

Subsidy logic seems to have eluded Parekh: FM

Finance Minister P Chidambaram questioned as specious Housing Development Finance Corporation chairman Deepak Parekh's criticism on overdue subsidy payments.

Parekh had said Rs 1.1 lakh crore of subsidies due for payment in the fourth quarter of financial year 2013-14 were yet to be made, questioning the government's financial management.

Chidambaram noted he'd issued a statement earlier this month that subsidies were paid only at the end of every quarter. "The fourth quarter subsidy for the previous year is paid in the first quarter of the current year. The fourth quarter subsidy of 2013-14 will be paid at the end of the first quarter of 2014-15," he said, noting this principle was "well known within the government and I am sure it is known to Deepak Parekh. Why Mr Parekh pretends he does not know, I am surprised."

Adding: "And, what about the fourth quarter (payment for) 2012-13 which I paid in the first quarter of 2013-14? This is simple logic, which seems to have somehow escaped Mr Parekh."

The minister stressed the need to encourage foreign and domestic investment to boost growth. "Investment must revive in this country...the economy has stabilised. The investment cycle has to start again. Both domestic investment and foreign investment must be encouraged. That will lead us to high growth," he said, while addressing the media at Congress party headquarters.

The minister said the capital expenditure plan of 23 public sector undertakings, including Oil & Natural Gas Corp, Oil India, Indian Oil and NTPC, would go up to Rs 1.33 lakh crore from Rs 1.25 lakh crore in 2013-14. The capital requirement of banks in 2014-15 was estimated at Rs 45,500 crore, as against Rs 14,000 crore in FY14.

Foreign direct investment inflows in 2013-14 would exceed \$27 billion. These were \$26.95 bn in 2012-13 and \$26.9 bn during April-February of FY14. Inflation, he said, was being driven mainly by food items and open market sale of foodgrain was a way to check this.

While keeping inflation under check, Chidambaram said the central bank should keep in mind the need to spur growth. He expressed confidence that the Reserve Bank of India would do so while deciding on monetary policy. Economic growth, at a decadal low of 4.5 per cent in 2012-13, was estimated to be 4.9 per cent in 2013-14, he said, and to rise to increase to 5.5 per cent this financial year.

The finance minister said he hoped the new government would adopt the 10-point agenda for economic stability and growth delineated in the government's interim budget. He said whoever forms the government could "add to the agenda but should not subtract from the agenda". He said 2014-15 was marked by economic slowdown, described by economists as the great recession. In this context, the budget had stabilised the economy.

He said the outgoing Congress-led UPA coalition had a “very good chance” to form the next government, with allies. He, however, refused to rate his own performance. “I am not a rating agency. How can I rate myself?” When asked if he could be the FM yet again in a possible UPA- III, Chidambaram noted he wouldn’t be an MP, having got his party to nominate his son, Karti, to contest on the Congress ticket from his Sivaganga (Tamil Nadu) constituency.

He ignored remarks that Manmohan Singh hadn’t been an MP when he first became FM (in 1991).

Chidambaram said he would vacate his official bungalow soon after the results of the Lok Sabha polls were out. Asked whether this meant he was retiring from active politics, he shot back: “What is active politics to do with vacating the official residence?”

Asked about speculation that RBI Governor Raghuram Rajan might be changed if the opposition alliance came to power, Chidambaram said the man had outstanding credentials and the new government should respect the appointment (made less than a year before).

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