhi, 29.2.2024
Page No. 5, Size:(24.90)cms X (18.15)cms.

India at the centre of geopolitics under Modi: Puri

BALA CHAUHAN @ Bengaluru

A strong India-Russia relationship is good for global stability in the world order, which is shifting rapidly from bipolar to multilateral and polycentric.

Speaking on 'Russia and India in the Changing World Order –Track II Dialogue' during the inauguration of REVA Centre of Excellence for Geopolitics & International Studies, REVA University, Dr Feodor Voitolovsky, director, Primakov Institute of World Economy and International Relations (IMEMO), Russia, said that the two countries have "strong interests in a very balanced polycentric, multilateral system in which they can play a significant role. "Our countries do not have any contradictory visions of the international systems and do not have contradictory interests. This is the best driver for our efforts to build a polycentric world order. There will never again be a bipolar world order whether it is China or the United States," said Voitolovsky. When asked about the time line on the ongoing Russia-Ukraine war; its impact on world economy and the sanctions on Russia, Voitolovsky said the impact of the sanctions are having more "psychological effect than economic" and gave the example of soaring Russian trade with India after the sanctions.

"In 2023, India-Russia trade had mounted to 65 billion USD. It's a fantastic figure considering that earlier, it was around eight billion USD. The decision of Prime Minister Modi to continue and develop trade relations with Russia was rational and in India's interest. The ties between the two countries have become stronger. They cover not only energy security but different branches of Indian and Russian industry. The sanctions have a positive effect on Russia. The limitation on trade with the European Union has driven Russia actively to work with the Asian market and India, which is a permanently growing market," he added.

Psychological effect than economic: Strategist

When asked about the time line on the ongoing Russia-Ukraine war; its impact on world economy and the sanctions on Russia, Voitolovsky said the impact of the sanctions are having more "psychological effect than economic" and gave the example of soaring Russian trade with India after the sanctions.

Regarding the future of Russia-Ukraine war, Dr Alexey Kupriyanov, head of Centre of the Indo-Pacific Region, IMEMO, said there is no clarity on when the Russia-Ukraine conflict will end and that sanctions will be much longer than the conflict. "Its easier to put sanctions but much harder to end them. Our interest in Eastern markets will continue even after the sanctions are lifted. The sanctions have provided new opportunities and possibilities to Russia," said Kupriyanov.

Speaking about India-Russia relationship, Prof Madhav Das Nalapat, REVA University Advisory Board member. said that "India has maintained close and warm relationship with Russia despite so many geo political challenges and lot of advice to the contrary from individuals, who are important policy makers in countries exceptionally close to us, for example the US."

The Centre for International Studies and Geo Politics was inaugurated by Union Minister for Petroleum and Natural Gas, Housing and Urban Affairs, Hardeep Singh Puri. He congratulated Chancellor, REVA University, Dr P Shyama Raju and Pro Chancellor Umesh S Raju on their expansive academic endeavour and the opening of the Centre.

He highlighted Prime Minister Modi's role in steering the country forward bringing India at the "centre of geopolitics." Puri added that "we are in a phase of transition towards greater good. India's imminent rise as the world's third-largest economy in the next five years is a given," he added.

ECONOMIC TIMES, Delhi, 29.2.2024
Page No. 3, Size:(12.69)cms X (8.10)cms.

PM TO VISIT BIHAR ON MARCH 2 TO UNVEIL SEVERAL PROJECTS

Modi's Bihar Visit to Focus on Initiatives Strengthening Nepal Link

Our Political Bureau

New Delhi: Prime Minister Narendra Modi's Bihar visit on March 2 will see the inauguration and foundation stone laying of several projects related to petroleum, fertiliser and rail connectivity.

Strengthening linkages with Nepal, the PM will also inaugurate the Narkatiaganj-Gaunaha Gauge conversion which will increase connectivity with Nepal border in West Champaran district. Apart from this, Modi will dedicate the Raghopur-Forbesganj Gauge conversion to the nation near the Nepal border offering additional connectivity to northeastern states and highly populated backward areas.

FOCUS ON RAILWAYS

PM will inaugurate and lay foundation of several rail projects boosting connectivity with Nepal

The Mukuria-Katihar-Kumudpur doubling project, for which Modi will lay the foundation stone, will help better movement of railway traffic to Nepal from eastern ports like Kolkata and Haldia. The doubling capacity will also help in better mobility of railway traffic from northeastern states to other parts of India.

Modi will also launch several new trains, improving connectivity of north Bihar with other parts of the country. This will create a flurry of socio-economic activities offering several employment opportunities for the residents.

During the visit, PM will lay the foundation stone of expansion of Barauni Refinery along with a secondary petrochemical unit at a cost of ₹ 11,412 crore. This will set the foundation of the first polypropylene unit of the state creating an export opportunity to Nepal through the Nepal-India border points in Raxaul and Jogbani.

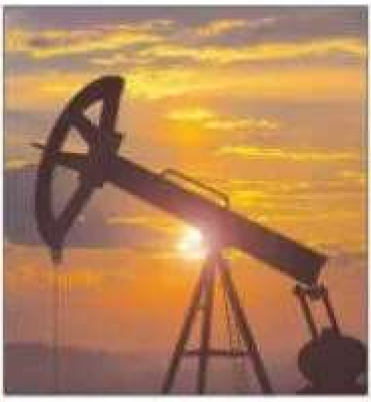
New sanctions threaten Russian oil sales to India

NIDHI VERMA &
FLORENCE TAN
New Delhi/Singapore,
February 28

FRESH US SANCTIONS on Moscow threaten to dent Russian oil sales to India, the biggest buyer of Russian seaborne crude, and complicate efforts by Indian state refiners to secure annual supply deals, three industry sources familiar with the matter said.

Washington on Friday imposed sanctions to mark the second anniversary of Moscow's invasion of Ukraine and retaliate for the death of Opposition leader Alexei Navalny.

The sanctions target Russia's leading tanker group, Sovcomflot, which Washington accused of being involved in violating the G7's price cap on



Russian oil, as well as 14 crude oil tankers tied to Sovcomflot.

Sources said Indian refiners are concerned the latest sanctions will create "challenges" in getting vessels for Russian oil and could drive up freight rates. That may narrow the discount for the oil, which is bought from traders and Russian companies on a delivered basis.

In addition, Moscow may have to push even more volumes through traders to shield from further sanctions risk, adding to uncertainties, the industry sources said, declining to be named because of the sensitivity of the matter.

India rarely bought Russian oil before 2022 due to high freight costs, but refiners in the world's third-largest oil importing nation are now big buyers, benefitting from lower prices, after Europe banned Russian oil imports.

Russia emerged as India's top oil supplier in 2023. Through term deals and spot market purchases, India imported about 1.66 million barrels per day of Russian oil in 2023 compared to an average 652,000 bpd in 2022.

—REUTERS

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PM Modi to launch 29 petroleum projects

Rituraj Baruah
rituraj.baruah@livemint.com
NEW DELHI

Prime Minister Narenda Modi is set to inaugurate 29 projects and lay the foundations for 10 more in the petroleum sector worth ₹1.49 trillion ahead of elections.

He will flag off an oil tanker from the ONGC Krishna Godavari deep water project on Saturday, which will carry 'first oil' from the Krishna Godavari Basin to Mangalore Refinery and Petrochemicals Ltd. First oil was produced from the block on 7 January. The peak production of the field is expected to be 45,000 barrels per day of oil and around 10 million metric standard cubic metres per day (MMSCMD) of gas.

Officials with knowledge of the developments said PM Modi will also inaugurate the Visakh Refinery Modernization Project (VRMP) on the same day. The project is being executed by Hindustan Petroleum Corporation Ltd (HPCL) to modernize and enhance capacity at Visakh Refinery at Visakhapatnam, Andhra Pradesh at an investment of ₹26,264 crore. The Mumbai High North Redevelopment Phase IV of ONGC with an investment of ₹3,977 crore is another project to be inaugurated by the prime minister on Saturday. The project involves the drilling of 43 wells.

PIONEER, Delhi, 29.2.2024
Page No. 2, Size:(17.16)cms X (14.38)cms.

PM Modi to launch ₹1.64 lakh crore projects from Begusarai

PTI ■ NEW DELHI

In his first visit to Bihar after Chief Minister Nitish Kumar joined hands with the BJP, Prime Minister Narendra Modi will on March 2 launch nationwide projects worth over Rs 1.64 lakh, nearly Rs 29,000 core of it focussed on the state.

The projects to be launched Begusarai are related to multiple sectors including oil, gas, fertiliser and railways.

Official sources said the 39 of these projects, which will be either inaugurated or kick-started with the foundation laying ceremony, are in the oil and gas sector, and 10 in the railways. Six new trains will also be flagged off.

Modi will also inaugurate the revived the Barauni fertiliser plant which will not only boost urea's domestic production but also generate employment opportunities, they added.

The prime minister has over the past few weeks launched numerous projects, worth lakhs of crores of rupees, in education, health, rail and infra sectors as he seeks to emphasise on his government's pro-development credentials in the run up to the Lok Sabha polls.

He has often highlighted that the speed and scale of work the country has been seeing is unprecedented.

It also jives with his agenda of making a "Viksit Bharat" (developed India) by 2047 and the assertion that the return of his government to power for a third term is essential for the development journey to continue. The launch of projects from Bihar, with many of them meant for the poor state, is expected to burnish the BJP-JD(U) alliance's pro-development agenda at a time the opposition bloc led by RJD leader Tejashwi Yadav has sought to appropriate the plank.

Yadav has claimed that it was his presence as deputy to Nitish Kumar which was responsible for giving employment to tens of thousands of youngsters before the JD(U) joined hands with the BJP, an assertion dismissed contemptuously by the chief minister.

The rail projects, an official said, will be mostly focussed on north Bihar, the more densely populated and impoverished region. However, the rail ministry has more trenches of projects coming up in the state and they will be catering to its other regions.

Over Rs 10,000 crore of the rail budget for this year is meant for the state, the official said.

In the petroleum sector, officials said, Modi will launch a total of 39 projects costing Rs 1,49,823 crore. He will inaugurate 29 projects with a capex of Rs 89,000 crore and lay the foundation of 10 projects with an outlay of more than Rs 60,000 crore.

Modi will dedicate to the nation "first oil" from the KG Basin and flag off first crude oil tanker, Swarna Sindhu, from the ONGC Krishna Godavari deep-water (around 1443 Meter) project to Mangalore, Karnataka, marking a historic achievement, they said.

It promises to significantly reduce India's dependency on energy imports. This project is likely to increase ONGC's total oil and gas production by 11 percent and 15 percent respectively, they said.

Pvt Philanthropy Grew 10%, CSR Spending 7% in FY23

Indulekha.Aravind
@timesgroup.com

Bengaluru: Private philanthropy in 2022-23 grew at double the average annual growth rate observed between 2018 and 2023, driven by a rise in family philanthropy and retail giving, according to a new report.

In FY23, private philanthropy — which includes corporate social responsibility funding by companies and donations from the wealthy and retail contributors — grew 10% to Rs 1.2 lakh crore, finds the latest edition of India Philanthropy Report by Bain & Company and Dasra. While there has been an increase in the number of companies complying with the CSR mandate in this period, spending by this segment grew moderately at 7%, less than half the 15% expansion seen in family philanthropy and 12% in retail giving.

The moderate growth in CSR spending was due to the lagging impact of Covid, said Radhika Sridharan, partner, Bain & Company. "Since CSR giving is 2% of the trailing last three years' profits and that includes a couple of Covid years, it brought down the aggregate profitability of these companies, relative to what we expected." But what was encouraging, said Sridharan, was that the donor base was broadening. "The share of BSE 200 companies used to account for close to 60% of giving earlier, which has come down to 50%, meaning more smaller companies are giving."

The number of companies complying with the 2% CSR requirement has also doubled, from about 30% in 2018 to about 60% in FY23. The sustained growth in CSR giving is expected to continue over the next five years, the report forecasts.

However, though CSR funding continues to be vital for the social sector, commitments by companies still tend to be on a yearly basis, said Dasra cofounder Neera Nundy. This hobbles long-term planning and execution.

Healthcare and education continued to be the sectors attracting the bulk of the share of CSR funds but the allocation to environment and sustainability, while still a smaller sum relatively, has been steadily increasing, a trend that's expected to sustain with increasing focus on the segment. Among the wealthy, young, first-generation donors are also entering non-traditional areas like climate change and working with the lens of diversity, equity and inclusion, Nundy said.

The report says India is also seeing more professionals accumulating wealth "and subsequently engaging in philanthropy".

CSR Sectoral Fund Allocation

(₹'000 crore)	FY23	FY18
Healthcare	9.8	2.8
Education	6.6	5.9
Rural development	5.3	4.5
Environment & sustainability	3.4	1.8
Disaster Relief	1.8	0.2
Gender Equity	0.5	0.3
Other	1.8	1.6

Pvt funding for social sector in FY23: ₹1.2L cr

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Sanctions threaten Russian oil exports

Fresh US sanctions on Moscow threaten to dent Russian oil sales to India, the biggest buyer of Russian seaborne crude, and complicate efforts by Indian state refiners to secure annual supply deals, three people familiar with the matter said.

Washington on Friday imposed sanctions to mark the second anniversary of Moscow's invasion of Ukraine and retaliate for the death of opposition leader Alexei Navalny.

The sanctions target Russia's leading tanker group, Sovcomflot, which Washington accused of being involved in violating the G7's price cap on Russian oil, as well as 14 crude oil tankers tied to Sovcomflot. India rarely bought Russian oil before 2022 due to high freight costs, but refiners in the world's third-largest oil importing nation are now big buyers, benefitting from lower prices, after Europe banned Russian oil imports. **REUTERS**

TIMES OF INDIA, Delhi, 29.2.2024
Page No. 19, Size:(14.71)cms X (14.82)cms.

SC ruling on state minerals tax could impact govt oil cos

Dues From Crude Extraction Over ₹4,500Cr, Assam Tells Court

Dhananjay.Mahapatra
@timesgroup.com

New Delhi: Decision of Supreme Court's nine-judge Constitution bench on states' legislative competence to levy tax on mineral-producing land could impact central oil companies, as Assam, one of the three major inland crude and natural gas producing states, has told court that state tax due from crude extraction runs to more than Rs 4,500 crore till July 31, 2022.

Prior to commencement of hearing before a bench of CJI D Y Chandrachud and Justices Hrishikesh Roy, A S Oka, B V Nagarathna, J B Pardiwala, Manoj Misra, Ujjal Bhuyan, Satish C Mishra and Augustine G Masih, Assam govt had tendered a statement indicating dues both towards tax and interest under Assam Taxation (On Specified Lands) Act 1990 as amended in 2004.

Assam had said that the principal tax amount between Aug 2007 and March 2022 was Rs 1,454 crore and interest, computed at the rate of 2% per month, stood at Rs 3,068 crore. The total outstanding payable to state by oil companies was Rs 4,522 crore as on July 31, 2022.

While western and eastern offshore facilities account for 50% of crude production, Rajasthan, Gujarat and Assam account for nearly the rest

While western and eastern offshore facilities account for nearly 50% of India's crude production, three states — Rajasthan, Gujarat and Assam — account for almost all of the balance.

Appearing for Odisha and Jharkhand, latter having a demand of Rs 10,558 crore as tax on mineral bearing land, senior advocate Rakesh Dwivedi with advocate Sansriti Pathak told the bench that Entry 49 of List II empowered states to levy tax on lands and buildings, subject to provisions of Entry 50 in List II, which enabled Parliament to impose limitations on taxes on mineral rights.

Dwivedi said PM Narendra Modi's pet slogan of "double-engine govt" must translate to fiscally empower states under the federal scheme of governance mandated by the Constitution. Solicitor general Tushar Mehta said, "The Constitution provides for two Lists, one for Parliament to legislate and the other for Assemblies, clear evidence of cooperative federalism. The Centre is tasked to ensure overall development of the country, irrespective of how minerally enriched or poor a state is."

CJI Chandrachud said Goods and Services Tax (GST) has taken cooperative federalism to a different level. "But it is the duty of court to ensure that states' taxation power is not whittled down even though in our federal scheme of governance, power balance leans slightly towards the Centre," he said.

Dwivedi said imposition of tax on mineral-bearing land may increase price of minerals but that is no ground to deny states their right to legitimately exercise powers conferred upon them by the Constitution under the federal structure.

For a special area development authority in UP, senior advocate Vijay Hansaria argued that Mines and Minerals (Development and Regulation) Act is a legislation only to provide for "development and regulation of mines and minerals" and does not deal with taxation. Hence, states were free to levy tax on mineral bearing land.

Appearing for Andhra Pradesh, senior advocate S Niranjan Reddy said the Union's power to impose limitations on state's power to tax mineral bearing land cannot be construed to mean that only the central govt had power to levy cess on mineral rights. The arguments will continue on Thursday.

Social sector spending short of target

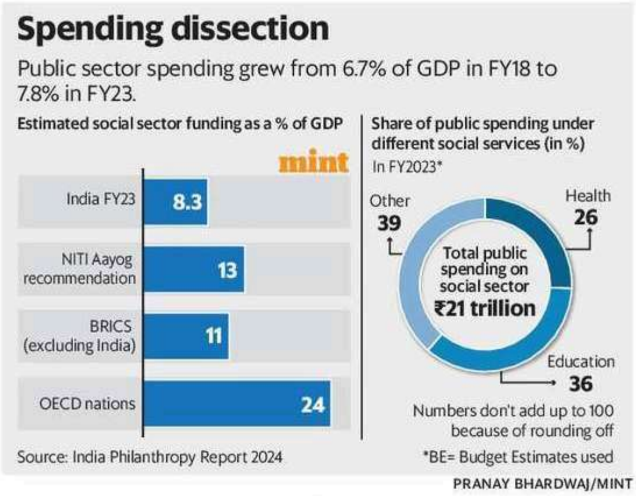
Naman Suri
naman.suri@livemint.com
NEW DELHI

India's social sector spending deficit could increase to ₹15 trillion by fiscal year 2028, below the Niti Aayog's recommended spending threshold of 13% of gross domestic product (GDP).

According to a joint report, *India Philanthropy Report 2024*, by philanthropy organization Dasra and global management consulting firm Bain & Co., India's social sector spending in FY23 was around ₹23 trillion ($280 billion), accounting for 8.3% of GDP.

"Inequalities persist in India despite strong GDP growth, a burgeoning middle-class, and a goal to become a $5-trillion economy by FY25... Despite robust growth over the last five years in social sector spending, India still falls 4.7% short of Niti Aayog's annual social funding target," it said.

In FY23, member countries of the Organization of Economic Co-operation and Development (OECD), and Brazil, Russia, India, China, and South Africa (Brics) nations reported significantly higher spending rates of 24% and 11%, respectively (FY22 numbers).



However, India has not been able to keep pace with its OECD and Brics counterparts due to moderate growth in corporate social responsibility (CSR) and donations from high-net-worth individuals (HNIs) or affluents, despite a growing donor pool, the report added.

Private sector spending in FY23 saw 10% growth, at ₹1.2 tn, on rising contributions from family philanthropy

While Niti Aayog estimated a 57% disparity between demand and supply in India for FY23, over the next five years, this could decrease to 35% as the country's social sector funding deficit rises to ₹15 trillion, the report said.

Public sector spending accounted for 95% of the ₹23 trillion, with the sector's contribution growing from 6.7% of GDP in FY18 to 7.8% in FY23. Health (26%) and education (36%) spending were the primary drivers of this growth, with respective five-year compound annual growth rates (CAGRs) of 18% and 9%.

"India's social sector needs to focus on improvement in the quality of social spending, especially public spending. It's also crucial to balance allocations across sectors by directing funds towards underrepresented sectors and geographies while looking at solving for improving societal outcomes," said Amit Chandra, the founder of ATE Chandra Foundation.

Private sector spending in FY23 saw 10% growth, reaching ₹1.2 trillion, fuelled by rising contributions from family philanthropy and retail donors. This trend is expected to persist, driven by them and CSR. In FY23, CSR reported moderate growth of 7% complying with the mandate, to an estimated ₹28,000 crore, while share of domestic private spending rose to 30% following increased compliance and profit growth.

Healthcare and education were key funded sectors, with environment and sustainability witnessing a substantial inflow of CSR funds in recent years. "There has been a notable increase in corporate givers, as evidenced by the proportion of companies complying with the CSR mandate (2% of profits), which increased from approximately 30% in FY18 to more than 60% in FY22," it said.

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Page No. 10, Size:(30.11)cms X (11.09)cms.

THE PUBLIC SECTOR GAP IN CENTRE'S CAPEX SPREE

In the last few years, the main central government capex has far outstripped PSU capex

howindialives.com
NEW DELHI

One of the biggest headlines in government economic policy in recent years has been its focus on capital expenditure. Budgeted expenditure classified by the government as capex is projected to increase to about ₹11 trillion in 2024-25—almost 4.5 times the level in 2014-15. It represents 3.4% of projected GDP, up from 2% nine years ago.

Capital expenditure is seen as the building of assets that yield social and economic benefits over time—for example, road, bridges and ports. Increasing the share of government capex in overall spending has been an elusive goal for much of the reform period. Successive governments, when faced with the task of meeting fiscal deficit targets, have taken the axe to capital expenditure rather than revenue expenditure (running expenditure on items like salaries and interest payments on debt that don't yield a future benefit).

Thus, the capex push by the government in the last few years is a welcome break from this tradition.

"This substantial increase in recent years is central to the government's efforts to enhance growth potential and job creation, crowd-in private investments, and provide a cushion against global headwinds," finance minister Nirmala Sitharaman said, in her budget speech last year.

But where is this money going and what is it being spent on? While the rise in expenditure labelled by the government as capex has undeniably risen, it's also worth putting this increase in perspective, and looking at the structural shifts that underpin this increase, especially as some of them take away some sheen from the headline numbers.

CENTRALIZING CAPEX

Apart from the government budget documents, capital expenditure data is also compiled by the National Statistical Office (NSO) to calculate gross domestic product (GDP) estimates. Importantly, the NSO doesn't just look at central government budget data. It also compiles capex by the central public sector enterprises (PSEs), whose spending is not part of the main government budget. It compiles capex for governments at both the central and state levels.

As *chart 1* shows, a renewed focus on government capex has been long overdue. The entire reform period has seen a secular decline in public sector capex to around 6-8% of GDP, from levels of well above 10-11% of GDP in the 1980s. As an aside, what is also alarming is the steep decline in private sector capex since the global financial crisis of 2008. Importantly, the private sector never really recovered from that crisis and its after-effects.

The government has had to step in. The government budget measures just that—what the government raises through taxes and other sources of revenue, and what it spends directly. Government budgets do not cover public sector enterprises or bodies that are 'owned' by the central government, since they exist as separate legal and corporate entities, though the budget documents do contain information on the capital spending by such organizations. Any reasonable overview of public sector capex, even if it is only at the central government level, should cover both the main government, and public sector enterprises or bodies that are majority owned by the central government, and the amount that such entities, distinct from government, spend from their own resources or borrowings.

The Indian government's big bet is that its capex push will be the catalyst for the private sector to step in and invest on its own.

Seen from this perspective, there is still a substantial bump in recent years (*chart 2*). Add in PSE capital spends to the mix (from their own resources), as compiled by budget documents, and overall central government capex rises to over ₹14.5 trillion.

But seen in the context of overall GDP, the sharp bump in absolute terms looks less impressive—even in the context of the last decade or so. Combined central government capex (main government plus PSEs) is budgeted at around 4.4% of GDP for 2024-25—that's still lower than the level 10 years ago.

But *chart 2* also highlights a structural shift. Till as recently as 2020-21, PSE capex kept pace with the capex of the main central government in absolute terms. In the last few years, however, main central government capex has far outstripped PSE capex even as the latter has, in absolute terms, declined. Thus, even as overall capex has risen in recent years, it has become more centralized.

mint SHORT STORY

WHAT

The government's capex is projected to increase to ₹11 trillion in 2024-25—almost 4.5 times the level in 2014-15. That's 3.4% of projected GDP, up from 2% nine years ago.

BUT

Till 2020-21, PSU capex kept pace with the capex of the main central government in absolute terms. In the last few years, central government capex has far outstripped PSE capex.

NOW

The real question is whether the government can sustain this pace of increase. A sustained rise, especially in the private sector, will depend on demand picking up across the economy.

REPURPOSING CAPEX

A stark example of this is National Highways Authority of India (NHAI), which builds, or funds the building of, highway projects across the country. In 2021-22, it budgeted a spend of ₹1.22 trillion on such projects, of which, over half was to be funded by itself (largely through borrowing). Since 2022-23, however, all of NHAI's funding was done directly through the government budget. It was not allowed to borrow any funds directly from the market, the aim being to keep the body's borrowing on a tight leash. For 2024-25, as much as 15% of the main central government capex, or ₹1.68 trillion, is allocated toward funding NHAI.

Central government investment in roads and highways has also undergone another parallel shift in recent years, with a substantial amount of investment in roads and highways now being done outside the ambit of NHAI altogether. For 2024-25, the budgeted amount for spending on roads and highways, above and beyond what NHAI gets, is targeted at ₹1.03 trillion (up from a third of that amount a few years earlier).

The NHAI is, and was, a government body. Any borrowing it does is effectively done with the full backing of the creditworthiness of the government of India. So, in purely economic terms, there is little effect. But the routing of all NHAI funding through the government budget has effectively resulted in spending on infrastructure assets that would have happened anyway being brought 'on-budget'.

It's a similar story for the railways as well. As of 2019-20, the central government budget contributed less than half of railways capex for the year (₹1.46 trillion). This ratio started to creep up. As of 2024-25, almost all the capex for the railways (₹2.52 trillion) will come directly from the central government budget, with just ₹10,000 crore earmarked to be raised by the railways directly from the bond market or its internal resources.

In this sense, at least a significant part of the increase in capex is a shifting of funds—bringing them 'on-budget'—rather than extra spending. Bringing spending on-budget is not inherently a 'good' or 'bad' thing, but it does imply that the dramatic increase in central government capex in recent years is less than what meets the eye.

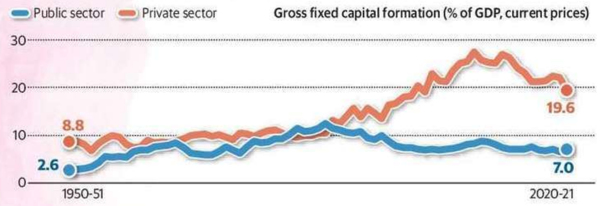
And while PSE capex from internal resources and borrowing has increased in absolute terms, even if we exclude NHAI altogether, it now stands at around 0.5% of GDP. But this is down from almost 2% in 2016-17.

"Even as central capex has picked up impressively in recent years, a broader measure of public capex remains flat because this increase has been offset by slowing PSU capex...," pointed out Sajjid Z. Chinoy, then chief economist at JP Morgan, in an article in *The Economic and Political Weekly*, in April 2023.

TARUN KUMAR SAHU/MINT

THIN OUT

Post-reforms, capital formation by the public sector has tapered



Sources: National Statistical Office

Budgetary capex has replaced PSU capex in the last 5 years

Year	Central budget capex (in ₹ trillion)	PSU capex (in ₹ trillion)	Total central capex (main government plus PSUs) as % of GDP
2011-12	1.6	2.0	4.1
2012-13	1.7	1.9	3.6
2013-14	1.9	2.6	4.0
2014-15	2.5	4.0	5.2
2015-16	2.5	3.1	4.1
2016-17	2.8	3.4	4.0
2017-18	2.6	6.1	5.1
2018-19	3.1	6.1	4.8
2019-20	3.4	6.4	4.9
2020-21	4.3	4.8	4.6
2021-22	5.9	4.4	4.4
2022-23	7.4	3.6	4.0
2023-24	9.5	3.3	4.3
2024-25	11.1	3.4	4.4

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Sources: Budget documents; Ministry of statistics and programme implementation

STATE PUSH

The good news with capex of state governments is that it too, collectively, has shown an upward trend—from 3.2% of GDP in 2011-12 to around 4.4% of GDP in 2022-23 (budgeted). There are two drivers behind this capex push in recent years at the state level. The first is that tax revenues in the last few years have been buoyant overall. Further, states have received compensation from the centre for losses in revenue when shifting to the goods and services tax (GST) regime.

The capex of state governments, collectively, has shown an upward trend—from 3.2% of GDP in FY12 to around 4.4% in FY23.

"Strong growth in tax and non-tax revenues and the advancement of payment by the Centre for tax devolution and GST compensation provided the necessary fiscal space to accelerate capital outlay," stated a Reserve Bank of India (RBI) report on state finances last year.

The other big reason is a 'special assistance' scheme under which 50-year interest-free loans are extended by the Centre to states for capital investment. Budgeted at ₹1.3 trillion for 2024-25 (the amount was around ₹1.03 trillion for 2023-24), this has now ballooned to a substantial push toward capex at the state level, provided states meet eligibility criteria for the money to be distributed by the centre. Crisil forecasts that 2023-24 will also see the capital outlay of states (capex excluding loans and advances made by them) rise by 18-20%. "The increase in spending will be supported by healthy goods and services tax collection, stable and upfront devolution from the central government, and allocation of ...interest-free loans to all the states for capital expenditure (capex)," said Crisil.

The government has chosen to keep a tight rein on expenditures by the states under the special assistance scheme for capex. A finance ministry circular for the release of funds in 2022-23 under the scheme makes it clear that states have to get the prior approval of the centre before funding any project under the largest sub-component of the scheme (80% of the total for that year), with projects under the PM Gati Shakti National Master Plan receiving priority, 'where appropriate'.

PRIVATE HOPE

The real question is whether the government can sustain this pace of increase into the future. A big bet that the government has made is that its capex push will be the catalyst for the private sector to step in and invest on its own as well. "Expectations for a fresh round of capex by the corporate sector to take the baton from the government and fuel the next leg of growth are mounting. Balance sheets are healthy on the back of high profits, with leverage remaining constant or improving and the return ratio at a multi-year high," RBI pointed out, in its latest assessment of the *state of the economy*. "Overall, the corporate sector must get its act together ready to relieve the government of capex heavy lifting and take advantage of the space ceded in financial markets by a lower budgeted borrowing programme and the easing of borrowing costs that has already begun in response to the Interim Budget for 2024-25, driven as it is by capex and consolidation."

What are the uncertainties? Personal consumption growth is expected to grow at 4.4% in 2023-24, the slowest pace since 2002-03, and a sign that the big post-covid 'bump' to the economy is receding. And while markets are in a bull phase, a recent *Long Story* in *Mint* points out that the bull case—the supposed 'premiumization' of the economy, where consumers are supposedly buying more expensive and premium products than in the past—has much less to it than meets the eye, given that a substantial mass of consumers, in both rural and urban areas are still struggling. Rural consumer sentiment remains weak. Given that a sustained rise in capital investment, especially in the private sector is dependent on demand picking up across the broad economy, the next few years will be crucial.

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