

NEWS ITEMS ON CAG/ AUDIT REPORTS (18.10.2022)

1. Central Government Employee? You can lose Pension, Gratuity for grave misconduct or negligence (New Rule) ([financialexpress.com](https://www.financialexpress.com)) October 18, 2022

The pension and gratuity of a retired Central Government employee can be stopped if found guilty of grave misconduct or negligence during service, as per Central Civil Services (Pension) Rules 2021. The Central Government recently notified an amendment to Rule 8 of the CCS (Pension) Rules 2021.

The amendment provides for the authorities who can take the decision to withhold the pension or gratuity, or both, of a retired employee. These are:

-the President, in the case of a pensioner who retired from a post for which the President is the appointing authority

-the Secretary of the Administrative Ministry or Department, in the case of a pensioner who retired from a post for which an authority subordinate to the President is the appointing authority

-the Comptroller and Auditor-General of India, in the case of a pensioner who retired from the Indian Audit and Accounts Department, from a post for which an authority subordinate to the President is the appointing authority.

What the authorities can do

As per the amended Rule 8 notified on October 7, the above authorities can withhold a pension or gratuity, or both, either in full or in part, or withdraw a pension in full or in part if the pensioner is found guilty of “grave misconduct or negligence during the period of service” in any departmental or judicial proceedings. Service rendered upon re-employment after retirement can also come under the scanner.

The authorities can withhold the pension or gratuity permanently or for a specified period. They can also order recovery from a pension or gratuity of the whole or part of any pecuniary loss caused to the Government.

Union Public Service Commission will be consulted before any final orders are passed by the President under this sub-rule. Also, in a case where a part of the pension is withheld or withdrawn, the amount of such pension shall not be reduced below the amount of minimum pension under rule 44, which is Rs 9000/month. <https://www.financialexpress.com/money/central-government-employee-pension-gratuity-latest-news-grave-misconduct-negligence/2717947/>

2. PSU general insurer employees irked with move to link pay with performance ([business-standard.com](https://www.business-standard.com)) October 17, 2022

Employee unions are irked by the government’s decision to link the next revision in wages of PSU general insurance staff, due from August 2022, to the performance of the company and their own performance.

Unions are vehemently opposing this move by the government and plan to hold demonstrations this week to show their opposition to the move. They are also planning to raise this issue with finance ministry officials post Diwali.

Wage revision for public sector banks and insurance companies is done every five years. Last week, the finance ministry notified an average 12 per cent wage hike for employees of four public sector general insurance companies, effective August 1, 2017. The wage is applicable to those who were in the service of these companies. Officers and employees will also get arrears for five years.

“We had to wait for 64 months to get the wage hike. They have given a 12 per cent wage hike, while LIC employees have received a 16 per cent wage hike. So, there is no parity,” said Trilok Singh, Secretary, General Insurance Employees' All India Association (GIEAIA).

The next revision due from August 2022 will be in the form of a variable pay based on the performance of the company and the employee, the government notification said. The employee unions are expressing serious reservations around this.

“The public sector insurers and their employees implement government schemes that are running in losses, and it is the companies that are bearing the losses. So, if there are losses in the industry then how can the performance of the companies be judged? But without any discussion they are moving ahead, and we have serious reservations around that,” Singh said.

For the past six months, General Insurance Public Sector Association (GIPSA) and DFS have deputed EY to the public sector general insurance companies. “We are demanding EY’s report from the government and want discussions on the report. If they go ahead with it, we will have no option but to agitate. After Diwali, we will try to meet the finance ministry officials on this issue,” Singh added.

Experts say the government’s decision to link wage revision with performance could have been driven by the financial health of the four public sector insurers. New India Assurance’s, the only listed state-owned general insurer, saw its profit plummeted in FY22 to Rs 164.27 crore from Rs 1,604.69 crore in FY21. According to a report by the country’s comptroller and auditor general (CAG), all four public sector insurers incurred losses of Rs 26,364 crore in the health insurance portfolio between 2016-17 to 2020-21, which has overshadowed the Rs 7800 crore profit the companies made in marine, motor, and fire insurance during the period. https://www.business-standard.com/article/economy-policy/psu-general-insurer-employees-irked-with-move-to-link-pay-with-performance-122101700998_1.html

STATES NEWS ITEMS

3. Lucknow हर माह 23 करोड़ खर्च कर भी शहर साफ न रख पाए ([sa macharnama.com](http://samachar.com)) Updated: October 17, 2022

चार वर्ष में नगर निगम ने कूड़ा प्रबंधन और सफाई पर हर माह करीब 23 करोड़ के हिसाब से 11 अरब खर्च कर दिए फिर भी शहर साफ नहीं हो सका. कूड़ा निस्तारण प्लांट पर करीब 15 लाख मीट्रिक टन कचरे का पहाड़ खड़ा हो गया है. 80 प्रतिशत प्लांट कचरे में ही तब्दील हो गया है. कूड़ा प्रबंधन और सफाई पर हुए खर्च का हिसाब अब सीएजी लेगी. शासन के निर्देश पर सीएजी ने कूड़ा प्रबंधन का आडिट शुरू कर दिया है. इसके लिए उसने नगर निगम से सभी दस्तावेज तलब किये हैं. नगर निगम ने मोहान रोड के शिवरी में कूड़ा निस्तारण प्लांट बनाया है. यह 19 हेक्टेयर पर बना है. यहां वैज्ञानिक तरीके से निस्तारण होना था जो नहीं हुआ. प्लांट लगभग बंद है. न आरडीएफ बन रहा, न कम्पोस्ट. इस कारण यहां कचरे का पहाड़ खड़ा है.

शहर बढ़ा न स्टाफ वेतन फिर भी 26 करोड़ खर्च सफाई व्यवस्था में किस कदर खेल हो रहा है इसका अंदाजा निगम की रिपोर्ट से लग रहा है. 2019-

2020 में आउट सोर्सिंग कर्मियों यानी निजी एजेन्सियों को 69.47 करोड़ भुगतान किया गया. एक वर्ष बाद वर्ष 2020-

21 में इन कम्पनियों को 95.81 करोड़ भुगतान किया गया. एक वर्ष में ही 26.34 करोड़ का ज्यादा भुगतान किया गया

कूड़े के 25 से अधिक पीसीटीएस खराब हुए

कमिश्नर डॉ. रोशन जैकब ने 12 अक्टूबर को शहर में सफाई व्यवस्था कनिरीक्षण किया तो उन्हें लगभग 18 पीसीटीएस खराब मिले. अब इनकी संख्या बढ़कर 25 से अधिक हो गई है. पीसीटीएस खराब होने से सड़कों पर कचरा बिखरा है. शहर में सफाई के लिए 30 से ज्यादा प्राइवेट एजेन्सियां हैं. इनमें ज्यादातर के पास कर्मचारी ही नहीं है. तमाम एजेन्सियों के पास 20 प्रतिशत भी कर्मचारी नहीं लेकिन भुगतान पूरा हो रहा है.

कूड़ा प्रबंधन, सफाई व्यवस्था सुधारने का काम हो रहा है. मुख्य वित्त-

लेखाधिकारी से सीएजी ने रिपोर्ट मांगी है. नगर आयुक्त प्रयासरत हैं. जल्द सुधार दिखाई देगा.- पंकज सिंह,

अपर नगर आयुक्त <https://samacharnama.com/city/lucknow/Lucknow-could-not-keep-the-city-clean-even-after-spending/cid8836426.htm>

4. As Battle Karnataka heats up, BJP Jana Sankalpa rallies give a hint of its war plan ([indianexpress.com](https://www.indianexpress.com)) Updated: October 18, 2022

Over the past week, as the BJP in Karnataka has attempted to counter the Bharat Jodo Yatra of the Congress, which has been drawing good crowds, with its own Jana Sankalpa Yatra, a broad outline has emerged of the party's strategy for the 2023 Assembly elections.

1. DBT to tackle corruption charges

At one of the Jana Sankalpa rallies in the Ballari region last week – coinciding with the Rahul Gandhi-led Bharat Jodo Yatra in the area — former Karnataka chief minister B S Yediyurappa stated that the BJP under Prime Minister Narendra Modi had weeded out corruption in the various benefit schemes meant for the public.

“After PM Modi came to power, he has been depositing money directly into the accounts of the poor. The Congress was in power at the Centre for 10 years, but they looted the earth and sky. This is why they were defeated in 2018,” Yediyurappa said.

According to senior BJP leaders, DBT is going to be a central theme in the BJP’s efforts to counter allegations of corruption being brought against the party by the Opposition — including the “40 per cent commission government” charge and the Congress’s ‘PayCM’ campaign.

The Jana Sankalpa rallies and recent events of Modi in Karnataka have involved honouring beneficiaries of various schemes of the Central government.

However, the DBT system in Karnataka is far from working at the optimum level. A recent CAG report on the performance of the DBT system stated that “the process of onboarding of the schemes onto the Core DBT Portal was slow, as only 83 out of 239 identified schemes could be onboarded as of April 2021”. “This slow process resulted in the disbursement of benefits worth Rs 2,829.02 crore outside the Core DBT under 168 schemes by 22 departments,” said the report, tabled in the Karnataka Assembly on September 15.

The DBT system uses information technology to transfer financial benefits directly into the Aadhaar-seeded bank accounts of targeted beneficiaries of government schemes.

Among the schemes the CAG report talked about was Pradhan Mantri Kisan Samman Nidhi, one of the flagship schemes of the Modi government. As per the report, DBT payment of Rs 91.99 crore under it “was pending processing since 2019-20, resulting in depriving the beneficiaries of their benefits”. “Inadequate validations and controls resulted in the delivery of benefits to ineligible beneficiaries,” the report added.

It also said that while a grievance redressal mechanism had been established to aid beneficiaries, the BJP government in the state “was yet to evaluate and assess the impact on the efficiency and effectiveness of delivery of benefits/services consequent on implementation of DBT”.

2. Perfecting caste maths

The BJP has moved deftly in creating potentially a strong caste mix of support for it in northern Karnataka, with the dominant Lingayats (its traditional supporters) at the top, backed by Scheduled Tribes and Scheduled Castes who are now beneficiaries of enhanced reservations announced recently by the Basavaraj Bommai government.

At one of the Jana Sankalpa rallies last week, Bommai attributed the decision to enhance reservations from 15 to 17% for SCs, and 3 to 6% for STs to the political sagacity of Yediyurappa.

Yediyurappa, the most prominent Lingayat leader of Karnataka, whose departure for a brief in the past had hurt the BJP, is now back at the centre of action after being elevated to the party parliamentary board – its highest decision-making body — in August. The recent manoeuvres by the BJP, to fight both corruption charges and anti-incumbency, are seen to have Yediyurappa’s imprint.

Apart from SC/STs, the BJP hopes to also draw the support of several smaller backward class groups, that together make up 33% of the OBCs in the state, in order to counter the Congress's sway over some groups like the Kurubas, who make up 7% of the block.

The BJP is likely to host some major events for OBCs in the coming months, with top central leaders in attendance.

The BJP is, however, yet to find a solution for its lack of a caste support base in south Karnataka, which is dominated by the Vokkaliga community that allies with the JD(S). Here, it would be relying more on the success of government schemes to win polls. Next month, PM Modi is likely to inaugurate a 108-foot-tall statue of the Vokkaliga community icon and founder of the Bengaluru city, Kempegowda.

3. Infrastructure push

The PM is also expected to announce other major projects in the state in the run-up to the elections, with multiple visits. One of them is likely to be the opening of a second terminal at the Kempegowda International Airport in November. The Karnataka government is also looking at opening a much-awaited section of the Bengaluru Metro between Baiyappanahalli and Whitefield — a key IT corridor — before the state polls.

4. PFI on agenda

The BJP is expected to also turn up the heat on the Congress and former chief minister Siddaramaiah, over alleged support to the Popular Front of India (PFI), which has now been banned by the Modi government for alleged involvement in terrorist activities.

During the Bharat Jodo Yatra this month, posters surfaced along its route showing Siddaramaiah, along with the slogan 'PFI Bhagya'. (Several schemes under the Siddaramaiah-led Congress government in 2013-2018 were launched under the tag of 'Bhagya'.) The posters had QR codes, which led to a website that outlined cases dropped against PFI activists by the Siddaramaiah government. Earlier, the Congress had targeted the Bommai government with 'PayCM' posters with QR codes.

While hijab was expected to feature high on the BJP's agenda, a split verdict in the Supreme Court on the issue of the Karnataka government's move to ban the wearing of hijab in government colleges has deprived the party of gloating rights over the move. The matter is to now be taken up by a bigger Bench constituted by the Chief Justice of India. Karnataka Education Minister B C Nagesh has suggested that the verdict could have been "better". <https://indianexpress.com/article/political-pulse/battle-karnataka-heats-up-bjp-jana-sankalpa-rallies-war-plan-8215209/>

SELECTED NEWS ITEMS/ARTICLES FOR READING

5. 140 million pulled out of poverty in India since 2015-16, says UNDP ([business-standard.com](https://www.business-standard.com)) October 17, 2022

India's multidimensional poverty fell by 140 million between 2015-16 and 2019-2021 compared to a decline of 275 million between 2005-06 and 2015-16, according to the latest assessment by the United Nations Development Programme (UNDP).

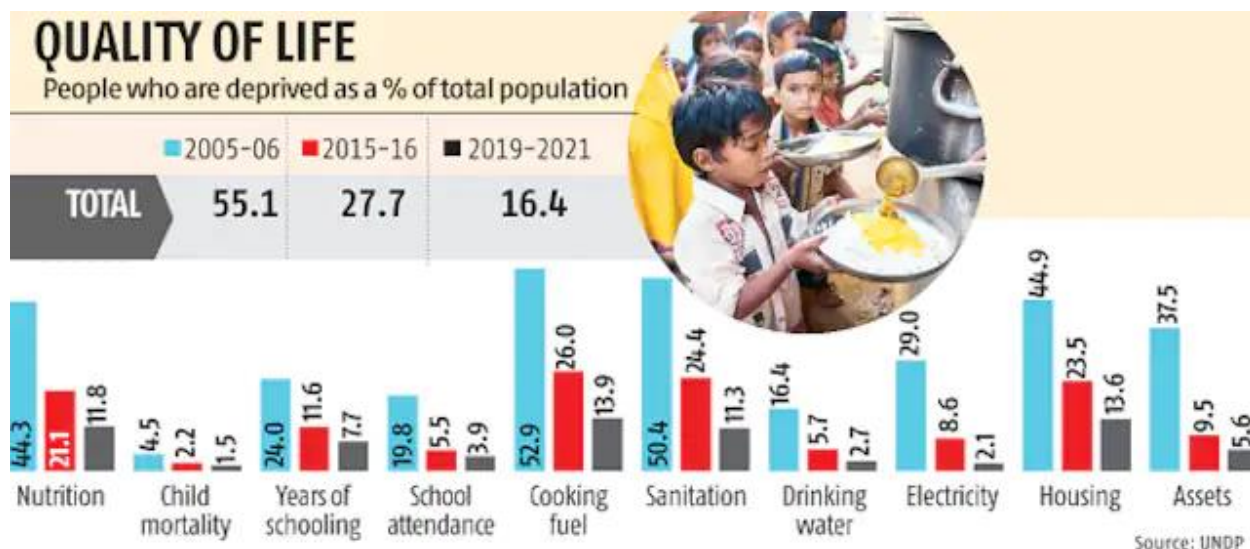
Using the latest data from the National Family Health Survey, the report said multidimensional poverty declined faster from 2015-2016 to 2019-21 at 11.9 per cent year-on-year -- coinciding with the rule of the National Democratic Alliance government -- as against an 8.1 per cent per year fall from 2005-2006 to 2015-2016, that mostly corresponds with the years of the previous United Progressive Alliance government. "This is unsurprising because relative poverty reduction is easier to achieve when starting levels of poverty are lower," the report said.

The Global Multidimensional Poverty Index (MPI), released by the UNDP and the Oxford Poverty and Human Development Initiative (OPHI), looks beyond income as a measurement of poverty to understand how people experience poverty in different aspects of their daily lives through three parameters -- health, education, and standard of living -- which are further divided into 10 indicators.

The MPI value for India fell from 0.283 in 2005-2006 to 0.122 in 2015-2016, then further to 0.069 in 2019-2021, in sync with the decline in the incidence of poverty from 55.1 per cent to 27.7 per cent to 16.4 per cent. "In roughly 15 years... the MPI value, the incidence of poverty, and deprivations among poor people in the 10 MPI indicators were each more than halved," the report added.

Still, the UNDP said despite tremendous gains made by India, the ongoing task of ending poverty for the 228.9 million poor (the largest globally) in 2019/2021 is daunting -- especially as the number has nearly certainly risen since the data were collected. The report said the effects of the Covid-19 pandemic on poverty in India cannot be fully assessed because 71 per cent of data points from the 2019-2021 NFHS for the country were collected before the pandemic.

According to recent estimates by the World Bank, around 56 million Indians might have plunged into extreme poverty in 2020 as a result of the pandemic, contributing to the 71 million increase in the global tally. To be sure, the World Bank doesn't measure multidimensional poverty and its poverty estimates are based on an income of \$2.15 per day at purchasing power parity (PPP).



The UNDP said it is clear that multiple policy actions and schemes underpin the improved results in India. “There have been visible investments in boosting access to sanitation, cooking fuel, and electricity -- indicators that have seen large improvements. A policy emphasis on universal coverage -- for example in education, nutrition, water, sanitation, employment, and housing -- likely contributed to these results,” it added.

Rural-urban disparities are stark in multidimensional poverty reduction: The percentage of people who are poor is 21.2 per cent in rural areas against 5.5 per cent in urban areas. “Rural areas account for nearly 90 per cent of poor people: 205 million of the nearly 229 million poor people live in rural areas — making them a clear priority,” the report said.

Bihar, the poorest state in 2015-2016, saw the fastest reduction in the incidence of poverty, from 77.4 per cent in 2005-2006 to 52.4 per cent in 2015-2016, to 34.7 per cent in 2019-2021. “Across states and Union Territories, the fastest reduction in relative terms was in Goa, followed by Jammu & Kashmir, Andhra Pradesh, Chhattisgarh, and Rajasthan. In relative terms, the poorest states have not caught up. Of the 10 poorest states in 2015-2016, only one (West Bengal) was not among the 10 poorest in 2019-2021. The rest— Bihar, Jharkhand, Meghalaya, Madhya Pradesh, Uttar Pradesh, Assam, Odisha, Chhattisgarh, and Rajasthan — remain among the 10 poorest,” the UNDP said. https://www.business-standard.com/article/economy-policy/140-million-people-came-out-of-poverty-in-india-since-2015-16-undp-122101701218_1.html

6. What is wrong with India’s reaction to the latest Global Hunger Index? (indianexpress.com) October 18, 2022

Criticism of Global Hunger Index misses the point. India needs to shore up efforts to address malnutrition instead of contesting survey findings

The authors of the Global Hunger Index (GHI), released on October 15, write that “the level of hunger in India is serious”. The country is ranked 107 of the 121 countries they studied. With a score of 29.1 (0 means no hunger), India is behind its South Asian

neighbours — Nepal, Bangladesh, Sri Lanka and Pakistan. Close to 20 per cent of children in the country below the age of five suffer from the most visible and life-threatening form of malnutrition — wasting, or “low weight-for-height”. About 35 per cent of such children are not as tall as they should be. These sobering factoids could have served as inputs for government programmes such as Poshan 2.0 and the Mid-Day Meal scheme. However — like last year — the Ministry of Women and Child Development not only dismissed the GHI but also questioned the intent of its authors. An official statement has described the report as part of a “consistent effort” to “taint India’s image”.

Part of the government’s critique pertains to one of the major takeaways of the GHI — the pandemic seems to have aggravated India’s malnutrition crisis. It contends that the report ignores the food security efforts undertaken during the crisis, especially the provision of 5 kg foodgrain to all beneficiaries of the National Food Security Act in addition to their regular ration. There can be little doubt about the efficacy of the PDS as a safety net during troubled times. However, as several scholars have pointed out, the nutrition deficit of the country’s children is, in large measure, a function of their poor diets. Studies have shown that even the well-off in the country do not consume adequate amounts of fruits, vegetables and non-cereal proteins. Eggs do not figure in the Mid-Day Meal schemes in a majority of states.

The government has argued that the index relied on an opinion poll. The authors of the report have clarified that the GHI draws on data reported by member countries, including India. The debate on methodology isn’t settled and such conversations could enrich the understanding of a longstanding predicament faced by the country — one that the National Family Health Surveys have long underscored. The NFHS-5, conducted just before the pandemic, showed that more than 20 per cent of children below the age of five did not weigh as much as they should. The discourse on nutrition could acquire greater nuance with more data — on household consumption of food items, for instance. But the country has not had any official estimate on per capita household spending since 2011-12 — the findings of the last survey in 2017-18 were rejected by the government on “data quality” issues. Work on filling this vacuum has, reportedly, begun. The government would be well-advised to bolster its information repositories that can help it address malnutrition effectively, and not be prickly about GHI rankings. <https://indianexpress.com/article/opinion/editorials/what-is-wrong-with-indias-reaction-to-the-latest-global-hunger-index-8214592/>

7. Institutions and Economy~II ([thestatesman.com](https://www.thestatesman.com)) NANDITA CHATTERJEE | October 17, 2022

In the last decade or so, there has been a renewed urge to implement the reform process. India has reaffirmed its policy to follow fiscal prudence, with a new time path for reducing the national fiscal deficit to 3 per cent of GDP.

The industrial policy continues to be liberal with a strengthened emphasis on “ease of doing business”. Openness in foreign trade, a liberal environment to attract FDI, opening up of new areas such as defence and raising the equity cap on insurance have been some of the marked features of the strengthened reform process.

The emphasis on Capex, surge in public investment, investments in logistics through “Gatishakti” and other infrastructure such as roads, drinking water and housing have been a hallmark of the budget of 22- 23. Another significant move has been in the area of digital IT infrastructure and in the introduction of a biometric system of Aadhar to facilitate the receipt of direct financial benefits. The introduction of the Goods and Services Tax is a major reform of the domestic indirect taxes that would enable India to have a state-of-the-art domestic indirect tax system; the Insolvency and Bankruptcy code is expected to expedite the process of debt recovery and create incentives for bankers, are the large ticket reforms pushed by a government that means business.

The inclusive intent of the Government is evidenced in the Right to Education act and in the National Digital Health Mission as well as the National Medical commission. With a willing dispensation pushing through the process of reforms and economic policy resurgence, India is truly poised to take off as one of the largest global economic players in days to come.

Against this backdrop, it would be of interest to study the alternate model of the widely acclaimed model of East Asian development, with its focus on Japan and China, and its impact on one of India’s neighbouring countries, Sri Lanka. Gao (2002), in “Economic ideology and Japanese industrial policy” observed that neither Neoclassical, Keynesian nor Marxist theories could explain Japan’s rapid development in the 1980s.

China’s development that followed is somewhat comparable in the context of structural similarities or procedural differences in China’s reforms and opening-up policy. Studies on the applicability of K Akamatsu’s “flying geese model” to explain the East Asian economic renaissance as conducted by Gill and Kharas in 2007 have found that the main differences in the Japanese model of development as compared to that of China lay in their divergent attitudes towards the market and resultant institutional arrangements, particularly with reference to capital formation, international market relations, degree of technical innovation, resource and trade dependence.

The institutional parameters that urged the Japanese paradigm were the system of private property and a market economy, the theoretical constructs of capitalism. To sustain a continuous growth of per capita income, however, long-run governmental intervention in the market was called for particularly in the need to provide the much-needed market economic stimulus. Similarly, the government’s effective role was most visible in the Chinese socialist market economic system. These admit the relevance of effective governance in the East Asian development paradigm.

The next institutional factor that stands out in the East Asian development model is the role of the bureaucracy. In Japan, a team of talented elite bureaucracy was formed to operate in a system meant to guarantee innovation and performance. The officials were responsible for identifying and selecting the industrial structural policies, formulating industrial rationalization policies and monitoring performance to ensure efficiency. Johnson (1982), in his book “MITI and the Japanese miracle: The growth of industrial policies” aptly observes that the “Japanese model of bureaucracy distinguishes the right to rule from the right to govern”. Another important institutional parameter, namely Industrial policy was set in the background of the state as a minimal system. The state, while supporting the market economy, would provide redistribution

by imposing constraints on parliamentary democracy. Such industrial policy extracts the economic effects from industrialization, the ability to coordinate production and the expansion of national productivity from industry to the economy. While Japan's industrial policy followed a strategy of technology-intensive industries, China, in comparison, followed a strategy to encourage labour-intensive industrialization.

The paradigm of Japanese development was successfully emulated by other third-world countries especially in Southeast Asia and in Latin America some of whose growth stories have even surpassed that of Japan. One such country in South Asia, Sri Lanka, soon after its independence, ranked high on economic and social indices, higher than even Taiwan and South Korea. As times and policies changed, such an advantage gradually eroded. The Sri Lankan government embarked on a halfhearted policy of economic liberalization in the late 1960s but took much longer than other Asian economies to implement import substitution policies, and fundamentally failed to change its economic performance.

Three factors intervened in a change in the economic policy orientation of the island nation, namely, criticism of the inward-looking economic policy, the impact of the East Asian development model and conditionality imposed by the World Bank and other aid agencies. In 1977, the new government came into power changing the economic strategy and a liberalized economic structure was established in the process of its integrating with the global economy. Market mechanisms started to be the key players in this country, ignoring its large agricultural sector that was earlier contributing to 20 per cent of the GDP, in overt reliance on export-led industrialization and an exaggerated emphasis on a fragile sector such as tourism.

Hence, while other countries following the East Asian developmental paradigm have escaped the development dilemma and have emerged as developed countries, Sri Lanka, despite so many decades of liberalization and open market policy continues to remain a developing economy. Yan He (2020), in his research paper "The Developmental Government and Economic Development in Sri Lanka" finds that government intervention, bureaucracy and industrial policy provide "a novel explanation for Sri Lanka's economic growth and regime change over the past fifteen years".

Yan would observe that the island nation has enough historical evidence and supportive institutional conditions for governmental interventions in its economic development and that Sri Lanka's experience between 2005 and 2019 reveals that strongman politics is indeed an effective governance model which was a key factor in driving its economic growth. Such charisma also facilitated in maintaining a stable environment for development and in creating an efficient administrative apparatus.

Nevertheless, as the following years would show us, the deficiency of this strategy is obvious, posing a crisis to the legitimacy of the very regime, ultimately losing the confidence of the electorate despite improvement in the economic performance in the preceding years. Paradoxically, the coalition government that followed, widely hailed as a victory for democracy, was unable to stay in power for more than one term.

The institutional and organizational shortcomings of the bureaucracy rendered the administration largely dysfunctional. Familial politics and nepotism put the concepts of

fairness and efficiency in question and have led to pronounced inequalities, threatening the very viability of the regime. In its purported attempts at promoting efficiency in policy implementation, the bureaucracy only succeeded in restricting reform and innovation. Sri Lanka's economic policymaking has also impeded realistic growth prospects.

Despite liberalizing the entry of FDI in infrastructure development, the industrial policy, in its over-simplified form, has failed to take off and the island nation, having failed to take advantage of its export processing zones, has continued to depend on exaggerated export-led industrialization and over-dependence on imports even for the basic necessities. Sri Lanka, unlike Japan in the 1980s, failed to reap the benefits of industrial upgrades, technological innovation, or the skilling of its human resources. Its over-dependence on imports restrained it from taking advantage of the economies of scale. The policies also failed to be inclusive and most of the islanders failed to access the benefits of the economic growth trajectory, in whatever form.

According to Yan, where effective strongman politics prevail, despite bureaucratic imbalance and oversimplified economic policies, the economy gains momentum. Where such strongman politics is absent, coupled with a weak bureaucracy and simplified policy making, economic decline is inevitable, and this is the lesson learnt from our studies in economic development in Sri Lanka. Institutions, therefore, strongly influence the economic development of countries in determining the framework in which economic exchanges occur.

An effective government, a well-formulated legal structure, an efficient bureaucracy as well as pragmatic and dynamic policy implementation are, inter alia, the important institutional factors which have enabled countries to "develop"; whereas in the absence of such institutional support, countries have been relegated to the realm of "developing", a developmental dilemma that they failed to overcome. <https://www.thestatesman.com/opinion/institutions-and-economyii-1503122303.html>

8. RBI's 2013 playbook to rebuild forex reserves unlikely to work: Report (livemint.com) October 18, 2022

India's forex reserves have tumbled about \$110 billion from a peak of \$642 billion in September last year

The Indian central bank's 2013 playbook to buffer the domestic currency against steep declines and rebuild foreign exchange reserves is unlikely to prove fruitful in the current crisis as economic fundamentals are vastly different, analysts said.

India's forex reserves have tumbled about \$110 billion from a peak of \$642 billion in September last year, and though that is largely due to the fall in the value of holdings in dollars and other currencies, another significant reason is the central bank's intervention in the currency market to protect the rupee.

The local unit fell about 11% against the U.S. dollar in 2013, a slide it has already matched so far this year, with most market participants expecting further declines by the end of 2022.

To defend the rupee, the Reserve Bank of India has dipped into its forex reserves. It has sold a net \$43.15 billion worth of dollars since the start of 2022, including \$4.25 billion this August, the latest available data released on Monday showed.

"It would be important to rebuild FX reserves for sure. There will be urgency as fundamentals are also adverse," said Madan Sabnavis, chief economist at Bank of Baroda.

The RBI, in July, announced some measures to liberalise foreign exchange inflows, including giving foreign investors access to a larger portion of government debt and banks wider room to raise more deposits from non-residents.

But these measures are unlikely to prove as effective right now as they had in 2013.

UNPROFITABLE SPREADS

Back in 2013, the RBI had offered to swap the U.S. dollars banks had raised via foreign currency non-resident (FCNR) deposits or foreign currency funding for rupees at concessional rates.

It swapped FCNR deposits, with a maturity of three years or more, at a fixed rate of 3.5% per year, which was about 3 percentage points less than market rates at the time, while it swapped foreign currency funding at 1 percentage point below market rates.

These two swap windows had brought in around \$34 billion at a crucial time, with \$26 billion via the FCNR route alone.

But these methods are unlikely to be as fruitful now.

"The FCNR deposits route might not be as effective this time around, including for reasons like a narrower US-IN rate spread and less aggressive rate hikes in this cycle versus back in 2013," said Radhika Rao, senior economist at DBS Bank.

This time around, with India's 3-year bond yields at 7.5% and U.S. yields at 4.5%, the 3% spread is unlikely to help investors make any profits on a fully hedged basis given the current hedging cost is about 6.5%-7%. Profits are unlikely even if the RBI offered a discount window, which it hasn't so far.

"On fully hedged basis, a similar level of subsidy will not be good enough. Either domestic rates have to go up tremendously or the RBI will have to increase the subsidy to make things work," said Vivek Kumar, senior economist at QuantEco Research.

IMPORT COVER

To add to the problems, India's economic fundamentals too have weakened.

The current account deficit has been widening and is expected to stay above 3% of gross domestic product for the current fiscal year, ending March 2023.

With capital flows also volatile, economists expect the balance of payments to be negative, depleting reserves further.

And while reserves at current levels are adequate to cover more than eight months of imports, analysts say a sustained depletion could cause some concern.

"A fall below eight months of import cover (about \$500 billion) could start catching the market's attention if the current account deficit stays above 3% of GDP," said QuantEco's Kumar.

"A panic situation prompting a forceful policy response could emerge if reserves touch six months of import cover, i.e., around \$380 billion."

POSSIBLE MEASURES

Analysts said while short-term fixes could provide intermittent relief, policymakers would need to continue focussing on strengthening structural macro buffers.

Bank of Baroda's Sabnavis suggested floating sovereign bonds, like the Resurgent India bonds (RIBs) India Millennium Deposit bonds (IMDs) in the past, to help boost forex reserves.

"Such measures can directly bring in dollars," he said.

Sabnavis said the rupee could weaken further towards 82-83 levels in the near-term and fall to 84 if the dollar continues to strengthen. The local unit is currently at 82.28 per dollar.

"Hard to really gauge the level, and expectations tend to be adaptive based on how RBI reacts." <https://www.livemint.com/economy/rbis-2013-playbook-to-rebuild-forex-reserves-unlikely-to-work-report-11666081937249.html>

9. Centre to infuse Rs 5,000 crore in state-run general insurers: Report ([business-standard.com](https://www.business-standard.com)) October 18, 2022

The central government will reportedly infuse Rs 5,000 crore as equity support into state-run general insurers. This comes days after the centre approved the wage revision plan for employees of general insurers. According to a report in Economic Times (ET), the wage revision is likely to cost Rs 8,000 crore to the companies.

"A fresh assessment may be done by the end of the December quarter and, accordingly, a capital allocation may be made," an official aware of the matter told ET.

This is over and above the support of Rs 5,000 crore already given to general insurers. National Insurance has been given Rs 3,700 crore, Oriental Insurance Rs 1,200 crore and United Insurance Rs 100 crore, the report added.

Only New India Assurance is profitable among all the four state-run general insurers. Oriental Insurance, National Insurance and United India are loss-making.

"A restructuring exercise is already being worked out for the general insurers. Once that is implemented, we will have a better assessment of the individual requirements of each insurer," another official told ET.

On October 14, the finance ministry notified the wage revision plan for officers and employees of state-run insurers. They will get salary arrears from August 2017. Also, the next revision will be performance-based.

Insurers have picked consultancy firm EY to advise them on the restructuring procedure.

The government has also been moving ahead with the plans to privatising one general insurer. After the General Insurance Business Amendment Act, the government can now own a 51 per cent stake in public insurers. According to reports, United India may be the first one to be divested. https://www.business-standard.com/article/companies/centre-to-infuse-rs-5-000-crore-in-state-run-general-insurers-report-122101800152_1.html

10. Army issues RFP for procurement of 363 drones (economictimes.indiatimes.com) Updated: Oct 17, 2022

The Indian Army on Monday issued initial tenders for the procurement of 363 drones to boost its logistics chain and enhance operational preparedness along the sensitive border regions, officials said. While 163 drones would be for high-altitude regions, 200 are being procured for use in medium-altitude areas, officials said.

The drones are being procured under emergency procurement through fast track procedure under Buy (Indian) category.

The initial tender or request for proposal (RFP) for buying 200 medium-altitude drones says the platforms should be capable of withstanding strong winds.

The document says each medium-altitude logistics drone should be able to carry at least 20 kgs of payload and the overall weight of each platform would be around 100 kg.

The weight of the payload for high-altitude logistics drones has been kept at not less than 15 kg.

The last date for submission of the bids is November 11 and the percentage of indigenous components should be up to 60 per cent.

If the design of the drone is indigenous, then the percentage of indigenous components could be 50 per cent, according to the documents.

Both medium-altitude and high-altitude drones would also have a range of 10 km for delivering payloads, officials said. <https://economictimes.indiatimes.com/news/defence/army-issues-rfp-for-procurement-of-363-drones/articleshow/94921125.cms>

11. India made HTT-40 to be unveiled at DefExpo 2022, deal for IAF expected soon ([financialexpress.com](https://www.financialexpress.com)) October 18, 2022

The contract for 70 basic trainers for the Indian Air Force (IAF) is expected to be finalized soon.

The indigenous Basic Trainer Aircraft (HTT-40) manufactured by state-owned Hindustan Aeronautics Limited (HAL) will be unveiled at the India Pavilion on Wednesday (Oct 19, 2022) at the DefExpo 2022.

The contract for 70 basic trainers for the Indian Air Force (IAF) is expected to be finalized soon, sources confirmed to Financial Express Online on the sidelines of the ongoing DefExpo 2022.

PM to unveil the aircraft

The special unveiling will take place when Prime Minister Narendra Modi will inaugurate the India Pavilion.

More about HTT-40

The HTT-40 for the Indian Air Force (IAF) will be powered by the TPE331-12 family of engines from Honeywell. There is an initial requirement of 70 aircraft for which negotiations are going on.

This aircraft has been built with 70 percent indigenous Indian content and has met all the specifications laid down by the Indian Air Force (IAF). This aircraft has been built with the company funds (HAL's funds) of Rs 500 crore and will be powered by the Honeywell's engines.

As has been reported earlier this aircraft is used for training fresh pilots before they are allowed to move to the more advanced Kiran, and then to the 'Hawk' Advanced Jet Trainer (AJT). After completing their training on the AJT, the trainees turn into pilots and are then posted to fighter squadrons of the IAF.

HTT-40 would also be used for basic flight training, aerobatics, instrument flying and close formation flights whereas its secondary roles would include navigation and night flying.

According to officials, this aircraft is a supreme example of cutting-edge technology which has been designed to meet primary training requirements of the Indian defence services. And is equipped with the latest avionics, an air-conditioned cabin and ejection seats.

It has unique features including running change-over of pilots, hot-refueling and short-turnaround time. And is set to be certified to international military aircraft training standards. All the tests required for certification were completed in record six years from the first flight.

Update

- All Systems tests completed
- All PSQR performances met.
- Hot weather, Sea level and Cross wind trials completed.
- Controls optimized and 10 Turn Spins demonstrated on clean aircraft.
- User assisted technical trials completed.
- Aircraft demonstrated for rain water resistance.
- All systems certified to PSQR and FAR 23
- Received Provisional Clearance for Airworthiness of the aircraft from CEMILAC. <https://www.financialexpress.com/defence/india-made-htt-40-to-be-unveiled-at-defexpo-2022-deal-for-iaf-expected-soon/2717959/>

12. Centre will now define minimum work requirement under MGNREGA: Report ([business-standard.com](https://www.business-standard.com)) October 18, 2022

The central government will now define the minimum quantum of work required to earn a day's wages under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA), as reported by the Economic Times (ET). It was earlier decided by the state government.

The Centre may look to make changes under Section 27(1) of the MGNREGA Act. It states, "The Central Government may give such directions as it may consider necessary to the state government for the effective implementation of the provisions of this Act."

"This section gives the power to the ministry to give directions for effective implementation of the Act. The new definition of minimum work will be issued under this," an official told ET.

Currently, the minimum work requirements vary across states. According to the report, Haryana defines the minimum work required to earn a day's wages as 84 cubic feet per labour per man day. In Himachal Pradesh, it is 27 cubic feet. In Tamil Nadu, the requirement is 33.9 cubic feet.

The step is being taken by the Centre to reduce the "aberrations". This is also being done due to the increasing burden of the scheme. By the end of the second quarter of the year, the ministry generally exhausts two-thirds of its total budgetary allocation.

"There are many parameters to define a day's minimum work. There are multiple aberrations under varied parameters. The exercise has been initiated so that the aberrations are reasonable and within a limit," ET quoted an official aware of the matter as saying.

MGNREGA guarantees 100 days of employment to one member of a rural household. The scheme is funded by the central government, but the state government defines the eligibility. https://www.business-standard.com/article/economy-policy/centre-will-now-define-minimum-work-requirement-under-mgnrega-report-122101800184_1.html

13. India needs dedicated wing to release Green GDP estimates, says RBI article ([business-standard.com](https://www.business-standard.com)) Oct 17, 2022

India needs to set up a dedicated wing in the environment ministry to release estimates of Green GDP periodically on a regular basis and create a user-friendly data dissemination platform

India needs to set up a dedicated wing in the environment ministry to release estimates of Green GDP periodically on a regular basis and create a user-friendly data dissemination platform, said an RBI article.

Green GDP takes into account estimates for environmental degradation, depletion of natural resources, and savings of resources and environment into the national income accounts.

"Given the paucity of relevant data, estimation of Green GDP for India in this paper relies on an available global database and provides the starting point for future research in this area of environmental and economic accounting," the article said.

The trajectory of Green GDP for India displays an upward movement with visible improvements particularly, since 2012, it added.

The central bank said that the views expressed in the article are those of the authors and do not represent the views of the Reserve Bank of India.

"Furthermore, resource depletion, CO2 emission and material footprint, especially in the case of biomass and nonmetallic minerals, are showing signs of considerable improvements which further support our findings," said the article.

The authors further said the unavailability of data related to environmental indicators in the case of India is posing a major challenge for engaging in research work in the area and though India has a dedicated Open Government Data (OGD) platform for data dissemination¹⁸, but it needs revamping to smoothen its use.

The article stressed that a dedicated in house group in the Ministry of Environment, Forest and Climate Change may be formed for providing time-series database required for estimation of Green GDP and release estimates of Green GDP for India periodically on a regular basis.

There is also a need for a user-friendly data dissemination platform on the lines of the OECD and the Eurostat, it added.

"Despite the recent initiatives and achievements, a lot remains to be done at the ground level going ahead," it said.

Better coordination of the flow of power between the state-owned power distribution companies, and the rollout of nationwide charging infrastructure for electric vehicles (EVs) to name a few, it said.

There is an increasing need for the financial system to move towards green financing, keeping in mind the social and development objectives of India.

The article has been published in the RBI's October bulletin. https://www.business-standard.com/article/economy-policy/india-needs-dedicated-wing-to-release-green-gdp-estimates-says-rbi-article-122101701045_1.html

14. India's renewable energy sector powering Aatmanirbhar Bharat: Report ([livemint.com](https://www.livemint.com)) Oct 17, 2022

As India looks to become a net-zero economy by 2070, the country's renewable sector can have an economic impact of over US\$1 trillion by 2030 and US\$15 trillion by 2070, the CII-Mercom report said

New Delhi: India's renewable energy capacity has more than doubled in the last five years, with solar energy expanding almost five times, CII-Mercom said in a report.

The report titled 'Pathways for Global Partnership in Green Energy: Powering India and the World' was released by power minister RK Singh at the Aatmanirbhar Bharat: 3rd Edition of International Conference and Exhibition on Monday.

"Renewable energy sources accounted for about 90.4% of new power capacity additions in the first half of 2022, with the share of solar energy standing at a whopping 77.9%. As India looks to become a net-zero economy by 2070, the country's renewable sector can have an economic impact of over US\$1 trillion by 2030 and US\$15 trillion by 2070," the report said.

The Central Electricity Authority (CEA) has estimated that by 2029-30, the share of renewable energy generation will increase from 18% to 44%, while thermal power could reduce from 78% to 52%.

"The Government of India has propelled renewable energy manufacturing through various policies, such as the PLI for solar PV modules and advanced cell chemistry (ACC) energy storage systems. Special Economic Zones (SEZs) have been incentivized to develop manufacturing clusters for efficient production," the report highlights.

The Ministry of New & Renewable Energy (MNRE) has introduced the Renewable Energy Research and Technology Development Programme (RE-RTD) to promote indigenous technology development for the widespread deployment of new and renewable energy efficiently and cost-effectively. "The Ministry of Power (MoP) and MNRE have also issued an expression of interest from state governments and special purpose vehicles (SPVs) to set up manufacturing zones for power and renewable energy equipment," the report said.

“The PLI programme for Automobile and Auto Components, the PLI for ACC, and the Faster Adoption and Manufacturing of Electric Vehicles (FAME) programme is expected to enable India to leapfrog to environmentally cleaner, sustainable, advanced, and more efficient Electric Vehicles (EVs) and blended-fuel based systems”, said Chandrajit Banerjee, Director General, CII.

The central and state governments are encouraging the adoption of renewable energy sources. Several states have dedicated industry policies to develop RE systems manufacturing capacities, among others. There are ten states that make up 90% of the RE installations in the country as per the analysis presented in the report. Amongst the top ten states, solar has been the dominant source in Rajasthan, Karnataka, and Telangana. Wind is the predominant energy source in Gujarat, Tamil Nadu, Maharashtra, and Andhra Pradesh.

“States such as Rajasthan and Jharkhand have developed dedicated solar PV and wind energy policies that incentivize the installation and manufacturing of those technologies in the respective states. Some states also have dedicated Electronic System Design and Manufacturing (ESDM) policies that offer an ecosystem supporting various incentives/concessions to ESDM companies in those states,” the report highlights. <https://www.livemint.com/news/india/indias-renewable-energy-sector-powering-aatmanirbhar-bharat-report-11666000946650.html>

15. Is ‘Freebie’ Culture Hampering Democracy? ([newslick.in](https://www.newslick.in)) 17 Oct 2022

In July 2022, Prime Minister Narendra Modi criticised the concept of ‘revdi culture’ and accused the political parties of harnessing votes by offering freebies to the voters. Many discussions and debates have happened around the term since, following which a Public Interest Litigation was filed in the Supreme Court. The then Chief Justice NV Ramana opined that freebies did not guarantee the win of any political party and that voters would choose dignified earnings rather than freebies if given a choice.

The Union government and the leaders of the ruling Bharatiya Janata Party (BJP) continue to criticise Opposition parties for trying to lure voters with freebie offers. But contradictions that the party has found itself in have raised confusion and questions from various corners.

A closer look at the general election manifestos by the BJP-led National Democratic Alliance since 1999 prior to the general elections shows that BJP never shied away from promising subsidies and income transfer – be it for maternity care or old age pension. There are tax exemptions, interest-free loans, and special economic packages aimed at young entrepreneurs and women, irrespective of their caste or class.

The most recent general election manifesto, released in 2019, offers financial support under Pradhan Mantri Kisan Samman Nidhi Yojana to be extended to all farmers, a pension scheme for small and marginal farmers, and interest-free Kisan Credit Card loans. It also offers collateral-free credit up to Rs 50 lakh for entrepreneurs, with the government guaranteeing up to 50% of the loan amount for female entrepreneurs and up to 25% for male entrepreneurs. Subsidised foodgrains will have sugar at Rs

13/kg/family every month, and a pension scheme was to be introduced to cover all small shopkeepers. While these are only a few of the many offers in the manifesto, why the party has taken a U-turn in three years in the case of election offers is a puzzle.

"The issue of freebies is raised by the Prime Minister of a government that has been very liberal with distributing freebies," said Yashwant Sinha, who served as the Finance Minister in Atal Bihari Vajpayee's NDA government.

While the discussions on freebies were young and happening, the government extended the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY), which provides 5 kg wheat or rice per person free of cost to 80 crore of the poor every month for another three months. Critics are of the opinion that this move was eyed at the state elections coming up in Gujarat and Himachal Pradesh. If that is the case, attacking Opposition parties regarding their promises in their election manifestos while using the power of the government to provide aid and enact pro-people policies screams at the double standard and blatant misuse of power by the government.

One should not forget that the state and local body elections in non-BJP-ruled states in recent years have seen BJP wrongfully claiming that the welfare policies initiated by several states were originally policies of the union government.

In a conversation with the NewsClick, former Rajya Sabha MP and Congress leader Rajeev Gowda said: "In the Bihar elections, the first thing that Nirmala Sitharaman (finance minister) did was announce free vaccines for the people of Bihar. This is the standard double talk that BJP does."

The whole idea -- that the Union government is the custodian and controller of all policies by the states is a myth in a federalist State -- has been questioned by various Opposition and regional parties.

The Power of Manifestos

Releasing manifestos prior to elections is a general practice in a multi-party democracy. It serves as a concept note on the way each party envisions the growth of the region if elected to power. It is only logical to have various parties state the developmental and welfare policies they will implement once they are elected. It can also be used to hold the government accountable in case the promises aren't fulfilled. Holding them accountable by way of elections in the following term is a beautiful practice that democracy, in its truer sense, offers.

Political parties getting votes by way of promises is arguably the right way in a democracy. Why would anyone vote for a particular party if not to make her life better? Why do we think that people voting for parties that offer the most is a wrong practice? When it works the same for all service providers, why should the government be any different? Furthermore, a manifesto has details regarding not just welfare but the general functioning of the potential government with regard to national security, economy, legislature, and so on. Focusing on freebies alone highlights the desperation of the people.

Feminist activist Kavita Krishnan stated that the word 'freebie' in itself was insulting to the people.

"Citizens are entitled to various services and facilities – be it food or transportation or toilets. That's not to be seen as receiving from the government, nor as a freebie. The government owes you these. They're not paying it from personal funds, but from taxes that even the poorest person pays even when she buys a bar of soap," she said.

Real freebies, according to her, were those that were called incentives given to corporates in the form of tax waivers and cheap loans.

Blaming Opposition parties for trying to "woo" voters with freebies has several issues. First, voters are denied agency and autonomy in their voting decision. Political parties and leaders take a high ground when claiming that people vote for freebies alone. The rational decision-making ability of a voter is questioned here by a patronising person or people in power. It establishes a hierarchy that claims that the people with the means and resources know better to decide for themselves, while the ones at the lower end of the economic and social strata are incapable of knowing what's better for them or deciding what is better for the common good.

Second, criticism against freebies, or rather welfare policies, isn't new in political and social discourse. Even popular film industries have movies that have "super-human" heroes transforming the existing "filthy politics" for the better, blaming people who vote for freebies as the creators of corrupt politicians.

The general notion among the middle class and above regarding the poor benefitting from freebies destroying the sanctity of democracy stems from nothing but a privilege. Even the term "freebie" reflects this notion. The idea that social and economic hierarchy existing in society shall never be destroyed could be a reason for these privileged lamenting.

Third, the opposers often see only benefits to the poor as 'freebies'. Tax exemptions, tax holidays, corporate favouritism, and writing off bad loans are often considered necessary supply-side interventions for the economy's growth. The richest man in the country became the second richest man in the world briefly while the entire nation is struggling to come out of the pandemic-induced wreck in the economy. Reports suggest that India added five billionaires every month in 2020-21, while poverty doubled. The reason is nothing but the significant aid that the rich corporates in the country get from the government, and they are seldom called freebies.

The question of freebies arises only when the poor are the beneficiaries. But why do the poor need freebies in the first place? Often forgotten in the debate are the structural issues that force people to wait for "benefits" from the government when in reality dignified life is their constitutional right.

Freebies Versus Welfare

Does there exist a thin line between 'freebies' and welfare schemes? Discussions on freebies have often featured opinions that state that productive welfare schemes are

okay while certain freebies are irrational. It seems like this imaginary line that exists between freebies and welfare is quite subjective.

Renowned economist Arun Kumar has a clear distinction for freebies. According to him, freebies benefit the individual, while welfare schemes have a larger positive externality on society.

"Freebie is when something is given without a consequence for the public. Welfare measure is when you expect a wider connotation. They are things that lead to better outcomes for the public," he says.

Sinha has a different opinion on the matter. While speaking to NewsClick, he made a distinction between subsidised commodities and those that were given free. He supposes that the former is acceptable as a welfare measurement while the latter, especially in the case of luxury items, is a freebie and has to be avoided.

On the other side, economist and former finance minister of Kerala, Thomas Isaac, believes that there's no way in which we can distinguish between the two.

"It is a subjective assessment, and objective criteria cannot be found for it," commented Isaac.

Several studies have found that the mid-day meal scheme, originally introduced by Tamil Nadu in the 1960s, greatly increased the enrolment of children in school. The success of the programme resulted in the government introducing it nationwide. But a less often talked about the scheme is that of providing cycles to girl students that were adopted by several states. Studies have shown that giving cycles to girl students increased their enrolment rate in secondary school education and helped in reducing the gender gap. The point to be focused on here is the context and need of the item being offered.

Cycles do not feature in the basket of necessities for households, let alone girls, in our country, yet it is a fact that girls still often drop out of school after primary education. Of the several reasons for this, the location of high school or higher secondary school being far from their villages, lack of public transportation, fear of being attacked or abused, and inherent patriarchy all add up to the reasons for girls being denied education. Unlike monetary incentives, cycles not only acted as a direct incentive but also enhanced the mobility of rural girls, who were often expected to remain indoors once they reached puberty. With cycles came mobility that was until then denied to girls, giving them the opportunity to get educated and move around not only in their villages but also up the socio-economic ladder.

Similarly, free or subsidised ration does have the direct impact of helping people out of prolonged hunger and starvation. But there exists a spill-over effect for subsidised ration. With the money saved on foodgrains, the added purchasing power that the people have could be used for better education or health, especially at a time when health expenditure and health concerns are on the rise. It also helps in taming food inflation and thereby helps the economy remain stable.

What qualifies to be a welfare policy and what qualifies to be a freebie can only be determined by analysing their impact on the lives of beneficiaries. If the general welfare of the people has increased, there's no reason for terming them freebies and trying to put a stop to them. The definition of poverty has travelled a long way from lack of basic sustenance to the inability to live a dignified life which also includes capability enhancement and the freedom to exercise them. When general consensus is building on this idea of development, how can any measure by the government that enriches the capability of the people and helps them live a dignified life be termed an unwanted or unproductive freebie?

Fiscal Concerns

The major opposition against the freebie culture is the pressure it adds to government spending and widens public debt. The fiscal deficit of the country has been increasing lately. The concern about fiscal deficit and increasing public debt is not to be overlooked.

Freebies come under revenue expenditure. As the Fiscal Responsibility and Budget Management (FRBM) Act requires states to eliminate revenue deficit, states have limited resources to spend on revenue expenditure, whereby those available for freebies will be restricted.

The Opposition has criticised the Union government for breaching the FRBM norms, while the state governments have mostly followed the fiscal discipline demanded. Isaac writes, "...during the period 2010-11 to 2016-17, the average fiscal deficit of the states to GDP was only 2.48% while that of the central government was 3.16%. In 2017-18, the Centre's fiscal deficit-to-GDP ratio – even after window dressing by including GST cess, States' share in IGST as Centre's revenue and by forcing cash-surplus ONGC to foot the bill of disinvestment of HPCL Ltd., taking disinvestment proceeds to Rs 91,257 crore – was at 3.5% of GDP."

He adds that it is the Centre that has been fiscally imprudent and contradictory in its own policies. This again highlights the undue advantage of the party in power at the Centre while stricter restrictions are being imposed on state governments.

Revenue expenditure does not create capital assets that guarantee income in the future. However, spending money on welfare policies, especially when trying to recover from a pandemic-induced recession, is not a cause to complain. What requires concern is not the amount being spent on welfare but the crores spent on vanity projects, statues, temples, and pilgrimages. While one can always argue with the probable revenue that it may raise by ways of tourism, the necessity and productivity arguments that feature in freebie debates not entering into these expenses are puzzling.

"Fiscal prudence ultimately depends on revenue raising also. In 2019, Rs 1.6 lakh crore concession was given to the corporate sector. If you raise more resources, you can allot much more to welfare measures. Our direct tax collection is only 6% of the GDP, which is one of the lowest in the world. If the Centre could raise more, say, through a wealth tax, we would have more to spend on welfare. Even a wealth tax of

1% on stock market capitalisation alone will give Rs 2.5 lakh crore," said Kumar in a conversation with NewsClick.

In March 2020, the Union government launched the Production Linked Incentive (PLI) scheme to boost the electronic manufacturing sector of the country. Under the scheme, subsidies as high as 50% were offered primarily to manufacturers of electronic goods ranging from nanochips to drones and were later extended to fourteen sectors, including automobiles, steel, and pharmaceuticals. Oligarchs benefited considerably through the scheme, and in fact, it helped them grow their wealth manifold. While crores of rupees are subsidised for the richest in incentive schemes, welfare policies for the basic sustenance of the poor are under the scanner.

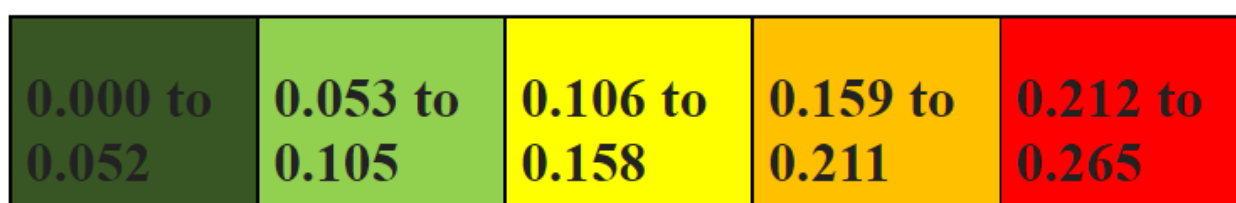
Money being spent on the development of people is never a bad investment. Human development ought to be the ultimate aim of any government. While neoliberal governments are in favour of spending borrowed money for capital investments hoping for a questionable trickle-down impact, the pandemic showed us the importance of higher direct spending on education, health, and social infrastructure of the country.

It is ironic that a party that allegedly has been freely engaging in horse trading post-elections is now complaining about voters being lured by promises of freebies. The blatant misuse of power and resources in trading democratically elected members of legislatures affects the sanctity of democratic elections more than the offers of better lives and livelihoods for the people.

Structural Issues

The recent hullabaloo on freebies by the party that has been in power for eight years can only be seen as an attempt to cover the incapability of the government to address structural issues. Indian measures of poverty estimates are under much scrutiny and criticism. According to the 2011 data, more than a fifth of the population is in absolute poverty. The report on the Multidimensional Poverty Index recently released by the NITI Aayog, which takes into account the people's education, health, and standard of living, gives a vivid idea of poverty.

Multidimensional Poverty Index



Sourced from Multidimensional Poverty Index Baseline Report, NITI Aayog, 2021

A closer look at the indicator-wise contributors to MPI gives a clearer picture of poverty beyond income measures. The debate on whether or not freebies are required or what constitutes a freebie cannot easily be concluded.

According to The State of Inequality in India Report released by the Government of India, a monthly salary of Rs 25,000 is among the top 10% of incomes earned. This

points toward the alarming level of inequality that exists in our country. As mentioned earlier, the denial of what may seem to the privileged as an unwanted and unproductive investment may be a source of lessened productivity and poorer living standard for many others.

A recent study by Azim Premji University and the National Consortium of Civil Society Organisations on NREGA and Collaborative Research and Dissemination has shown that nearly 80% of the income loss of the people during the pandemic was abridged by MGNREGA. The Mahatma Gandhi National Rural Employment Guarantee Act was a poll promise by the Congress-led United Progressive Alliance in 2004 to eradicate unemployment and in recognition of people's right to work. This scheme has brought significant visible changes in people's lives, and the agency has now termed it a freebie. While the possibility of the BJP government ending the programme is speculated in various circles, people are demanding more work days, especially at a time of increasing unemployment.

Likewise, almost all welfare schemes that have impacted the lives of millions of people and their future generations, be it free or subsidised ration, housing, drinking water, employment, education, insurance, and so on, were, in fact, poll promises made in the manifestos released prior to various elections by various political parties at the central and state levels. Tagging welfare schemes as freebies may ultimately put an end to the livelihood of millions of people who are on the verge of subsistence and survival.

"We can see from the BJP government's track record that they have been unable to manage inflation, unemployment, and growth – the very things that people need. They have only managed to promote Hindu-Muslim divisions and attacks on minorities. They are a disaster when it comes to the economy," said Gowda.

Poverty is not a choice. People are poor because of the structural flaws that exist in society and the economy. The primary objective of any government should be the welfare of its people. The neoliberal idea that tries to keep state intervention away from the market will only worsen the situation of the common people.

"People should not come to the belief that nobody cares for them, that they should take arms and join the Naxals," remarked Gowda.

The whole debate on 'freebie' culture conveniently forgets the structural issues that make us assume that people vote for the party that offers the most. In fact, in a democracy, the choice of people, whatever they are based on, is the ultimate. And it is the duty of the government to offer a decent standard of living, a dignified one, to its people. Electing the party that offers them the most is a rightful choice offered in a true democracy. <https://www.newsclick.in/Is-Freebie-Culture-Hampering-Democracy>